Jadestone Energy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the year ended December 31, 2018

and the nine months ended December 31, 2017

The following management's discussion and analysis ("MD&A") of the operational and financial results and position of Jadestone Energy Inc. (the "Company", or "Jadestone") is prepared as at April 18, 2019, and should be read in conjunction with the Company's audited financial statements (the "Financial Statements") as at, and for the year ended December 31, 2018, and the nine months ended December 31, 2017.

The Financial Statements for the year ended December 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$").

During the year 2017, the Company changed its financial year end from March 31, to December 31, 2017. The comparative information is for the nine months December 31, 2017, while the current reporting period is the calendar year 2018.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements which are based on management assumptions taking into account all known risks, uncertainties and any other factors which could cause the actual results, performance and achievements to be materially different. Management considers these assumptions to be reasonable but they may prove to be incorrect, so readers are cautioned not to place reliance on these forward-looking statements.

CORPORATE OVERVIEW & STRATEGY

Jadestone is an upstream oil and gas company incorporated in Canada. The Company's ordinary shares are listed on the TSX Ventures Exchange ("TSX-V") and on August 8, 2018 the Company listed on AIM, a market by the London Stock Exchange. Pursuant to the listing on AIM, the Company issued 239,711,474 new ordinary shares, raising gross proceeds of approximately £83.9 million at a price of 35 pence per share. The Company trades on both markets under the symbol "JSE".

The Company and its subsidiaries (the "Group") are engaged in production, development, and exploration and appraisal activities in Australia, Vietnam and the Philippines. The Company's current producing assets are in the Carnarvon and Vulcan basins, offshore Western Australia.

On August 2, 2018, the Group entered into a reserve based lending ("RBL") agreement to borrow US$120.0 million, repayable quarterly over the period to and including March 31, 2021. The Group drew down the full facility of US$120.0 million on September, 28, 2018, as part of the funding for the acquisition of the Montara assets. The Company has made the two principal repayments to date: US$16.9 million on December 31, 2018, and US$14.9 million March 31, 2019, for a total of US$31.8 million.

As part of the financing arrangements for Montara Assets, the Group entered into a hedging facility to hedge approximately 50% of its planned production over the period October 1, 2018 through September 30, 2020. The weighted average swap price under the capped swap is US$71.72/bbl referenced to Dated Brent. Call options have been purchased for approximately two thirds of the hedged barrels at Dated Brent strike prices of US$80/bbl for the nine months to September 30, 2019 and US$85/bbl for the twelve months to September 30, 2020.

On September 28, 2018, the Group acquired the Montara Assets, located in shallow water offshore Australia, from PTTEP Australasia (Ashmore Cartier) Pty Ltd ("PTTEP Australia"). Following completion, the Group obtained control and 100% legal ownership in the Montara Assets, apart from interest in the associated licenses which remains subject to regulatory approval. PTTEP Australia was contracted to continue to operate the field under an operator and transitional service agreement until regulatory approvals are finalised. Management anticipate that this will occur in the second quarter of 2019. The Group acquired the Montara Assets on September 28, 2018 and paid cash consideration of US$133.1 million. The balance was subsequently adjusted for deferred contingent consideration, prepaid assets for future cash calls and working capital adjustments.

On August 1, 2018, the Company and Tyrus Capital Event S.à r.l. conditionally agreed, upon admission of the

Company's shares to AIM, that the Company would redeem the convertible bond facility by paying US$17.4 million to Tyrus and all associated security would be released. At June 2018, the balance on the bond was drawn to US$15.0 million. Repayment subsequently occurred on August 15, 2018, and all associated security was released.

The Stag Oilfield, which is in block WA-15-L, is located 60km offshore Western Australia in a water depth of approximately 47 meters. As at December 31, 2018 the field contained total proved plus probable reserves of 16.2 million barrels of oil (100% net to Jadestone).

The Montara project is located in production licenses AC/L7 and AC/L8 in the Timor Sea, in a water depth of approximately 77 meters. The Montara Assets, comprising the three separate fields being Montara, Skua and Swift/Swallow, are produced through a centralized FPSO. As at December 31, 2018, the Montara Assets had proven plus probable reserves of 26.6 million barrels of oil (100% net to Jadestone).

The Ogan Komering production sharing contract ("PSC"), onshore South Sumatra, Indonesia, expired on February 28, 2018 and a temporary cooperation contract was entered into, continuing the PSC terms pending the issue of the new PSC, which occurred on May 20, 2018, at which time Jadestone ceased to hold an interest in the PSC. Jadestone, as the prior partner in the PSC with Pertamina, has been directed by SKK Migas (the Indonesian Regulator) to proceed with direct negotiations with Pertamina for participation in the new PSC. Jadestone is progressing its participation discussions with Pertamina. In parallel, Pertamina is working with the Attorney General's office and other related Government of Indonesia officials to ensure the process of upstream divestiture meets governance requirements.

As a consequence, the process of reaching a binding agreement with Pertamina on Ogan Komering is now expected to be finalized later in Q3 2019. However, until definitive documentation is entered into, there can be no assurance that Jadestone will be successful in its negotiations for participation in the PSC, or the terms on which such participation may be available to Jadestone.

Jadestone's Southeast Asian ("SEA") portfolio includes discovered resources in three gas fields in Vietnam and two gas fields in the Philippines, as part of a legacy portfolio of exploration assets. The discoveries contain gross 2C contingent resources of 177.5 million barrels of oil equivalent (consisting of 966.4 billion standard cubic feet of gas and 16.4 million barrels of associated liquids).

The current SEA exploration and pre-development asset portfolio comprises approximately 4.6 million acres of awarded acreage and consists of two service contracts ("SC") in the Philippines (SC56 and SC57) and two PSCs in Vietnam (Block 51 and Block 46/07). The Company is progressing the commercialization of the Nam Du and U Minh discoveries, or 30.2 million barrels of oil equivalent 2C contingent resource, in Southwest Vietnam to development sanction later this year.

On August 9, 2016, Mitra Energy (Vietnam 05-1) Pte Ltd, a wholly-owned subsidiary of the Company, as buyer, 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 by Vietnam Oil and Gas ("PVN"), of PVN's 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 through legal action.

Jadestone continues to evaluate acquisition growth opportunities in its core target basin areas within the Asia Pacific region, in line with its strategy.

The Company's head office is located at 3 Anson Road, #13-01 Springleaf Tower, Singapore 079909. The registered office of the Company is 10th Floor, 595 Howe Street Vancouver, British Columbia V6C 2T5 Canada.

OPERATIONAL ACTIVITIES

Producing assets

Australia

Stag Oilfield

Production for the 2018 year, averaged 2,799 bbls/d, compared to 2,810 bbls/d average for the nine-month period ended December 31, 2017. The slight decline is predominately due to well performance between the periods.

During the three-month period ended December 31, 2018 production was 2,644 bbls/d, compared to fourth quarter 2017 production of 3,009 bbls/d, due to Stag 36H and 37H production wells being down during a portion of the quarter. Stag 36H was repaired in the period, while 37H requires further integrity repairs scheduled for after completion of the Stag 49H development well. Drilling operations of the 49H development well commenced mid-March 2019.

There was a total of five liftings in 2018, resulting in total sales of 1,031,763 bbls, compared to the nine-month period ended December 31, 2017 of four liftings and total sales of 740,493 bbls.

Montara Assets

Effective date and acquisition date

On September 28, 2018, Jadestone Energy (Eagle) Ltd, a wholly owned subsidiary of the Company, closed the acquisition of the Montara Assets, obtaining control and 100% legal ownership from PTTEP Australia, apart from interest in the associated licenses which remains subject to regulatory approval. On September 28, 2018, Jadestone submitted an application for the transfer of 99% legal ownership rights and interests in the associated licenses, to the Australian Regulator. The remaining 1% of the associated licenses will be transferred with operatorship, after government approval, which the Company anticipates to occur by the end of June 2019.

