Jadestone Energy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the period ended September 30, 2019

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 November 28, 2019, and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements (the "Financial Statements") as at, and for the nine month period ended September 30, 2019 and the Company's audited consolidated financial statements and related notes as at and for the year ended December 31, 2018.

The Financial Statements for the nine months ended September 30, 2019, 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$" or USD) and have not been reviewed by the auditor.

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 AIM, a market operated by the London Stock Exchange, and on the TSX Ventures Exchange. 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.

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 centralised floating production, storage, and offloading ("FPSO") vessel. As at December 31, 2018, the Montara Assets had proven plus probable ("2P") reserves of 26.6 million barrels of oil (100% net to Jadestone).

The Stag Oilfield is located in block WA-15-L, 60km offshore Western Australia in a water depth of approximately 47 meters. As at December 31, 2018, the field contained total 2P reserves of 16.2 million barrels of oil (100% net to Jadestone).

During a substantial portion of the comparative nine month period to September 30, 2018, the Company had a participating interest in the Ogan Komering production sharing contract ("PSC"), in Indonesia. The terms of the PSC expired on May 19, 2018, after which the Company no longer held an interest in the PSC.

Jadestone's Southeast Asian ("SEA") portfolio includes discovered resources in three gas fields in Vietnam and two gas fields in the Philippines. 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 PSC offshore Southwest Vietnam (Block 51 and Block 46/07) and two service contracts ("SC") in the Philippines (SC56 and SC57).

The Company is progressing the commercialisation of the Nam Du and U Minh discoveries in Southwest Vietnam, targeting development sanction before the end of the year. The fields contain 30.2 million barrels of oil equivalent 2C contingent resource. On April 26, 2019 the Company signed a Heads of Agreement ("HoA") with Vietnam Oil and Gas Group ("PVN"), relating to the planned gas sales from the Nam Du and U Minh fields, and which covers all discovered resources. On October 17, 2019, the Company made its formal submission of the field development plan ("FDP") to PVN.

On November 16, 2019, the Company signed a binding asset sale and purchase agreement to purchase a 69% operated interest in the Maari oil complex from OMV New Zealand Limited, a subsidiary of OMV Aktiengesellschaft. The headline purchase consideration is US$50.0 million, with an economic effective date of January 1, 2019. If Dated Brent averages US$75/bbl or more in 2020, then a further US$2.6 million is payable, and US$1.3 million if Dated Brent averages US$75/bbl or more in 2021. The Maari oil complex is currently free cashflow positive, and as of January 1, 2019 the 2P reserves were 13.9mm bbls with recent production of 4,000 - 4,500 bbls/d (both net to 69% working interest).

The transaction is expected to close in H2 2020 and will be funded from Company cash available on hand. Completion will occur upon satisfaction of conditions, including acceptance of Jadestone as operator by the Maari joint venture partners, New Zealand Government approvals relating to title transfer and change of operatorship and other customary conditions. OMV will continue as operator until the transaction completes in H2 2020.

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 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.

During Q3 2019, Jadestone has adopted a dividend policy and, subject to continuing satisfactory operational performance of the business, plans to declare its maiden ordinary interim dividend at the same time as the Company announces its half yearly results to June 30, 2020. The Company intends to declare dividends semi-annually thereafter. The Company is targeting a 2020 maiden full year dividend in the range of US$7.5 million to US$12.5 million. The Company intends to grow the dividend over time, in line with underlying cash flow generation.

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

Montara Assets

During the nine month period ended September 30, 2019, Montara production averaged 10,737 bbls/d[1]. The Montara acquisition closed on September 28, 2018, so production for the comparable prior period ended September 30, 2018, is limited to the last three days of that nine month period, and was 7,585 bbls/d.

During the three month period ended September 30, 2019, production averaged 9,235 bbls/d. Production was lower than the average for the nine months to September 30, 2019 of 10,344bbl/d, due to a number of factors including down time associated with the riserless light well intervention ("RLWI") and umbilical projects, and remedial activities associated with gas compression.

There were four liftings in the nine month period to September 30, 2019, resulting in total Montara sales of 2,561,708 bbls, compared to nil in the same period of 2018, noting again that the transaction closed three days prior to the end of the comparable period ended September 30, 2018.

There was one lifting in the three month period to September 30, 2019, resulting in total Montara sales of 592,028 bbls (three month period to September 30, 2018: nil).

Stag Oilfield

During the nine month period ended September 30, 2019, Stag production averaged 2,793 bbls/d, compared to 2,851 bbls/d during the same period of 2018, due to in part to delays to three well workovers while the 49H infill well was drilled, as well as poor weather conditions.

During the three months period ended September 30, 2019, Stag production was 3,801 bbls/d, compared to Q3 2018 production of 3,080 bbls/d. The higher production arose as a result of the completion of the 49H infill well on May 21, 2019, and additional production following the well workovers.

