Jadestone Energy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the 6-months ended September 30, 2017

This management discussion and analysis ("MD&A") of the financial position and results of operations for Jadestone Energy Inc. (the "Company", or "Jadestone") is prepared as at November 28, 2017 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the 6-months ended September 30, 2017 (the "Financial Statements"), and the Company's audited consolidated financial statements and related notes as at and for the year ended March 31, 2017. The Financial Statements and comparative information presented therein have been prepared in accordance with International Financial Reporting Standards. The Financial Statements are expressed in United States Dollars ("US$") and have not been reviewed by the auditor.

FORWARD LOOKING STATEMENTS

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

CORPORATE OVERVIEW & STRATEGY

The Company is an oil and gas company incorporated in Canada. The Company's common shares are listed on the TSX Ventures Exchange under the symbol JSE.

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

The Stag Oilfield, which is in block WA-15-L, is located 60km offshore Western Australia in a water depth of approximately 47 metres. As at March 31, 2017 the field contained total proved and probable reserves of 17.8 million barrels of oil (100% net to Jadestone).

The Ogan Komering Production Sharing Contract ("PSC") is located onshore South Sumatra, Indonesia. The production rate of the block in the 3-months ended September 30, 2017 averaged 1,439 barrels of oil equivalent ("boe") per day (Jadestone net 50% working interest); approximately sixty five percent oil and thirty five percent gas (3-months ended September 30, 2016: Nil). Jadestone will seek an independent reserves evaluation for the Ogan Komering PSC once the Company's participation is confirmed in the new PSC in 2018.

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

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

In addition to the existing Southeast Asian portfolio, the Company announced, on August 9, 2016, that Mitra Energy (Vietnam 05-1) Pte Ltd, a wholly-owned subsidiary of the Company, as buyer, and the Company, as guarantor, have signed a definitive sale and purchase agreement 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"). The proposed Block 05-1 acquisition remains subject to a statutory pre-emption right held by Vietnam Oil and Gas Group ("PVN") under Vietnamese law.

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

The Company's head office is located at Keppel Towers, #15-05/06, 10 Hoe Chiang Road, Singapore 089315. The registered office of the Company is 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1 Canada.

ACQUISITION OF STAG OILFIELD

On November 11, 2016, the Company announced that Jadestone Energy (Australia) Pty Ltd (formerly named Mitra Energy (Australia) Pty Ltd), as buyer, and Jadestone, as guarantor, had satisfied the conditions precedent to closing the Stag Oilfield acquisition and the acquisition had closed. At closing, a cash consideration of US$10 million was paid by Jadestone to Quadrant Northwest Pty Ltd ("Quadrant Energy") and Santos Offshore Pty Ltd. The payment was funded from the proceeds of the private placement of common shares completed on November 8, 2016.

In addition to the purchase consideration, a further US$10 million was paid in connection with the settlement of working capital adjustments. On July 10, 2017 Jadestone provided a bank guarantee in the amount of US$10 million to a key contractor to the Stag Oilfield to support Jadestone's obligations under a long-term contract. Jadestone may also be responsible for certain contingent payments after 2017 of up to US$15 million which are linked to future expansion of the oilfield and oil price appreciation above agreed price levels.

Following the closing of the transaction, Quadrant Energy continued to perform their duty as operator of the Stag Oilfield on behalf of Jadestone under a transitional services agreement until July 10, 2017, after which the full legal ownership was transferred to Jadestone.

ACQUISITION OF OGAN KOMERING PSC

On March 9, 2017, Jadestone Energy International Holdings Inc. ("JEIH"), a wholly-owned subsidiary of the Company, closed the acquisition of a fifty percent (50%) interest in the Ogan Komering PSC, Sumatra, Indonesia for a total consideration of US$1.6 million. JEIH, as buyer, and Jadestone Energy Limited, as guarantor, signed a definitive Sale & Purchase Agreement ("SPA") with Repsol Oil & Gas Canada Inc., as seller, for the acquisition of all issued and outstanding shares in Talisman (Ogan Komering) Ltd ("TOKL"). TOKL holds a fifty percent (50%) interest in the PSC. The SPA was signed and the acquisition closed concurrently.