The transaction had an effective date of January 1, 2018, at which point the economic benefits of owning Montara passed to Jadestone. The Company gained control of Montara at the date of completion, being September 28, 2018 (the acquisition date). It was at this point that the Group became able to control the key operating decisions relating to the Montara Assets. Therefore, for the purpose of calculating the purchase price allocation, management has determined the fair value adjustments using the balance sheet of Montara as at the completion date of September 28, 2018.

Business acquisition

Management has concluded that the acquisition of the Montara assets is that of a business, as defined in *IFRS 3 Business Combinations*. The Montara assets transaction contains inputs, processes being the workforce's ability to utilize the assets for extraction, and outputs via oil production. Accordingly, the transaction will be accounted for as a business combination.

Therefore, the Group applied the acquisition method of accounting as at the acquisition date, performing a purchase price allocation exercise to identity, and measure at fair value, the assets acquired and liabilities assumed in the business combination. The consideration transferred has also been measured at fair value. The Group has adopted the definition of fair value under *IFRS 13 Fair Value Measurement*, to determine the fair values.

Fair value of consideration transferred

The initial consideration was a cash payment of US$133.1 million, which has subsequently revised to US$127.9 million.

Fair value of purchase consideration	**USD'000**
Asset purchase price	195,000
Crude inventory value	6,657
Capital charge	6,982
Net income adjustment	(75,547)
Cash payment on acquisition date	**133,092**
Deferred contingent consideration	15,805
PTTEP adjustment – prepaid assets for future cash calls	(22,000)
Working capital adjustment	997
Total	**127,894**

As at September 28, 2018, the initial consideration paid was US$133.1 million. This was subsequently revised due to the PTTEP adjustment/prepaid cash calls of US$22.0 million, associated with the shut down from November 1, 2018 until January 11, 2019, to address the maintenance and inspection backlog. As at December 31, 2018 the provisional purchase price allocation for the Montara assets is US$127.9 million. In accordance with *IFRS 3 Business Combinations*, the fair value of the consideration may be further refined during the 12 months after the date of acquisition.

In addition, there are potential deferred contingent payments that are payable, depending on the outcome of a number of trigger events. The Group has reviewed all contingent payments and recorded an amount of US$15.8 million, at fair value, for the following two contingent events:

- Annual average Brent crude price exceeding US$80/bbl in 2019: US$20.0 million; and
- Annual average Brent crude price exceeding US$80/bbl in 2020: US$10.0 million

Management has assessed the fair value of the above deferred contingent consideration using a Monte Carlo option simulation model, which considered inputs such as the spot Brent oil price at the completion date, the risk-free rate, volatility of oil prices, and the length of time the contingent payment will apply. This derives the fair value of the contingent consideration of US$10.8 million and US$5.0 million for the 2019 and 2020 deferred payments respectively, totaling US$15.8 million. This value has subsequently been revised to US$3.7 million as at December 31, 2018 as the future expected Brent crude price over the forecast period has declined. The gain of US$12.1 million has been recorded under 'other financial gains' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The unplanned shutdown that occurred at Montara between November 1, 2018 to January 11, 2019 resulted in a loss of production and revenue and additional expense to rectify the maintenance and inspection backlog. As a result, on January 7, 2019, PTTEP Australia and the Group agreed that PTTEP Australia would fund cash calls capped at US$22.0 million. Management believes that the shutdown was a result of facts and circumstances that existed as at the acquisition date, and thus the US$22.0 million has been adjusted against the consideration transferred for the Montara Assets.

Assets acquired and liabilities assumed at the date of acquisition

The fair value assessment of the Montara identifiable assets and liabilities, acquired as at the date of acquisition, have been reviewed in accordance with *IFRS 3 Business Combinations*.

The provisional fair value of the identifiable assets and liabilities of Montara as at the acquisition date was (refer overleaf):

	USD'000
Asset	
Non-current assets	
Oil & gas properties	353,806
Current assets	
Inventory – oil	17,195
Inventory – materials	18,178
Prepayments	4,917
Total assets	**394,096**
Liabilities	
Current liabilities	
Trade and other payables	(4,314)
Non-current liabilities	
Provision for asset restoration obligations	(183,020)
Deferred tax liabilities	(78,437)
Other provisions	(431)
Total liabilities	**(266,202)**
Net identifiable assets acquired	**127,894**

The fair values disclosed are provisional as at December 31, 2018, due to the complexity of the acquisition and the proximity to the end of the year. As a result, the final fair values and associated calculations, which includes tax effects, may differ, from this provision determination. Pursuant to *IFRS 3*, the review of the fair value of the assets and liabilities acquired, will be completed within 12 months of the acquisition, at the latest.

Impact of acquisitions on the results of the Group

Included in the loss for the year is a loss after tax of US$4.2 million, and revenue of US$31.2 million, that is attributable to Montara.

Acquisition-related costs amounting to US$1.8 million have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other expenses' line item, in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Had the business combination been effected at January 1, 2018, and based on the performance of the business during 2018 under PPTEP Australia's operatorship, the Group would have generated revenues of US$257.2 million and an estimated net loss after tax of US$4.8 million.

Indonesia

Ogan Komering PSC

The Ogan Komering PSC expired on February 28, 2018, and a temporary cooperation contract was entered into, continuing the PSC terms, pending the issue of the new PSC. The new PSC was issued to Pertamina on May 20, 2018, at which point Jadestone no longer held an interest in the PSC.

The Company's interest in production for the Ogan Komering PSC, for the year ended December 31, 2018, is as follows:

- The average production for the year is 548 boe/d based on 139 days of production from January 1, 2018 until PSC expiry on 19 May 2018, averaged over the full year. Average production in 2017 was 1,427 boe/d for the comparative period; and
- There was no production in the quarter ended December 31, 2018, compared to 1,358 boe/d in the same period of 2017.

Exploration, appraisal and pre-development assets

Vietnam

Block 51 PSC and Block 46/07 PSC

Jadestone holds a 100% operated working interest in the Block 51 PSC and the Block 46/07 PSC, both in the shallow water Malay-Tho Chu Basin, offshore southwest Vietnam. The Company has made three gas/condensate discoveries: the U Minh and Tho Chu fields in Block 51, and the Nam Du gas field in Block 46/07.

Prior to May 1, 2017, both 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 working interests in both blocks, leaving Jadestone as operator with a 100% working interest. The process for amending the investment licenses for the Block 51 PSC and Block 46/07 PSC, following PVEP's withdrawal, is continuing.

Jadestone's priority is to develop the Nam Du and U Minh fields with a view to selling gas into the Vietnamese domestic market. Accordingly, on May 21, 2018, the outline development plan ("ODP"), proposing a standalone joint development of these two fields, was approved by the Vietnam Ministry of Industry and Trade ("MOIT"). Jadestone is targeting making the final investment decision and gaining approval of the field development plan ("FDP") by MOIT during the second half of 2019.

To deliver the planned schedule for the Nam Du and U Minh field development, and following approval of the ODP, Jadestone has expanded the core project management team based in Ho Chi Minh City during 2018. Facilities front end engineering design has progressed and FDP technical and environmental studies conducted. The tenders for the floating production and storage offshore vessel lease, operations, and maintenance contract and the facilities engineering, procurement, construction, and installation contract were issued to bidders. Commercial negotiations on the gas sales and purchase agreement and Nam Du/U Minh joint development agreement ("JDA") have progressed with PVN.

Under the terms of the Block 46/07 PSC, Jadestone is committed to drill one more appraisal well on the block. The Company plans to drill an appraisal well on the Nam Du field to facilitate transition of 3C resource to 2C status. This well would be retained for future use as a Nam Du gas producer. On November 13, 2018, the Vietnam Government approved a request by the Company to extend the exploration phase two period for Block 46/07 by a further two years to June 29, 2020. This enables the appraisal well drilling to be deferred to 2020, which aligns with ongoing project facilities engineering definition and development well planning, thus ensuring that the final appraisal well design is suitable for use as a Nam Du platform production well.