There were three Stag liftings in the nine month period ended September 30, 2019, resulting in total sales of 668,139 bbls, compared to 825,894 bbls in the same period of 2018.

There was one lifting in the three month period ended September 30, 2019, resulting in total sales of 299,616 bbls, compared to 422,267 bbls in the same period of 2018.

[1] Average production for Montara from Jan 11, 2019 to September 30, 2019. Montara production averaged across the full 273 days was 10,344 bbls/d.

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 which ended on May 19, 2018. A new PSC was issued to Pertamina on May 20, 2018, at which point Jadestone no longer held an interest in the PSC. Pertamina concluded a divestment review in 2019, recommending that assets be divested in priority, and Jadestone submitted an interest to participate in the new Ogan Komering PSC. A divestment decision on Ogan Komering is not anticipated by Pertamina until 2020.

Production from the Ogan Komering PSC booked in the nine month period ended September 30, 2018 amounted to 1,439 boe/d (for the period January 1, 2018 to May 19, 2018, when the PSC expired).

Production from the Ogan Komering PSC booked in the three month period ended September 30, 2018 amounted to nil.

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 shallow waters in the Malay-Tho Chu Basin, offshore Southwest Vietnam. The two blocks hold three discoveries: The U Minh and Tho Chu gas/condensate 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 amended investment licenses for the Block 51 PSC and Block 46/07 PSC, showing Jadestone as operator with a 100% working interest in both licenses, were approved by the Vietnam Government on October 14 and 15, 2019 respectively.

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.

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 Vietnamese Ministry of Industry and Trade ("MOIT"). On October 17, 2019 Jadestone made the formal declaration of commercial discovery for the Nam Du and U Minh fields and submitted the combined formal FDP for the Nam Du/U Minh development to PVN, thus initiating the formal Government approvals process. Jadestone is targeting a final investment decision/formal project sanction including gaining Vietnam Government approval before the end of 2019 or shortly thereafter.

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 prove up additional resource. This well is planned to 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 Block 46/07 exploration phase two period by a further two years to June 29, 2020. This enabled the appraisal well drilling to be deferred to 2020, which in turn has meant that project facilities engineering and development well planning, both completed during 2019, have ensured that the appraisal well design will be suitable for tie-back and completion as a Nam Du platform gas production well.

Over the past several months Jadestone has conducted tendering activities for a jack up drilling rig, long lead drilling equipment, and drilling services to support drilling the Nam Du appraisal well during Q2 2020. It was not possible to find a rig available to fit the planned drilling schedule, therefore drilling preparations for 2020 were suspended. Jadestone subsequently submitted a request to PVN seeking Government approval for a further one year extension to exploration phase two to June 2021. This will enable the appraisal well to be drilled during the 2021 Nam Du development drilling campaign as part of the Nam Du/U Minh field development project.

An HoA was signed, on April 26, 2019, between Jadestone's wholly owned Vietnamese subsidiaries for the Block 46/07 PSC and Block 51 PSC (as the sellers) and PVN (as the buyer) for the Gas Sales and Purchase Agreement ("GSPA") for the Nam Du and U Minh fields. The HoA stipulates the agreed daily contract quantity ("DCQ") of sales gas of 80MMcf/d and targeting a minimum production plateau period of 55 months. In addition to the DCQ, the HoA specifies certain take-or-pay provisions, the pricing formula, and other key terms that will be finalised in the GSPA at the time of FDP approval. GSPA negotiations are ongoing between Jadestone and PVN.

Bid proposal evaluations and contract negotiations for the facilities engineering, procurement, and construction (EPC) and FPSO contract tenders were concluded during Q3 2019 and the contract award recommendations submitted to PVN for approval. The contract award recommendation for the facilities EPC contract was approved by PVN on September 4, 2019 and the contract award recommendation for the FPSO lease, operations, and maintenance contract approved by PVN on October 18, 2019. The proposed bidders list for the facilities transportation and offshore installation services contract, to be tendered post-sanction, was also approved by PVN on September 17, 2019.

Block 127 PSC

Jadestone was operator of and held a 100% working interest in the Block 127 PSC, located in the Phu Khanh Basin, off the east coast of Vietnam. During the first half of 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 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, a subsidiary of 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, 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 programme for SC56, as operator, includes geological and geophysical studies to further assess the prospectivity in the Block, and a gas market study.

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 period ended September 30, 2019.