The PSC's corresponding block is located in South Sumatra, Indonesia. The remaining fifty percent (50%) in the PSC is held by PT Pertamina Hulu Energi Ogan Komering ("Pertamina Ogan Komering"), an affiliate of PT Pertamina Persero, Indonesia's national oil company. TOKL, together with Pertamina Ogan Komering, operates the PSC through a joint operated body.

OPERATIONAL ACTIVITIES

Producing Assets

Australia

Stag Oilfield

Production at the Stag Oilfield averaged 2,709 bbls/day for the first six months ended September 30, 2017.

Production was negatively impacted in the June quarter by downtime associated with three workovers: one workover on 25H was a normal ESP replacement while two further workovers on 36H and 37H involved extended shut-in periods due to casing integrity issues.

On July 10, 2017, the Company secured operatorship and legal title of the Stag Production facility, having fulfilled all the regulatory requirements necessary to assume operatorship. All systems inclusive of satellite communications and new business management systems have been completed without disruption to operational performance.

Production during the September quarter improved to an average of 2,847 bbls/day, an improvement of 277 bbls/day or 11% compared to the June quarter. Production was impacted by downtime associated with two workovers, one being a repeat of the workover carried out on 36H in the previous quarter by the previous operator due to installed tubing issues, and a selective ESP replacement workover on 12H as a performance opportunity. In addition, production was affected by a marine breakaway coupling activation, which occurred late in the Quarter.

Indonesia

Ogan Komering PSC

Jadestone's net working interest share of production from the Ogan Komering PSC for the second quarter ended September 30, 2017 averaged 938 bbls/day of liquids and 3,008 mmbtu/day of natural gas. This was equivalent to an aggregate of 1,439 boe/day. Production for the first six months ended September 30, 2017 averaged 952 bbls/day of oil and 3,023 mmbtu/day of natural gas, or an aggregate of 1,456 boe/day.

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

Exploration, appraisal and pre-development assets

Vietnam

Malay-Tho Chu Basin

Jadestone holds an operated 100% working interest in three PSC blocks in the Malay-Tho Chu basin of Vietnam. The Company has made three gas/condensate discoveries on its acreage, being U Minh and Tho Chu on Block 51, and Nam Du on Block 46/07. The Company also holds Block 45, where no commercial discoveries have been made to date.

Prior to May 1, 2017, these blocks were held jointly with Petrovietnam Exploration and Production ("PVEP"), on 70:30 working interest bases respectively. PVEP has since relinquished its working interest, and arrangements are underway to amend the PSC licences to confirm Jadestone as the sole working interest owner.

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

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

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

Phu Khanh Basin

Jadestone operates Block 127 PSC with a 100% working interest. The block covers an area of over 9,000 km² at the southern end of the Phu Khanh Basin. The current extension period to Exploration Phase One was granted in May 2017 and runs to May 24, 2018, with no further major work commitment. Jadestone is continuing its efforts farm-out the PSC.

Nam Con Son Basin

On August 9, 2016, the Company announced that a wholly-owned subsidiary of the Company, as buyer, and the Company, as guarantor, have signed a definitive agreement with a wholly-owned subsidiary of Inpex, as seller, to acquire a 30% working interest in the Block 05-1 PSC for a total cash consideration of US$14.3 million subject to normal closing adjustments. The proposed acquisition remains subject to a statutory pre-emption right held by PVN. If PVN were to pre-empt, they would be required to match the terms agreed by Jadestone and Inpex. Completion of the proposed acquisition is conditional on obtaining all required approvals, including the approvals of the Government of Vietnam, PVN and partners.

Philippines

Service Contract 56

Jadestone holds a 25% interest in SC 56 in partnership with operator Total E&P Philippines B.V. ("Total"). Four wells have previously been drilled on SC 56, resulting in the Dabakan and Palendag discoveries.