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 FDP. The remainder of the block, including the Tho Chu field, will remain in SDA status until June 11, 2021. The Tho Chu field will be subject to a later development plan.

Block 127 PSC

Jadestone was operator of and held a 100% working interest in Block 127 PSC. This predominantly deep water block covers an area of 9,000 km^2 and is located at the southern end of the Phu Khanh Basin, off the east coast of Vietnam. During the quarter ended March 31, 2018, the Company performed a review of its asset base, and as a result of that review, 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, the license was returned in October 2018, and the Company has officially relinquished the PSC. The Company recorded an impairment charge of US$11.9 million during the three months ended March 31, 2018, reducing the book value to nil.

Block 05-1 PSC

On August 9, 2016, the Company, as buyer, signed a definitive agreement with Teikoku, a wholly-owned subsidiary of Inpex Corporation, as seller, for the acquisition of a 30% working interest in the Block 05-1 PSC, for a total cash consideration of US$14.3 million and 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 by PVN, of PVN's 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 through legal action.

Philippines

Service Contract 56

Jadestone holds a 25% interest in SC56 in partnership with operator Total E&P Philippines B.V. ("Total"). Four wells have previously been drilled on SC56, resulting in the Dabakan and Palendag discoveries.

In September 2012, Total farmed into SC56 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 2019 work program for SC56, as operator, includes geological and geophysical studies to further assess the perspectivity in the Block, and a gas market study.

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 failed to receive final government approval. The PSC expired in November 2018 and subsequently SKK MIGAS sent a PSC termination letter to the Minster of Energy and Mineral Resources for approval. The Company recorded a full impairment of the block value in the financial year ended March 31, 2017.

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 Financial Statements for the year ended December 31, 2018.

QUARTERLY SUMMARY	**Three months ended**							
(USD'000, except where indicated)	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**	**Mar 31 2017**
Production (boe/day)	5,215[1]	3,080[2]	4,239	4,101	4,369	4,286	4,059	3,857
Revenues[3]	44,972	32,668	17,496	18,287	17,775	18,537	15,702	16,485
Net earnings/(loss)	(6,573)	(2,955)	(4,912)	(16,593)	778	(3,930)	(11,778)	(19,485)
—Per share: basic & diluted	(0.01)	(0.01)	(0.02)	(0.07)	0.00	(0.02)	(0.05)	(0.09)
Funds from/(used in) operating activities	32,495	(12,226)	(2,583)	77	571	1,185	(8,415)	(6,518)
—Per share: basic & diluted	0.07	(0.03)	(0.01)	0.00	0.00	0.01	(0.04)	(0.03)

Quarter ended: Dec 31, 2018
Montara production averaged 7,628 bbls/d during October 2018, but was shut in to address a maintenance and inspection back log during November and December. The average quarter production at Stag was 2,644 bbls/d, or a total of 5,215 bbls/d for the quarter including Montara October production averaged across the whole quarter. The period was impacted by an additional US$4.0 million charge for the maintenance and safety inspection work.

Quarter ended: Sep 30, 2018
Stag reported production for the quarter to September 30, 2018, was 3,080 bbls/d. The Montara Assets were acquired on September 28, 2018 and averaged 7,585 bbls/d for the three days to September 30, 2018, which is excluded from the production shown in the quarterly summary above. Funds used in operations include a net investment (i.e. funds outflow) in working capital of US$12.2 million.

Quarter ended: Jun 30, 2018
Production was 4,239 boe/d for the quarter, reflecting improved uptime at Stag, despite planned maintenance activities which caused the deferral of 38,000 bbls of production, or 417 bbls/d, for the quarter. Revenue was US$19.4 million, due to higher benchmark prices offset by lower production, with the expiry of the Ogan Komering PSC on May 19, 2018.

Quarter ended: Mar 31, 2018
Stag production was impacted by marine breakaway coupling ("MBC") and electric submersible pump issues, plus poor weather conditions. Ogan Komering maintained steady production. Net earnings were impacted by an US$11.9 million exploration write-off, with respect to Block 127.

Quarter ended: Dec 31, 2017
Stag production for the quarter was 3,009 bbls/d, up around 6% on the prior quarter although impacted by MBC issues. Group production was up around 2% to 4,369 boe/d.

[1] Montara production was 7,628 bbls/d during October and was subsequently shut in for maintenance in November and December. The facility restarted on January 11, 2019. Average production shown here averages October production over the full three months.
[2] Excludes Montara production. The Montara Assets acquisition closed on September 28, 2018. Production for the three days to September 30, 2018 averaged 7,585 bbls/d.
[3] Revenue has been restated from Gross to Net after deducting royalties, but including the effective gain on hedging contracts. All other hedging gain and losses have been taken to 'other financial gains'. Prior period has been restated to ensure alignment with IFRS 15 in the consolidated financial statements for the year ended December 31, 2018 and the nine-month comparative period to December 31, 2017.

Quarter ended: Sep 30, 2017
Operatorship of Stag was obtained on July 10, and production levels increased due to improved well performance. Ogan Komering maintained steady production, in line with budget. Total production was 4,286 boe/d, impacted by two workovers.

Quarter ended: Jun 30, 2017
Production was 4,059 boe/d, negatively impacted due to casing integrity issues and three workover wells at Stag. Production costs of US$22.2 million included US$9.2 million related to workovers. The Company reported a net cash outflow of US$8.1 million, in part due to the elevated workover costs and higher overall costs under the previous operator.

Quarter ended: Mar 31, 2017
Stag production was 2,520 bbls/d, negatively impacted by workovers and an extended shut-in due to casing integrity issues. Ogan Komering was acquired March 9, 2017, and resulted in additional production of 1,475 boe/d for March. Net income was impacted from a write-off of exploration at Bone, and project costs associated with the change in business strategy from exploration to production.

Production

Production averaged 4,057 boe/d during 2018, compared to 4,233 boe/d for the nine-month period ended December 31, 2017 due to:

- An average annual increase of 710 bbls/d due to the acquisition of Montara which contributed 7,628 bbls/d between September 28 and October 31, 2018. The field was shut in during November and December and returned to production on January 11, 2019;
- Decreased production at Stag by 11 bbls/d, due to well workovers and well performance; and
- The Ogan Komering PSC expired in 2018 which resulted in a fall in production of 875 boe/d. If the acquisition of Montara had occurred on January 1, 2018 the asset would have generated 7,637 bbls/d, based on 304 days of production (i.e. excluding the shutdown during November and December).

Fourth quarter 2018 production of 5,215 bbls/d compares with 4,367 boe/d for the same quarter a year ago, largely due to the impact of the Montara production during October 2018 and improved Stag production, partly offset by the expiry of the Ogan Komering PSC in Q2 2018 (Ogan Komering production in the December 2017 quarter averaged 1,427 boe/d).

During 2018 the Company lifted 1.7 mm bbls compared to the 1.1 mm bbls in the nine-month period ended December 31, 2017, inclusive of one lifting at Montara (451,291 bbls), but partly offset by lower production and sales at Ogan Komering, due to the PSC expiry during 2018.

Benchmark commodity price and realised price

The average annual Brent benchmark price increased to US$71.31/bbl in the year, compared to US$54.19/bbl in the nine months ended December 31, 2017. The benchmark price for Q4 2018 was US$68.81/bbl compared to the same period in 2017 of US$61.26/bbl.

The movement in the average realised price tracked benchmark prices during the year: US$67.39/bbl, compared to the nine months ended December 31, 2017: US$53.40/bbl. The realised price for Q4 2018 was US$67.51/bbl, compared to Q4 2017 at US$57.55/bbl.