	Three months ended							
USD'000 except where indicated	**Sep 30, 2019**	**June 30, 2019**	**Mar 31, 2019**	**Dec 31, 2018**	**Sep 30, 2018**	**Jun 30, 2018**	**Mar 31, 2018**	**Dec 31, 2017**
Production (boe/day)	13,036	13,315	13,059	5,215	3,080	4,239	4,101	4,369
Revenues[2]	62,500	115,341	56,366	44,972	32,669	17,496	18,287	17,775
Net earnings/(loss)	19	22,584	8,360	(6,573)	(2,955)	(4,912)	(16,593)	778
—Per share: basic & diluted	0.00	0.05	0.02	(0.01)	(0.01)	(0.02)	(0.07)	0.00
Funds from/(used in) operating activities	37,114	33,013	28,664	32,495	(12,224)	(2,583)	77	571
—Per share: basic & diluted	0.08	0.07	0.06	0.07	(0.03)	(0.01)	0.00	0.00

[2] Revenue was restated during Q4 2018, including prior periods, from a gross to a net basis after deducting royalties, but including realised effective hedging gains/losses. This restatement has been undertaken pursuant to *IFRS 15* and implemented in the consolidated financial statements for the year ended December 31, 2018.

Quarter ended: Sep 30, 2019

The average production for the period was 13,036 bbls/d. Three workovers at Stag were completed during the period which had been delayed from the prior period due to the drilling of 49H infill well. The company lifted 891,644 bbls during the quarter, which generated US$58.3 million in revenues, before hedging income of US$4.2 million, and US$38.1 million in operational cashflows after changes in working capital, interest and taxes.

Quarter ended: Jun 30, 2019

The average production for the period was 13,315 bbls/d. The completion of the 49H infill well at Stag on May 21 generated initial production of over 1,400 bbls/d. The additional production was offset by three wells requiring workovers in Q3 2019. The company lifted 1,589,352 bbls during the quarter, which generated US$114.0 million in revenues, before hedging income of US$1.4 million, and US$33.0 million in operational cashflows.

Quarter ended: Mar 31, 2019

The average production for the period was 13,059 bbls/d, with Montara restarting production on January 11, 2019 (averaged across the whole quarter). The company lifted 748,851 bbls during the quarter, which generated US$50.6 million in revenues, before hedging revenue of US$5.7 million, and US$28.7 million in operational cashflows.

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 backlog 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 quarter was impacted by an additional US$4.0 million charge for the maintenance and inspection work. Revenue for the quarter was US$45.0 million and operating cashflow was US$32.5 million.

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. Revenue for the period was US$32.7 million and 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. Net revenue was US$17.5 million, due to higher benchmark prices offset by lower production, with the expiry of the Ogan Komering PSC on May 19, 2018. Operating cashflow for the quarter was a funds outflow of US$2.6 million.

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. Revenue for the period was US$18.3 million with operating cashflow of US$0.1 million.

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% quarter-on-quarter to 4,369 boe/d. Revenue for the period was US$17.8 million with operating cashflow of US$0.6 million.

PRODUCTION

Production averaged 13,530 bbls/d for the nine month period ended September 30, 2019, compared to 10,436 boe/d for the comparative period[3].

- During the nine month period ended September 30, 2019, Montara production averaged 10,737 bbls/d compared to 7,585 bbls/d for three days in the comparative period (the Montara acquisition closed on September 28, 2018);
- Stag production for the nine month period ended September 30, 2019 was 2,793 bbls/d, a decrease of 58 bbls/d for the same period in 2018; and
- The Ogan Komering PSC expired on May 19, 2018, which resulted in a fall in production of 1,439 boe/d.

Production averaged 13,036 bbls/d during the third quarter of 2019, compared to 3,327 boe/d for the three-month period ended September 30, 2018, due to:

- Montara production averaged 9,235 bbls/d during the current quarter, compared to 7,585 bbls/d in the comparative quarter for the three days post acquisition on September 28, 2018; and
- Stag production averaged 3,801 bbls/d in the current period, compared to 3,080 bbls/d in the comparative period due to the completion of the 49H infill well this year, and improved well performance.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

<u>IFRS 16 Leases</u>

The Group, for the first time, has applied *IFRS 16 Leases* (as issued by the IASB in January 2016) as from January 1, 2019.

The Group has applied *IFRS 16* using the *'modified retrospective'* approach, which permits Jadestone to elect

[3] Average production for Montara from Jan 11, 2019 to Sep 30, 2019 and for Stag for the full nine-month period. Comparable period production for Montara based only on the three days to Sep 30, 2018 as the acquisition closed on Sep 28, 2018. Comparable period production for Stag based on the full nine month period, and for Ogan Komering until May 19, 2018 when the PSC expired.

not to restate comparatives. On adoption, *IFRS 16* changed how the Group accounts for leases previously classified as operating leases.

IFRS 16 has the following impacts on the Group accounts:

- Recognises right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- Recognises depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

RESULTS OF OPERATIONS

	Three months ended September 30, 2019 USD'000	**Three months ended September 30, 2018 USD'000**	**Nine months ended September 30, 2019 USD'000**	**Nine months ended September 30, 2018 USD'000**
Consolidated statement of profit or loss				
Revenue	62,500	32,669	234,206	68,452
Production costs	(31,965)	(16,870)	(94,022)	(40,337)
Depletion, depreciation and amortisation	(17,126)	(2,780)	(63,415)	(7,844)
Staff costs	(4,496)	(2,812)	(13,386)	(9,617)
Other expenses	(2,812)	(6,314)	(7,850)	(11,709)
Other income	308	180	2,406	291
Impairment of assets	-	-	-	(11,902)
Finance costs	(4,513)	(841)	(14,547)	(3,864)
Other financial gains	871	-	2,807	-
Profit/(loss) before tax	2,767	**3,232**	**46,219**	**(16,530)**
Income tax expense	(2,748)	(6,187)	(16,078)	(7,929)
Profit/(loss) for the period	**19**	**(2,955)**	**30,141**	**(24,459)**
Profit/(loss) per ordinary share				
Basic and diluted (US$)	**0.00**	**(0.01)**	**0.07**	**(0.09)**
Consolidated statement of comprehensive income				
Profit/(loss) for the period	19	(2,955)	30,141	(24,459)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Gain/(loss) on unrealised cash flow hedges	8,837	2,020	(20,854)	(2,896)
Hedging gain reclassified to profit or loss	(4,226)	-	(11,354)	-
	4,611	**2,020**	**(32,208)**	**(2,896)**
Tax income/(expense) relating to components of other comprehensive income	(1,384)	(606)	9,662	868
Other comprehensive income/(loss)	**3,227**	**1,414**	**(22,546)**	**(2,028)**
Total comprehensive income/(loss) for the period	**3,246**	**(1,541)**	**7,595**	**(26,487)**

Revenue

Revenue for the nine month period ended September 30, 2019 was US$234.2 million, compared to US$68.4 million in the nine month period ended September 30, 2018. The increase of US$165.8 million is largely due to:

- Sales volumes of 3,229,847 bbls for the nine month period ended September 30, 2019, compared to 1,025,972 boe in the comparative period, which generated a revenue variance of US$154.7 million;
- The change in oil prices generated a variance of US$(3.8) million. For the nine month period ended September 30, 2019, the net realised price was US$69.00/bbl, compared to US$70.18/boe for the nine months period ended September 30, 2018;
- Hedging income increased US$16.0 million, due to US$11.4 million income during 2019 compared to a hedging expense of US$4.6 million in the prior period; and
- Indonesian royalties were US$3.5 million lower compared to the nine months ended September 30, 2018. This was due to the expiry of the Ogan Komering PSC on May 19, 2018.

Revenue for the three months ended September 30, 2019 was US$62.5 million, compared to US$32.7 million for the same quarter in the prior year, generating a variance of US$29.8 million, due largely to:

- The volume variance was US$30.7 million, as the Company lifted 891,644 bbls in Q3 2019, compared to 422,267 bbls in Q3 2018;
- A negative price variance of US$10.7 million of revenue between the comparative periods due to realised prices in Q3 2019 of US$65.36/bbl, compared to US$77.37/bbl in Q3 2018; and
- Hedging income generated a variance of US$7.5 million due to income in 2019 of US$4.2 million, compared to an expense of US$3.3 million in the comparative period.

Production costs

Production costs for the nine months ended September 30, 2019, were US$94.0 million compared to US$40.3 million in the comparable period in 2018, or an increase of US$53.7 million, due to:

- Montara production costs increased US$66.0 million in the nine month period to September 30, 2019 relative to the comparable nine month period in 2018 (and noting, again, the acquisition closed on September 28, 2018);
- Stag production costs decreased US$9.0 million, due to lower workovers cost incurred in the current period; and
- The expiry of the Ogan Komering PSC on May 19, 2018, resulting in a reduction of US$3.3 million between the two periods.

Production costs increased by US$15.1 million to a total of US$32.0 million for Q3 2019, compared to US$16.9 million in the three month comparable period in 2018, due to:

- Montara production costs of US$21.0 million (Q3 2018: nil);
- Stag production costs decreased US$5.4 million due to lower workovers expenditure of US$1.7 million and operating efficiencies; and
- The expiry of the Ogan Komering PSC on May 19, 2018, resulting in a saving of US$0.6 million between the two periods.

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

The charge for the nine months ended September 30, 2019 was US$63.4 million, compared to US$7.8 million for the nine months ended September 30, 2018, due to the inclusion of Montara in the nine months ended 2019 for a total of US$51.2 million, and an increase at Stag of US$5.0 million due to the change in classification of lease assets and the inclusion of the 49H infill well costs in depletion charges. This was partly offset by a decrease in the nine months to September 30, 2019 associated with the Ogan Komering PSC expiry in 2018 of US$0.6 million.