RESULTS OF OPERATIONS

	Three months ended December 31, 2018 USD'000	Three months ended December 31, 2017 USD'000	Year ended December 31, 2018 USD'000	Nine Months ended December 31, 2017 Restated[4] USD'000
Consolidated statement of profit & loss				
Revenue	44,972	17,775	113,423	52,014
Production costs	(50,002)	(8,960)	(90,339)	(43,520)
Depletion, depreciation and amortization	(6,532)	(4,171)	(14,376)	(9,986)
Staff costs	(3,921)	(2,833)	(13,538)	(9,019)
Other expenses	(3,276)	(2,423)	(10,374)	(6,330)
Impairment of assets	-	-	(11,901)	-
Other income	1,237	149	1,718	753
Finance costs	(5,007)	(2,293)	(9,061)	(4,304)
Other financial gains	17,594	-	12,982	-
Loss before tax	**(4,935)**	**(2,756)**	**(21,466)**	**(20,392)**
Income tax (expense)/credit	(1,638)	3,534	(9,567)	5,462
Loss for the year/period	**(6,573)**	**778**	**(31,033)**	**(14,930)**
Loss per ordinary share				
Basic and diluted (US$)	(0.01)	0.00	(0.10)	(0.07)
Consolidated statement of comprehensive income				
Loss for the year/period	(6,573)	778	(31,033)	(14,930)
Other comprehensive income				
Cash flow hedges on commodity swaps				
Gain on cash flow hedges	51,775	-	51,775	-
Hedging gain reclassified to profit & loss	(1,088)	-	(1,088)	-
	50,687	-	50,687	-
Tax relating to components of other Comprehensive income	(15,207)	-	(15,207)	-
Other comprehensive income	35,480	-	35,480	-
Total comprehensive income/(loss) for the year/period	**28,907**	**778**	**4,447**	**(14,930)**

Revenue

Revenue for the year was US$113.4 million, compared to US$52.0 million in the nine-month period ended December 31, 2017. The variance of US$61.4 million was due to:

- The change in oil prices generated a variance of US$26.9 million, as the annual net realised price for the year 2018 was US$69.39/boe, compared to US$53.40/boe for the nine-month period ended December 31, 2017;

[4] The 2017 amounts have been restated as a result of initial adoption of *IFRS 15*. Refer to Note 42 in the Financial Statements for further information.

- The sales volumes of 1.7 mm bbls for the full year compared to 1.1mm bbls in the nine months to December 31, 2017 generated a variance of US$29.4 million. This is due to comparing a full year with the nine-month period plus 0.4 mm bbls lifted from Montara; and
- Indonesian royalties were US$4.9 million lower in the current period: in 2018 the royalty was US$3.5 million, compared to US$8.4 million for the nine months ended December 31, 2017. This was due to the PSC expiry on May 19, 2018.

Revenue for the three months ended December 31, 2018 is US$45.0 million, compared to US$17.8 million for the same quarter in the prior year, generating a variance of US$27.1 million, due to:

- The price variance between Q4 2018 and Q4 2017 was US$6.6 million, due to the realised price increasing between the periods; in 2018 US$67.51/bbl compared to US$57.55/bbl in 2017;
- The volume variance was US$17.0 million, as the Company lifted 657,160 bbl in Q4 2018 compared to 363,615 bbl in Q4 2017; and
- Due to the expiry of Ogan Komering in May 19, 2018, there was no revenue in Q4 2018.

Hedges

The Company accounts for hedging contracts under *IFRS 9* by electing to use hedge accounting principles. The hedge contracts are treated as a cash flow hedge with the effective element of the mark to market movement taken to the statement of other comprehensive income and the ineffective portion booked to the profit and loss statement.

During the year the Company had two hedging contracts relating to Stag production. The first contract covered 350,000 bbls between January to June at a price of US$64.60/bbl, and a further 350,000 bbls between July to December at US$65.00/bbl.

As part of the financing arrangements for the acquisition of the Montara Assets, the Company hedged 50% of planned production through to September 2020, with an effective date from October 1, 2018 and utilizing a capped swap structure. The weighted average swap price under the capped swap is US$71.72/bbl for 2019 and US$78.26/bbl for Q4 2018 (the first quarter of the swap), referenced to Dated Brent. Call options have been purchased for approximately two thirds of the hedged barrels at a Dated Brent strike price of US$80/bbl for the nine months to September 30, 2019 and US$85/bbl for the twelve months to September 30, 2020.

During the year, the Stag hedges generated a net loss of US$4.8 million, compared to a gain from the Montara capped swap of US$5.9 million (2017: nil). Effective gains on hedges have been recorded as revenue in the year ending December 31, 2018.

Production costs

Production costs in 2018 were US$90.3 million compared to US$43.5 million, creating a negative variance of US$46.8 million, due to:

- Montara production costs of US$41.9 million, which includes US$4.0 million of additional costs associated with the maintenance and inspection shutdown, and a loss on inventory US$3.4 million generated through the acquisition of 217,077 bbls acquired on September 28, 2018 at fair value for US$83.74/bbl and sold in October 2018 at US$68.13/bbl;
- Stag production costs increased US$7.7 million, due to comparing a full year against the comparable nine-month period; and
- Partly offset by the expiry of the Ogan Komering PSC on May 19, 2018 (US$2.9 million).

Production costs increased to US$50.0 million during Q4 2018 compared to US$9.0 million in the three month comparable period, due to:

- Stag increased by US$1.3 million, predominately associated with increased work-over activity;
- Montara production costs of US$41.9 million (2017: nil); and

- Partly offset by the Ogan Komering PSC expiry in May 2018, compared to Q4 2017, resulting in a saving of US$2.2 million.

Depletion, depreciation and amortization ("DD&A")

The charge during the full year 2018 was US$14.4 million, compared to US$10.0 million for the nine-month period ended December 31, 2017, due to the inclusion of Montara for US$4.8 million, and higher production at Stag comparing the full year to the nine-month comparable period.

The DD&A charge for the three-month period ended December 31, 2018 was US$6.6 million, compared to US$4.2 million in 2017, due to US$4.5 million at Montara (2017: nil), less US$1.7 million due to the Ogan Komering PSC expiring in May 19, 2018, as well as slightly lower production at Stag.

Staff costs

Staff costs were US$13.5 million in 2018, compared to US$9.0 million for the nine-month period to December 31, 2017, due to comparing the full year to the nine month comparable period.

During Q4 2018, staff expenditure was US$3.9 million compared to US$2.8 million in Q4 2017, due to the Company increasing its headcount as the Company prepares to take over operatorship at Montara.

Other expenses

Other costs were US$10.4 million in full year 2018, compared to US$6.3 million for the nine-month period ended December 31, 2017, due to higher project expenditure related to the AIM listing amounting to US$1.9 million (2017: nil) and Montara acquisition costs of US$1.8 million (2017: nil).

During the quarter ended December 31, 2018 the Company incurred US$3.3 million of other costs compared to US$2.4 million in Q4 2017, due to Montara project expenses.

Impairment of assets

During the year, the Company relinquished Block 127 in Vietnam and wrote off all of the associated balances generating an impairment charge of US$11.9 million.

There was no impairment provision in either fourth quarter 2018, or in the same quarter of the previous year.

Finance costs

For the year ended December 31, 2018, finance costs totaled US$9.1 million, compared to US$4.3 million for the nine-month period to December 31, 2017, with the US$4.8 million variance due to:

- Montara accretion expense of asset retirement obligations (ARO) of US$1.4 million (2017: nil);
- Finance costs associated with the convertible bond in 2018 of US$2.5 million, compared to 2017 costs of US$1.8 million; and
- RBL facility interest in 2018 of US$2.4 million (2017: nil).