The DD&A charge for the three months ended September 30, 2019 was US$17.2 million, compared to US$2.8 million for the three months ended September 30, 2018, due to the current period charge of US$12.2 million at Montara (Q3 2018: nil), and the change in the accounting treatment of leases and increased Stag depletion rates due to the inclusion of the 49H infill well.

Finance costs

For the nine months ended September 30, 2019, finance costs totalled US$14.5 million, compared to US$3.9 million for the nine month period to September 30, 2018, with the US$10.6 million variance largely due to:

- Montara asset retirement obligation ("ARO") accretion expenses of US$4.6 million (nine months to September 30, 2018: nil);
- Stag ARO accretion costs decreased by US$1.0 million in the current period, versus the same period a year ago, due to changes in discount rates;
- Lease accretion expenses of US$3.3 million (nine months 2018: nil), arising from the adoption of *IFRS16*;
- Reserve based loan ("RBL") facility interest of US$5.1 million (nine months 2018: US$0.1 million), noting the RBL was drawn down in late Q3 2018;
- Other finance costs of US$1.5 million (nine months 2018: US$0.1 million), including ineffective hedge expense and foreign exchange losses; and
- Partially offset by expenses in nine months to September 30, 2018 associated with the convertible bond of US$2.7 million, and noting that the bond was repaid on August 15, 2018, thus giving rise to no expenses in the current reporting period.

Finance costs for the quarter ended September 30, 2019 were US$4.5 million, an increase of US$3.7 million compared to the same period in 2018 (Q3 2018: US$0.8 million), due to:

- Montara ARO accretion expense of US$0.9 million (Q3 2018: nil);
- Lease accretion expenses of US$1.2 million (Q3 2018: nil), arising from the adoption of *IFRS16*;
- RBL facility accretion and interest of US$1.4 million (Q3 2018: US$0.1 million)
- Other finance cost of US$0.6 million (Q3 2018: US$0.1 million); and
- Expenses associated with the convertible bond of US$0.2 million in Q3 2018 (Q3 2019: nil).

Other financial gains

During the nine months ended September 30, 2019, the Company recognised US$2.8 million (nine months ended 2018: nil) of other financial gains due to the decrease in the fair value of the Montara contingent payments.

On September 30, 2019 the fair value of these contingent payments was US$0.9 million, compared to US$3.7

million as at December 2018. As a result of the decline in the outlook for future oil prices since the time that the acquisition closed, the fair value of these contingent payments has reduced, as the likelihood of making the payment is lower.

The movement in other financial gains between Q3 2019 and Q3 2018, of US$0.9 million, is also due to the change in the fair value of the Montara contingent payments.

Taxation

The tax charge for the nine months ended September 30, 2019 was US$16.1 million compared to US$7.9 million in the same period of 2018. The charge for the nine months ended September 30, 2019 comprises an income tax liability of US$31.4 million (2018: US$1.7 million), offset by a PRRT tax credit of US$3.4 million (2018: PRRT expense US$3.5 million), and deferred tax credit of US$11.9 million (2018: deferred tax charge US$2.8 million).

The PRRT tax credit reflects a refund of US$6.5 million received during the period ended September 30, 2019 offsetting a higher PRRT liability compared to the prior period. The PRRT tax movements related to Stag, as Montara has carried forward PRRT tax credits of approximately US$2.9 billion.

During the three-month period ended September 30, 2019, the Company incurred a tax charge of US$2.7 million (Q3 2018: US$6.2 million), comprising income tax of US$3.2 million (Q3 2018 US$0.7million), and PRRT tax charge of US$2.2 million (Q3 2018: US$3.5 million) and deferred tax credits of US$2.7 million (Q3 2018: deferred tax charge US$2.0 million).

Gain/(loss) on unrealised cash flow hedges

During Q3 2018, the Company entered into a capped swap to hedge approximately 50% of planned production from the existing wells at Montara over the period October 1, 2018 through to September 30, 2020, at swap rates commencing at US$74.22/bbl, through to US$66.62/bbl, by the end of the swap contracts. Calls for a portion of the swapped barrels were bought at a US$80/bbl strike price to September 30, 2019, and at US$85/bbl thereafter.

The swap contracts settle monthly, based on the average Dated Brent price in the month. The capped swap has been designated as a cash flow hedge, and assessed to be effective with a fair value of US$18.5 million as at September 30, 2019 (September 30, 2018: US$ nil). The fair value is based on third party valuations for similar products on the relevant markets.

The Company recognized a loss for the nine month period to September 30, 2019 of US$20.9 million (nine months ended September 30, 2018: US$2.9 million), and a gain on unrealized cashflow hedges of US$8.8 million in the three months ended September 30, 2019 (Q3 2018: gain of US$2.0 million) , reflecting the movements in fair value of the remaining hedge contracts on the balance sheet.

Hedging gain reclassified to profit and loss

Following swap settlements, the reclassification of hedge contracts in the nine month period ended September 30, 2019 gave rise to a transfer from other comprehensive income to revenue of US$11.4 million (nine months ended September 30, 2018: nil), and for the three-month period ended September 30, 2019, a transfer to revenue of US$4.2 million (Q3 2018: nil). The movement relates to the expiry of hedging contracts associated with Montara production contracts between January to September 2019, and the ineffective mark-to-market gain for the remaining Montara contracts.

Tax relating to components of other comprehensive income

The tax components of other comprehensive income for the nine and three months ended September 30, 2019 are a tax credit of US$9.7 million, and a tax expense of US$1.4 million respectively, which reflects the deferred tax impact on the net income or expense for the periods.

FINANCIAL POSITION

The following provides selected financial information of the Company, which was derived from, and should be read in conjunction with, the Financial Statements for the nine months ended September 30, 2019:

	As at September 30, 2019 USD'000	**As at December 31, 2018 USD'000**
Total assets	790,921	730,367
Non-current assets	635,046	587,696
Current assets	155,875	142,671
Non-current liabilities	433,234	429,936
Current liabilities	133,739	85,170
Shareholders' equity	223,948	215,261

Non-current assets

Non-current assets as at September 30, 2019 are US$635.0 million (December 31, 2018: US$587.7 million), an increase of US$47.3 million, predominately due to the following:

- **Right of use assets** – an increase of US$65.6 million, pursuant to the adoption of *IFRS 16*;
- **Oil and gas properties** – a net decrease of US$9.7 million due to depletion charges for the nine month period partly offset by costs associated with the Stag 49H infill well, early costs on the Montara H6 infill well, pipeline maintenance, and changes in ARO assumptions at Montara and Stag;
- **Restricted cash** – declined by US$3.1 million to US$20.4 million, reflecting the declining debt service reserve account balance under the RBL, as less cash is required to be held to meet remaining repayments.
- **Derivative financial instruments** – declined by US$14.2 million to US$1.1 million to reflect the changes in the value of the capped swap; and
- **Intangible exploration assets** – increased by US$8.5 million to US$104.1 million, largely due to the increased expenditure in Vietnam, leading up to project sanction of Nam Du and U Minh before the end of 2019 or shortly thereafter.

Current assets

Current assets as at September 30, 2019 were US$155.9 million, compared to US$142.7 million as at December

31, 2018, a change of US$13.2 million largely due to:

- **Trade and other receivables** – increased US$23.7 million due to the timing of liftings and settlements at Montara. The sole Montara lifting in Q3 2019 was completed on August 30, 2018 with 30 days settlement terms, but the cash receipt of US$41.2 million was delayed by a day and was received on October 1, 2019;
- **Inventories** – increased US$11.7 million, due to increased closing crude inventory at Stag and Montara; and
- **Derivative financial instruments** – decreased US$18.6 million to reflect the changes in the value of the capped swap.

Non-current liabilities

Non-current liabilities as at September 30, 2019 were US$433.2 million, an increase of US$3.3 million from December 31, 2018, due largely to the following:

- **Provision for ARO** – the future estimated decommissioning costs at Stag and Montara have increased US$13.4 million, reflecting the impact of changes in discount and exchange rate assumptions of US$8.8 million, and an accretion expense of US$4.6 million;
- **Borrowings** – in accordance with *IFRS 9*, the Company's RBL loan is carried at its amortised cost of US$60.7 million (December 31, 2018: US$100.5 million), net of establishment, transaction and other fees. The total balance is split between US$17.3 million (December 31, 2018: US$49.4 million) in non-current liabilities, and US$43.4 million (December 31, 2018: US$51.1 million) in current liabilities, resulting in a US$32.1 million decline in non-current liabilities;
- **Lease liability** – an increase of US$47.7 million as at September 30, 2019, pursuant to the adoption of *IFRS 16*;
- **Other payables** – a decrease of US$4.2 million due to the reduction in the fair value of the two potential contingent payments to PTTEP Australia, the vendor of the Montara Assets; and
- **Deferred tax liabilities** – a decrease of US$21.5 million to US$71.0 million at September 30, 2019, from US$92.5 million as at December 31, 2018, due to changes in temporary timing differences in both corporate income tax and deferred PRRT.