Finance costs for the quarter ended December 31, 2018 were US$5.0 million, an increase of US$2.7 million compared to the same period in 2017 (US$2.3 million), due to:

- Montara ARO accretion costs of US$1.4 million (Q4 2017: nil);
- First tranche of interest on the RBL of US$2.4 million (Q4 2017: nil);
- Stag ARO accretion costs increased by US$0.4 million in the current quarter versus the same quarter a year ago due to changes in discount rates; and
- Partially offset by expenses associated with the convertible bond of US$1.4 million in Q4 2017.

Other financial gains

During the year, the Company recognised US$13.0 million (2017: nil) of other financial gains due to:

- A gain on fair value of the contingent payments of US$12.1 million. As part of the acquisition of the Montara Assets, the Company recorded a provision of US$15.8 million for two contingent payments. The payments are triggered if the price of oil averages above US$80/bbl in either or both of 2019 and 2020. On September 28, 2018 the fair value of these contingent payments was US$15.8 million. Due to the decline in the outlook for future oil prices since acquisition, the fair value of these liabilities has reduced, as the likelihood of making the payment has declined. The fair value of the contingent payments is US$3.7 million as at December 31, 2018. Therefore, a financial gain has been recognised during the quarter ended December 31, 2018 for US$12.1 million, reflecting the change in fair value;
- Gain on the early settlement of the convertible bond of US$0.3 million; and
- A net gain on the ineffective portion of outstanding hedging contracts of US$0.6 million.

The movement in the final quarter of 2018 of US$17.6 million (2017: nil) is due to:

- A gain on fair value of the contingent payments of US$12.1 million as above; and
- Hedging gains for Montara of US$5.4 million (see hedging).

Taxation

During 2018, tax expense was US$9.6 million (nine-month period to December 31, 2017: tax credit of US$5.5 million). During the year, Stag utilised PRRT carried forward credits of US$5.8 million and incurred a liability of US$6.2 million. The Montara field has sufficient PRRT carried forward credits of US$2.9 billion available for offset against future PRRT taxable profit and so it is not anticipated to incur any liability for the foreseeable future

Taxation expense for the three month period ended December 31, 2018 was US$1.6 million (three months to December 31, 2017: tax credit of US$3.5 million). The movement of US$5.1 million largely relates to:

- Higher deferred tax of US$2.6 million in the current quarter, due to timing differences through the utilization of income tax losses at Stag and Montara; and
- PRRT incurred in the December 2018 quarter of US$3.3 million. This was the first quarter during Jadestone's ownership of Stag that PRRT has been incurred, due to tax credits previously carried forward being fully utilized.

Gain on cash flow hedges

During 2018, the Company entered into a capped swap to hedge approximately 50% of planned production at Montara over the period October 1, 2018 through to September 30, 2020.

The hedge contracts settle monthly, based on the monthly average Dated Brent price in the month. The forward sales have been designated as cash flow hedges and were assessed to be effective with a fair value movement of US$35.5 million charged to other comprehensive income net of tax.

The fair value of the capped swap as at December 31, 2018 has been calculated to be US$51.3 million, based on the monthly price swap contract starting at US$74.22/bbl in January 2019 through to US$66.62/bbl in September 2020. The fair value is based on third party valuations for similar products on the relevant markets.

Hedging gain reclassified to profit and loss

The transfer of US$1.1 million relates to the expiry of hedging contracts associated with Stag sales and Montara production contracts for Q4 2018 and the ineffective mark-to-market gain for the remaining Montara contracts.

Tax relating to components of other comprehensive income

Other comprehensive income includes US$15.2 million of deferred tax expense associated with the fair value of the Montara hedging gain of US$51.8 million (effective tax rate 28%).

FINANCIAL POSITION

The following provides selected financial information of the Company, which was derived from, and should be read in conjunction with, the audited Financial Statements for the year ended December 31, 2018:

	As at December 31, 2018 USD'000	As at December 31, 2017 USD'000
Total assets	729,548	227,888
Non-current assets	572,868	203,109
Current assets	156,680	24,779
Non-current liabilities	429,936	108,024
Current liabilities	84,351	11,666
Shareholders' equity	215,261	108,198

Non-current assets

Non-current assets as at December 31, 2018 are US$572.9 million (December 31, 2017: US$203.1 million), an increase of US$369.8 million, predominately due to the acquisition of the Montara Assets from PTTEP Australia.

The main movements in non-current assets are:

- **Oil and gas properties** – an increase of US$353.1 million predominately relating to the acquisition of Montara;
- **Derivative financial instruments** – the Group entered into a capped swap hedge transaction to cover approximately 50% of the Company's planned production at Montara. Non-current assets includes US$15.3 million related to the fair value of the capped swap;
- **Intangible exploration assets** – decreased by US$10.1 million due to the US$11.9 million write off of Block 127 in Vietnam, partially offset with additional expenditure on Block 46/07 and Block 51 in Vietnam of US$1.8 million and SC56 in Philippines of US$0.1 million; and
- **Deferred tax assets** – decreased US$2.5 million due to the utilization of US$6.2 million of tax credits at Stag.

Current assets

Current assets as at December 31, 2018 were US$156.7 million, compared to US$24.8 million as at December 31, 2017, due to:

- **Trade and other receivables** – increased US$28.1 million due to the timing of liftings and settlements at Stag. At December 31, 2018, the receivables/prepayments at Stag were US$3.5 million (2017: US$1.5 million), and Montara US$25.3 million respectively, both of which were subsequently collected/realised;
- **Inventories** – increased US$20.2 million, predominately due to the consolidation of the Montara material and spares of US$18.2 million, with the balance related to crude oil;
- **Derivative financial instruments** – current assets includes US$36.0 million relating to the fair value of the Montara capped swap; and
- **Cash and cash equivalents** – increased US$42.5 million, due predominately to the funds raised during the AIM equity raise and RBL debt funding, used in part to acquire the Montara Assets and repay the convertible bond.

Non-current liabilities

Non-current liabilities as at December 31, 2018 were US$429.9 million, an increase of US$321.9 million from December 31, 2017, due to the following.

Provision for asset restoration obligations ("ARO")

The ARO is in respect of the future decommissioning costs at Stag and Montara. A provision of US$183.0 million was recognised upon the acquisition of Montara, as well as an increase of US$6.4 million on Stag's ARO as part of the quarterly technical assessment, plus accretion expense of US$3.6 million.

Borrowings

On August 2, 2018 the Company entered into an RBL facility to borrow US$120.0 million to part fund the acquisition of the Montara Assets. The loan is repayable in quarterly tranches from December 31, 2018 until March 31, 2021. In accordance with *IFRS 9*, the loan, net of establishment, transaction and other fees, is carried at its amortized cost of US$100.5 million, split between US$49.4 million in non-current liabilities and $51.1 million in current liabilities.

Other payables

Other payables of US$10.4 million, includes the fair value of redundancy payments payable to the crew of the Stag FSO on termination of the lease. It also includes the Montara contingent payments of US$3.7 million (December 31, 2017: nil), being the fair value of the two potential contingent payments.

Secured convertible bonds and derivative financial instruments

During the period, the Company repaid the secured convertible bond for US$17.4 million which included the drawn principal outstanding of US$15.0 million, and release of the associated securities. At December 31, 2017, the bond had a net book value of US$12.8 million and the embedded derivative instrument had a fair value of US$3.1 million.

Deferred tax liabilities

The deferred tax liability increased to US$92.3 million due to the acquisition of the Montara Assets (US$78.4 million), which arose from the difference between the accounting value of Montara oil and gas properties compared to the applicable tax base. A further US$15.2 million related to the tax impact of recognizing the fair value of the capped swap hedge, recorded under derivative financial assets at US$51.3 million.