Current liabilities

Current liabilities as at September 30, 2019 were US$133.7 million, an increase of US$48.6 million from December 31, 2018, due to the following:

- **Borrowings** – the current portion of the RBL is US$43.4 million (December 31, 2018: US$51.1 million), or a US$8.9 million decline in current liabilities inclusive of the change in an insurance premium funding arrangement;
- **Lease liability** – an increase of US$20.1 million in nine months period 2019, pursuant to the adoption of *IFRS 16*;
- **Trade and other payables** – a increase of US$3.8 million to US$35.3 million at September 30, 2019, compared to US$31.5 million at December 31, 2018, predominately due to the timing of settlement of trade payables at the September 30, 2019 quarter end; and
- **Provision for tax** – an increase of US$33.6 million to US$34.9 million at September 30, 2019, from US$1.3 million as at December 31, 2018, due largely to Australian taxable income generated in the

quarter from Montara operations.

Share capital

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.

	As at September 30, 2019	As at December 31, 2018
Number of issued ordinary shares	461,042,811	461,009,478

	As at September 30, 2019 USD'000	As at December 31, 2018 USD'000
At beginning of the period/year	466,562	364,466
Proceeds from share issue, net of issuance costs	11	102,096
End of the period/year	466,573	466,562

Shareholders' equity

Shareholders' equity increased by US$8.7 million compared to December 31, 2018, predominately due to US$30.1 million of profit after tax generated in the period, partially offset by a reduction in the hedging reserve reflecting the movement in the hedging loss as detailed in Other Comprehensive Income.

LIQUIDITY AND CAPITAL RESOURCES

Cash at bank

At September 30, 2019, current cash and cash equivalents was US$50.8 million, excluding restricted cash, compared with US$53.0 million as at December 31, 2018. The following table provides selected cash flow information for the quarters indicated.

CASH FLOW

	Three months ended September 30, 2019 USD'000	Three months ended September 30, 2018 USD'000
Cash generated from/(used in) operating activities	37,114	(12,224)
Cash used in investing activities	(25,131)	(134,521)
Cash from/(used in) financing activities	(13,024)	185,828
Increase/(decrease) in cash during the quarter	(1,041)	39,083
Cash at bank beginning of quarter	51,880	6,565
Cash at bank end of quarter	**50,839**	**45,648**

The net cash decrease of US$1.0 million reflects a full quarter's operating performance for Montara, although the cash receipt of the August 2019 US$41.2 million Montara lifting was not received until October 1, 2019.

Cash generated from/(used in) operating activities

The increase of US$49.3 million reflects the inclusion of Montara during the quarter ended September 30, 2019, compared to Stag during the comparable quarter in 2018.

Cash used in investing activities

Investing activities were net US$25.1 million in the quarter ended September 30, 2019, compared to US$134.5 million in the same quarter of 2018, reflecting the acquisition of Montara on September 28, 2018. Q3 2019 investing activities include a portion of the 49H infill well costs and the completion of the umbilical project at Montara. An additional US$4.6 million reflects lease payments reclassified in accordance with *IFRS 16 Leases*.

Cash from/(used in) financing activities

Q3 2019 financing expenditure of US$13.0 million relates largely to the quarterly repayment of the RBL, compared to a US$185.8 million financing inflow in Q3 2018 arising the London AIM equity raise and draw down of the RBL used to acquire Montara.

WORKING CAPITAL

Working capital is the amount by which current assets exceed current liabilities. At September 30, 2019, the Company's working capital remains positive at US$22.1 million, a decrease of US$35.4 million compared to December 31, 2018. A breakdown of the Company's working capital is as follows.

	As at September 30, 2019 USD'000	**As at December 31, 2018 USD'000**	**Change USD'000**
Current assets	155,875	142,671	13,204
Current liabilities	133,739	85,170	(48,569)
Net working capital	**22,136**	**57,501**	**(35,365)**

The movement largely reflects the US$20.1 million increase in current lease liabilities pursuant to the adoption of *IFRS 16*, the reduction in the carrying value of the capped swap derivative financial asset of US$18.6 million based on the redetermination of its fair value at September 30, 2019, plus movements in trade debtors (US$23.7 million), payables and inventories.

FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

For a detailed analysis of how the Company manages its financial instruments, financial risks and capital management, see the audited financial statements for the year ended December 31, 2018. The financial risks, instruments and capital market strategies have not materially changed since the year end.

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.

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 quarter ended September 30, 2019.

	September 30, 2019 USD'000	**December 31, 2018 USD'000**
Gearing ratio		
Debt	60,751	101,813
Cash and cash equivalents	(54,526)	(52,981)
Restricted cash	(10,440)	(18,644)
Net (cash)/debt	**(4,215)**	**30,188**
Equity	223,948	215,261
Net debt to equity ratio	**N/M**	**14%**

Debt is defined as long and short-term borrowings (excluding derivatives), see further Note 29 of the Financial Statements. Cash and cash equivalents include the Montara Assets' minimum working capital cash balance of US$15.0 million required under the RBL, while restricted cash comprises the US$14.1 million in the RBL debt service reserve account as at September 30, 2019. 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.