Current liabilities

Trade and other payables

Trade and other payables increased by US$19.9 million to US$30.7 million at December 31, 2018, compared to US$10.8 million at December 2017, largely due to the inclusion of Montara (US$10.6 million), and differences in settlement dates of routine trade payables.

Borrowings

The long-term borrowing consists of the portion of loan commitments greater than 12 months. The carrying value of the RBL as at December 31, 2018 is US$100.5 million split between long term US$49.4 million and current portion of US$51.1 million. Included in current borrowings is $1.3 million relating to insurance premium funding.

Share capital

	As at December 31, 2018	As at December 31, 2017
Number of issued ordinary shares	461,009,478	221,298,004
	USD'000	USD'000
At beginning of the year/period	364,466	364,466
Proceeds from share issue, net of issuance costs	102,096	-
End of the year/period	466,562	364,466

On August 8, 2018 the Company's ordinary shares were admitted for trading on AIM, a market operating by the London Stock Exchange. The Company issued 239,711,474 new ordinary shares at a price of 35 pence per ordinary share, raising gross proceeds of £83.9 million. The majority of the funds were used, together with the reserve based loan, to fund the Montara Asset acquisition, along with the repayment of the secured convertible bond.

The share capital consists of fully paid ordinary shares with a nil par value. All shares are equally eligible to receive dividends and the repayment of capital, and each share is entitled one vote at the shareholders' meeting.

Shareholders' equity

Shareholders' equity increased by US$107.1 million compared to the prior year, due to the increased issued share capital of US$102.1 million and the recognition of a hedging reserve of US$35.5 million reflecting the cumulative gains on hedging instruments deemed effective in the Montara capped swap, offset by the year-end loss after tax of US$31.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash at bank

At December 31, 2018, cash and cash equivalents were US$53.0 million, excluding restricted cash, compared with US$10.5 million as at December 31, 2017. The following table provides selected cash flow information for the periods indicated:

CASH FLOW

	Year ended December 31, 2018 USD'000	9 months ended December 31, 2017 USD'000
Cash generated from/(used in) operating activities	17,763	(6,659)
Cash used in investing activities	(161,354)	(2,089)
Cash generated from financing activities	184,861	4,694
Increase/(decrease) in cash during the period	41,270	(4,054)
Effect of translation on foreign	1,261	26
Cash at bank beginning of period	10,450	14,478
Cash at bank end of period	**52,981**	**10,450**

The cash balances improved as at December 31, 2018, compared to 2017, due to the funds raised to fund the acquisition of Montara. Operating cash flow improved by US$24.4 million due to higher production and commodity prices offset by higher cost associated with opex and project overhead.

Working capital

Working capital is the amount by which current assets exceed current liabilities. At December 31, 2018, the Company's working capital remains positive at US$72.3 million, an increase of US$59.2 million compared to December 31, 2017. A breakdown of the Company's working capital is as follows:

	As at December 31, 2018 USD'000	As at December 31, 2017 USD'000	Change USD'000
Current assets	156,680	24,779	131,901
Current liabilities	84,351	11,666	72,685
Net working capital	**72,329**	**13,113**	**59,216**

Net working capital has improved by US$59.2 million due to higher cash balances arising from the funds raised associated with the Montara Assets acquisition, recognition of the fair value hedges and inventory, offset by more short term debt.

Contractual obligations and commitments

As at December 31, 2018, the Group has entered into commercial leases in respect of the rental of office premises and equipment. The operating lease payments recognised as an expense during the year ended December 31, 2018 is US$7.6 million (2017: US$5.6 million)

At year-end, the Group has outstanding commitments under non-cancellable operating leases, operational costs and capital commitments that fall due as follows:

	Total USD'000	Less than 1 year USD'000	1-5 Years USD'000	After 5 years USD'000
Stag FSO operational commitments	98,466	17,681	74,096	6,689
Australia non-FSO commitments	40,469	35,411	5,058	-
Other lease operating commitments	826	504	322	-
SEA portfolio PSC operational commitments	10,000	10,000	-	-
Total contractual obligations	**149,761**	**63,596**	**79,476**	**6,689**

Stag FSO operational commitments relate to operations and personnel of the leased floating storage and offloading vessel, and in particular, the remaining lease commitments over the next six years.

Australian non-FSO commitments has the following components:

- Subsea umbilical replacement contract commitment for the Montara field of US$17.0 million within the next 12 months;
- Well intervention contractual commitments for the Montara field of US$16.0 million within the next 12 months;
- Supply vessel of US$5.3 million over the next five years (less than 12 months: US$1.7 million and beyond 1 year: US$3.6 million); and
- Minor equipment and office operating lease costs of US$2.1 million within the next five year (less than 12 months: US$0.7 million and beyond: US$1.4 million).

The SEA portfolio PSC operational commitments as at December 31, 2018 comprise an amount of US$10.0 million related to the minimum working commitment outstanding in exploration phase two of the block 46/07 PSC, for the drilling of a further appraisal well.

FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

A full assessment of the financial instruments, financial risks and capital management is set out in the consolidated financial statements for the year ended December 31, 2018 and the nine months ended December 31, 2017.

Financial assets and liabilities

Current assets and liabilities
Management considers that due to the short term nature of the Group current assets and liabilities, the carrying values equate to their fair value.

Non-current assets and liabilities
All non-current assets and liabilities are reflected at fair value.

	December 31, 2018 USD'000	December 31, 2017 USD'000
Financial assets		
At amortized cost	86,539	23,451
Derivative instruments designated in hedge accounting relationships	51,324	-
	137,863	**23,451**
Financial liabilities		
At amortized cost	416,787	116,423
Contingent consideration for a business combination	3,748	-
Derivative instruments at fair value through profit & loss	-	3,067
	420,535	**119,490**

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.

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.

During the year, the Group entered into hedge contracts for sales at Stag and planned production at Montara.

Stag

The Group entered into a commodity hedge to hedge 350,000 bbls of Stag 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.

Montara

As part of the Montara acquisition, the Company hedged 50% of its planned production volumes for the 24 months to September 30, 2020. The hedge is a capped swap, providing downside price protection while allowing for participation in higher commodity prices via purchased call options. The call strike is set at US$80/bbl for the nine months to September 31, 2019 and US$85/bbl for the twelve months to September

2020. The swap price is set at US$78.26/bbl for Q4 2018, US$71.72/bbl for 2019 and US$68.45/bbl for the nine months to September 2020. Approximately two thirds of the swapped barrels in 2019 and 2020 have upside price participation via purchased calls. The effective date of the hedge contracts is October 1, 2018.

Commodity price sensitivity

The results of operations and cash flows from 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.

Gain or loss	**Effect on the result before tax for the year ended December 31, 2018 USD'000**	**Effect on other comprehensive income before tax for the year ended December 31, 2018 USD'000**	**Effect on the result before tax for the nine-month period ended December 31, 2017 USD'000**	**Effect on other comprehensive income for the nine-month period ended December 31, 2017 USD'000**
Increase by 10%	(1)	(16,729)	-	-
Decrease by 10%	1	16,729	-	-

Foreign currency risk

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

Cash and bank balances are generally held in the currency of likely future expenditures to minimize the impact of currency fluctuations. It is the Group's normal practice to hold the majority of funds in US Dollars in order to match the Group's revenue and expenditures. The Company's US$120.0 million reserve based loan 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.

Material foreign denominated balances were as follows:

	December 31, 2018 USD'000	**December 31, 2017 USD'000**
Cash and bank balances		
Australian Dollars	**4,923**	**2,070**
Trade and other receivables		
Australian Dollars	**5,237**	**1,434**
Trade and other payables		
Australian Dollars	**1,974**	**5,769**

If the Australian dollar weakens/strengthens by 10% against the functional currency of the Group, profit or loss will increase by US$0.4 million (December 31, 2017: US$0.2 million).

Interest rate risk

The Group's interest rate exposure arises from some of its cash and bank balances and 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.

On August 2, 2018, the Group entered into a reserve based lending agreement with the Commonwealth Bank of Australia and Société Générale to borrow US$120.0 million, repayable quarterly to March 31, 2021. The loan was fully drawn down on September 28, 2018 and incurs interest at LIBOR plus 3%. The loan incurred costs of US$3.2 million, which were offset against the proceeds received.

The balance of short term borrowings as at December 31, 2018 amounts to US$ nil (December 31, 2017: US$0.8 million). The 7.5% coupon on the Group's US$15.0 million convertible bond facility, drawn down as at December 31, 2017, was a fixed rate coupon and this facility was fully redeemed in August 15, 2018.

Based on the carrying value of the reserve based loan of US$100.5 million at December 31, 2018, if interest rates had increased or decreased by 1% and all other variables remained constant, the Group's quarterly net income/(loss) before tax would have increased or decreased by US$0.3 million (December 31, 2017: US$ nil).

Credit risk

Credit risk represents the financial loss that the Group would suffer if a counterparty in a transaction fails to meet its obligations in accordance with the agreed terms.

The Group 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.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognizing expected credit losses ("ECL")**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	External credit rating	Internal credit rating	12-month ("12m") or lifetime ECL	Gross carrying amount [i] USD'000	Loss allowance USD'000	Net carrying amount USD'000
December 31, 2018						
Cash and bank balances	n.a	Performing	12m ECL	81,625	-	81,625
Trade receivables	n.a	(i)	Lifetime ECL	57	-	57
Other receivables	n.a	Performing	12m ECL	4,857	-	4,857
December 31, 2017						
Cash and bank balances	n.a	Performing	12m ECL	21,179	-	21,179
Trade receivables	n.a	(i)	Lifetime ECL	1,987	-	1,987
Other receivables	n.a	Performing	12m ECL	285	-	285

(i) For trade receivables, the Group has applied the simplified approach in *IFRS 9* to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using specific identification, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of specific identification.

As at December 31, 2018, total trade receivables amounted to US$57,000 (December 31, 2017: US$1,987,000). The balance in 2017 had been fully recovered in 2018. The Group has derivative receivable of US$4.0 million (December 31, 2017: nil) within other receivables. The derivative receivable was received in full in January 2019.

The concentration of credit risk relates to the main counterparty to oil and gas sales in Australia, where the sole customer has an A1 credit rating (Moody's). All trade receivables are initially settled 30 days after issuance date followed by a final reconciliation payment after a further 30 days, mitigating largely any credit risk.

The Group recognizes lifetime ECL for trade receivables. The ECL on these financial assets are estimated based on days past due and applies a percentage of expected non-recoveries for each group of receivables. As at financial period end, ECL from trade and other receivables are expected to be insignificant.

Cash and bank balances are placed with reputable banks and financial institutions which are regulated with no history of default.

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 Group 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 Group manages it liquidity risk by optimizing the positive free cash flow from its producing assets (with full legal ownership of the Montara Assets effective from September 28, 2018), on-going cost reduction initiatives, merger and acquisition strategies, and bank balance on hand.

The Group net loss after tax for the year was US$31.0 million (December 31, 2017: US$14.9 million). Net cash generated from operations for the year ended December 2018 was US$17.8 million (December 31, 2017: net cash used of US$6.7 million). The Group's net current assets remained positive at US$72.3 million as at December 31, 2018 (December 31, 2017: US$13.1 million).

The Company's reserve based loan is sized on a borrowing base drawn from projected cash flows from the Montara Assets, and based on proved and probable producing reserves (2PD). This borrowing base is subject to scheduled semi-annual redeterminations and as such, and in the event of a significant reduction in the borrowing base, there is a risk that scheduled repayments may increase to offset any such borrowing base deficiency. The existing borrowing base, as assessed by the lenders as at December 2018, is significantly above aggregate commitments.

The Group believes it has sufficient liquidity to meet all reasonable scenarios of operating and financial performance for the next 12 months.

Non-derivative financial liabilities

The following table details the expected maturity for non-derivative liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities, including interest, that will be earned on those liabilities except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the estimated future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial liability on the consolidated statement of financial position, namely interest expense.

	Weighted average effective interest rate %	On demand or within 1 year USD'000	Within 2 to 5 years USD'000	More than 5 years USD'000	Adjustments USD'000	Total USD'000
December 31, 2018						
Non-interest bearing	-	30,674	6,603	277,697	-	314,974
Variable interest rate instruments	8.071	58,907	52,182	-	(9,276)	101,813
		89,581	**58,785**	**277,697**	**(9,276)**	**416,787**
December 31, 2017						
Non-interest bearing	-	10,837	7,259	84,728	-	102,824
Fixed interest rate instruments	7.500	958	13,628	-	(1,816)	12,770
Variable interest rate instruments	7.080	888	-	-	(59)	829
		12,683	**20,887**	**84,728**	**(1,875)**	**116,423**

Non-derivative financial assets

The following table overleaf details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management, as the Group's liquidity risk is managed on a net asset and liability basis. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the estimated future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial asset on the consolidated statement of financial position, namely interest income.

	Weighted average effective interest rate %	On demand or within 1 year USD'000	Within 2 to 5 years USD'000	Adjustments USD'000	Total USD'000
December 31, 2018					
Non-interest bearing	-	4,914	-	-	4,914
Variable interest rate instruments	*	58,064	23,561	*	81,625
		62,978	**23,561**	*	**86,539**
December 31, 2017					
Non-interest bearing	-	2,272	-	-	2,272
Variable interest rate instruments	*	10,450	10,729	*	21,179
		12,772	**10,729**	*	**23,451**

* The effect of interest is not material.

Capital management

The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group, 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 Group'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 asset acquisitions, exploration and development, and to pay for administrative costs, the Group may utilize excess cash generated from its ongoing operations and may utilize 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 Group, is reasonable. There were no changes in the Group's approach to capital management during the financial period ended December 31, 2018. The Group is not subject to externally imposed capital requirements.

	December 31, 2018 USD'000	December 31, 2017 USD'000
Gearing ratio		
Debt	101,813	13,599
Cash and cash equivalents	(52,981)	(10,450)
Restricted cash	(18,644)	-
Net debt	**30,188**	**3,149**
Equity	215,261	108,198
Net debt to equity ratio	**14%**	**3%**

Debt is defined as long and short-term borrowings (excluding derivatives). Cash and cash equivalents includes the Montara Assets' minimum working capital cash balance of US$15.0 million required under the RBL, while restricted cash comprises the US$18.7 million in the RBL debt service reserve account as at December 31, 2018. Restricted cash, as shown here, excludes the US$10.0 million deposited in support of a bank guarantee to a key supplier in respect of the Stag FSO. Equity includes all capital and reserves of the Group that are managed as capital.

The Group's overall strategy remains unchanged from 2017.

Fair value measurements

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

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

Financial assets/financial liabilities	Fair value (USD'000) as at December 31, 2018 Assets	December 31, 2018 Liabilities	December 31, 2017 Assets	December 31, 2017 Liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to to fair value
Derivative financial instruments								
1) Derivative component of convertible bonds	-	-	-	3,067	Level 2	Based on third party valuations for similar products.	n.a.	n.a.
2) Commodity capped swap contracts	51,324	-	-	-	Level 2	Third party valuations based on market comparable information.	n.a.	n.a.
Others – contingent consideration in a business combination								
3) Contingent consideration	-	3,748	-	-	Level 3	Based on the nature and the likelihood of occurrence of the trigger event. Fair value is estimated using future Dated Brent price forecasts at the end of the reporting period, taking into account time value of money and volatility factor.	Expected future volatility of 25% is based on analysis of the Brent oil price index's movement prior to acquisition date.	A slight increase in Brent oil price index would result in a significant increase in the fair value and vice versa.