SEGMENT INFORMATION

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

	Nine months ended September 30, 2019				
	Producing assets		Exploration		
	Australia USD'000	SEA USD'000	SEA USD'000	Corporate USD'000	Total USD'000
Revenue	**234,206**	**-**	**-**	**-**	**234,206**
Production cost	(94,022)	-	-	-	(94,022)
DD&A	(63,072)	-	-	(343)	(63,415)
Staff costs	(4,911)	(747)	(853)	(6,876)	(13,386)
Other expenses	(7,912)	(114)	(320)	496	(7,850)
Other income	956	-	-	1,450	2,406
Finance costs	(14,414)	-	-	(113)	(14,527)
Other financial gain	2,807	-	-	-	2,807
Profit/(loss) before tax	**53,638**	**(861)**	**(1,173)**	**(5,385)**	**46,219**

	As at September 30, 2019				
	Producing assets		Exploration		
	Australia USD'000	SEA USD'000	SEA USD'000	Corporate USD'000	Total USD'000
Additions to non-current assets	**57,026**	**-**	**8,525**	**23**	**65,574**
Total assets & liabilities					
Current assets	146,760	137	-	8,978	155,875
Non-current assets	529,882	-	104,132	1,032	635,046
Current liabilities	(128,052)	(112)	-	(5,576)	(133,739)
Non-current liabilities	(433,234)	-	-	-	(433,234)
Net assets	**115,356**	**25**	**104,132**	**4,435**	**223,948**

	Nine months ended September 30, 2018				
	Producing assets		Exploration		
	Australia	SEA	SEA	Corporate	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	**61,153**	**7,299**	**-**	**-**	**68,452**
Production cost	(36,954)	(3,383)	-	-	(40,337)
DD&A	(7,110)	(657)	-	(77)	(7,844)
Staff costs	(1,798)	(1,470)	(553)	(5,796)	(9,617)
Other expenses	(5,301)	(153)	(184)	(6,071)	(11,709)
Other income	105	(4)	-	190	291
Impairment of asset	-	-	(11,902)	-	(11,902)
Finance costs	(2,413)	(32)	-	(1,419)	(3,864)
Profit/(loss) before tax	**7,682**	**1,600**	**(12,639)**	**(13,173)**	**(16,530)**

	As at December 31, 2018				
	Producing assets		Exploration		
	Australia	SEA	SEA	Corporate	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Additions to non-current assets	**360,774**	**-**	**1,835**	**1**	**362,610**
Total assets & liabilities					
Current assets	133,349	345	417	8,560	142,671
Non-current assets	491,809	-	95,607	280	587,696
Current liabilities	(80,687)	(93)	(737)	(3,654)	(85,170)
Non-current liabilities	(429,936)	-	-	-	(429,936)
Net assets	**114,535**	**252**	**95,287**	**5,187**	**215,261**

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

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

	Three months ended September 30, 2019 USD'000	Three months ended September 30, 2018 USD'000	Nine months ended September 30, 2019 USD'000	Nine months ended September 30, 2018 USD'000
Short-term benefits	1,505	1,672	3,664	3,468
Other benefits	208	461	711	716
Share based payments	273	173	642	297
	1,986	**2,306**	**5,017**	**4,481**

EVENTS AFTER THE REPORTING PERIOD

Transfer of remaining 1% title interest in Montara titles

The transfer of operatorship at Montara was completed on August 6, 2019, following the acceptance by NOPSEMA, the safety regulator in Australia, of the Company's safety case. The Company received a 99% interest in the Montara titles on May 30, 2019, with the final 1% approved by NOPTA on October 1, 2019.

Acquisition of a 69% stake in the Maari oil complex

On November 16, 2019, a wholly owned subsidiary of the Company signed a binding asset sale and purchase agreement to purchase a 69% operated interest in the Maari oil complex from OMV New Zealand Limited, a subsidiary of OMV Aktiengesellschaft. The headline purchase consideration is US$50.0 million, with an economic effective date of January 1, 2019. If Dated Brent averages US$75/bbl or more in 2020, then a further US$2.6 million is payable, and US$1.3 million if Dated Brent averages US$75/bbl or more in 2021. The Maari oil complex is currently free cashflow positive, with 2P reserves of 13.9mm bbls and recent production of 4,000 – 4,500 bbls/d (both net to 69% working interest).

The transaction is expected to close in H2 2020 and will be funded from Company cash available on hand. Completion will occur upon satisfaction of conditions, including acceptance of Jadestone as operator by the Maari joint venture partners, New Zealand Government approvals relating to title transfer and change of operatorship and other customary conditions. OMV will continue as operator until the transaction completes in H2 2020.

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.