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

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

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

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

The forgoing list of risks and uncertainties is not exhaustive.

SEGMENT INFORMATION

Information reported to the Group's Chief Executive Officer (the Chief Operating Decision Maker) for the purposes of resource allocation is focused on two reportable/business segments driven by different types of activities within the upstream oil and gas value chain, namely exploration and producing assets. 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:

	Year ended December 31, 2018				
	Producing assets		Exploration		
	Australia USD'000	SEA USD'000	SEA USD'000	Corporate USD'000	Total USD'000
Revenue	**105,970**	**7,453**	-	-	**113,423**
Production cost	(87,559)	(2,780)	-	-	**(90,339)**
DD&A	(13,666)	(618)	-	(92)	**(14,376)**
Staff costs	(3,489)	(1,834)	(816)	(7,399)	**(13,538)**
Other expenses	(5,022)	(146)	(434)	(4,772)	**(10,374)**
Impairment of assets	-	-	(11,901)	-	**(11,901)**
Other income	1,529	-	-	189	**1,718**
Finance costs	(6,040)	-	(80)	(2,941)	**(9,061)**
Other financial gain	12,693	-	-	289	**12,982**
Profit/(loss) before tax	**4,416**	**2,075**	**(13,231)**	**(14,726)**	**(21,466)**
Additions to non-current assets	**360,774**	**-**	**1,835**	**1**	**362,610**
Total assets & liabilities					
Current assets	147,358	345	417	8,560	**156,680**
Non-current assets	476,981	-	95,607	280	**572,868**
Current liabilities	(79,867)	(93)	(737)	(3,654)	**(84,351)**
Non-current liabilities	(429,936)	-	-	-	**(429,936)**
Net assets	**114,536**	**252**	**95,287**	**5,186**	**215,261**

	Nine months ended December 31, 2017 (Restated)				
	Producing assets		Exploration		
	Australia USD'000	SEA USD'000	SEA USD'000	Corporate USD'000	Total USD'000
Revenue	**42,203**	**9,811**	-	-	**52,014**
Production cost	(37,953)	(5,567)	-	-	**(43,520)**
DD&A	(6,949)	(3,037)	-	-	**(9,986)**
Staff costs	(1,276)	-	(736)	(7,007)	**(9,019)**
Other expenses	(1,425)	-	(750)	(4,155)	**(6,330)**
Other income	-	-	741	12	**753**
Finance costs	(3,888)	-	-	(416)	**(4,304)**
Profit/(loss) before tax	**(9,288)**	**1,207**	**(745)**	**(11,566)**	**(20,392)**
Additions to non-current assets	**-**	**1,772**	**3,688**	**-**	**5,460**
Total assets & liabilities					
Current assets	19,478	1,502	449	3,350	**24,779**
Non-current assets	95,898	1,346	105,673	192	**203,109**
Current liabilities	(6,581)	(2,408)	(419)	(2,258)	**(11,666)**
Non-current liabilities	(91,987)	-	-	(16,037)	**(108,024)**
Net assets	**16,808**	**440**	**105,703**	**(14,753)**	**108,198**

Non-current assets include oil and gas properties, intangible exploration assets and property plant and equipment used in corporate offices.

Included in revenues arising from producing assets are revenues of approximately US$106.0 million (December 31, 2017: US$42.2 million) which arose from sales to the Group's largest customer.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

	Year ended December 31, 2018 US$000	Nine months ended December 31, 2017 US$000
Short-term benefits	2,656	1,718
Other benefits	326	279
Share-based payments	234	119
	3,216	**2,116**

The total remuneration of members of key management in 2018 (including salaries and benefits) was US$3.2 million (December 31, 2017: US$2.1 million).

Compensation of directors

	Year ended December 31, 2018			
	Short term benefits[(a)] USD'000	**Other benefits[(a)] USD'000**	**Share based payments USD'000**	**Total compensation USD'000**
A. Paul Blakeley	1,035	422	164	1,621
Daniel Young	546	149	74	769
Dennis McShane	130	-	19	149
Iain McLaren	70	-	9	79
Robert Lambert	50	-	9	59
David Neuhauser	45	-	9	54
Eric Schwitzer	58	-	9	67
	1,934	**571**	**293**	**2,798**

	Nine months to December 31, 2017			
	Short term benefits[(a)] USD'000	**Other benefits[(a)] USD'000**	**Share based payments USD'000**	**Total compensation USD'000**
A. Paul Blakeley	455	281	134	869
Daniel Young	330	97	40	467
Dennis McShane	7	-	1	8
Iain McLaren	70	-	6	76
Robert Lambert	50	-	6	56
David Neuhauser	45	-	6	51
Eric Schwitzer	57	-	6	63
	1,014	**378**	**199**	**1,591**

(a) Short term benefits comprise salary, director fee as applicable, performance pay, pension and other allowances. Other benefits comprise benefits-in-kind.

Director participation in AIM equity raise

Certain directors and members of the management team of the Company ("Insiders") subscribed for new shares pursuant to the AIM equity raise and listing completed in August 2018. The issuance of new shares to these Insiders pursuant to the AIM equity raise and listing is considered to be a related party transaction within the meaning of TSX Venture exchange policy 5.9 and multilateral instrument 61-101 ("MI 61-101"), and disclosable in the December 31, 2018 year end financial statements under AIM rule 19. The Company has relied on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101, contained in sections 5.5(b) and 5.7(1)(b) of MI 61-101, in respect of the Insider participation. Certain directors subscribed for a total of 1,961,271 new shares at 35 pence per share (or £688,545) as follows.

	Number of new shares
Dennis McShane	217,919
A. Paul Blakeley	544,798
Robert Lambert	217,919
Iain McLaren	108,959
David Neuhauser*	544,798
Eric Schwitzer	108,959
Daniel Young	217,919
	1,961,271

* These relate to ordinary shares that Mr. Neuhauser is deemed to have an interest in, through Livermore Strategic Opportunities LP, which Mr. Neuhauser is the Managing Director and hence has the power and authority to direct Livermore's activities.

Repayment of secured convertible bond

Tyrus Capital Event S.à r.l., an entity controlled by Tyrus Capital S.A.M., entered into a secured convertible bond facility agreement with the Company in November 2016. Tyrus Capital S.A.M. controls entities that hold approximately 23.8% of the Company's ordinary share capital, as at December 31, 2018.

On August 1, 2018, the Company and Tyrus Capital Event S.à r.l. conditionally agreed, upon the Company's admission and listing on AIM, that the Company would redeem the secured convertible bond facility by paying US$17.4 million to Tyrus, and all associated security released. At June 30, 2018, the balance on the bond was drawn to US$15.0 million. Repayment subsequently occurred on August 15, 2018.

RESTATEMENTS AND COMPARATIVE FIGURES

In accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, certain restatements have been made to the prior year's financial statements, following the Group's adoption of *IFRS 15*, that became effective during the year.

As a result, comparative figures in certain line items have been amended in the statement of profit or loss and other comprehensive income, statement of cash flows, and the related notes to the financial statements. Refer to further information set out in the Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

US$22.0mm Montara adjustment
On January 7, 2019, an agreement was reached between PTTEP Australia and a subsidiary of Jadestone pursuant to which the Group would receive US$22.0 million from PTTEP Australia in relation to the recent shutdown to address the maintenance and inspection backlog at the Montara Assets. This was accounted for as a purchase price adjustment. Production at the Montara Assets restarted on January 11, 2019.

Stock options
On March 29, 2019, following a board approval earlier in the month, the Company issued 8.0 million incentive stock options to a number of employees, officers, directors and consultants. The stock options are exercisable for a period of ten years at an exercise price of Canadian dollars 0.85 per share. The stock options vest over a three year period and were granted in accordance with the terms of the Company's stock option plan, which has been approved by the Company's shareholders and the TSX Venture Exchange.

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.