In September 2012, Total farmed into SC 56 and assumed a 75% interest, and in August 2014 formally confirmed its intention to drill an exploration well on the Halcon prospect. As a result of the Halcon confirmation, operatorship was transferred to Total effective October 25, 2014. The Company views Halcon as an economically viable prospect with significant resource potential.

Total has subsequently informed Jadestone that it does not intend to drill an exploration well on the Halcon prospect. The Company has recently 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.

Service Contract 57

In March 2006 PNOC Exploration Company entered into a farm-in agreement with Jadestone, which allows Jadestone to obtain a 21% interest in exchange for paying 30% of the costs during the first two exploration sub-phases in Service Contract 57. Governmental approval for the farm-in remains outstanding and, consequently, this block is in a *Force Majeure* status.

Indonesia

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

Bone PSC

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

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

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

The Company is in the final stages of relinquishing the above four PSCs, having previously received Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKKMIGAS") approvals in the financial year ended March 31, 2016 for Sibaru PSC, Titan PSC and NE Natuna PSC, and transferring its 25% non-operated interest in North Madura PSC to Azipac on December 15, 2014.

As the final step in exiting from these blocks, the Company is currently in the process of closing the respective Indonesian tax files, and in the case of North Madura PSC settling the outstanding participating interest tax.

SELECTED ANNUAL FINANCIAL INFORMATION

	For the year ended March 31		
	2017	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**
	Restated		
Revenue	35,142	-	-
Loss for the year	35,071	19,207	27,069
Loss per share	0.25	0.23	1.55
Total assets	220,477	121,842	107,025
Total non-current liabilities	84,803	-	-

Revenue for the financial year ended March 31, 2017 was US$35.1 million (FY16 - US$Nil), arising from the acquisitions of Stag Oilfield and Ogan Komering PSC.

The loss for the fiscal year 2017 was US$35.1 million compared to US$19.2 million in the prior year. The increase in loss of US$15.9 million arose mainly due to higher costs from the change in strategy by the new management team, from an exploration focused business, to a focus on a balanced portfolio with an emphasis on production and near-term development. Included in the higher costs during the year was an impairment of exploration assets and inventories of US$10.2 million, legacy staff termination payments and costs of US$5.1 million and professional fees/consultancy costs of US$2.1 million.

Total assets at March 31, 2017 were US$220.5 million compared to US$121.8 million at March 31, 2016. The increase of US$98.7 million was mainly due to the year-end book value of US$100.0 million and US$8.1 million arising from the acquisitions of Stag and Ogan Komering PSC respectively, offset by impairment of exploration assets and inventories of US$10.2 million.

Total non-current liabilities at March 31, 2017 were US$84.8 million arising mostly from the acquisition of Stag Oilfield of US$84.1 million.

SUMMARY OF QUARTERLY RESULTS

The following table provides select financial information of the Company, which was derived from, and should be read in conjunction with, the unaudited Financial Statements for the 6-months ended September 30, 2017:

Quarterly Summary (US$ thousands, except where indicated)	Three months ended							
	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016	Mar 31 2016	Dec 31 2015
Production (boe/day)	4,286	4,059	3,857	2,818	-	-	-	-
Revenues	21,383	18,134	17,210	17,932	-	-	-	-
Net earnings/(loss)	(3,930)	(11,778)	(18,050)	(8,586)	(3,086)	(5,339)	(1,681)	(1,736)
- Per share: Basic	(0.02)	(0.05)	(0.05)	(0.05)	(0.03)	(0.06)	(0.02)	(0.02)
- Per share: Diluted	(0.02)	(0.05)	(0.05)	(0.05)	(0.03)	(0.06)	(0.02)	(0.02)
Funds from/(used) in operating activities	1,894	8,129)	(6,518)	5,268	(3,669)	(867)	(1,306)	(2,270)
- Per share: Basic	0.01	(0.04)	(0.03)	(0.03)	(0.04)	(0.01)	(0.01)	(0.03)
- Per share: Diluted	0.01	(0.04)	(0.03)	(0.03)	(0.04)	(0.01)	(0.01)	(0.03)

Production for the quarter increased by 227 boe/day or 5.6% to 4,286 boe/day as a result of higher production at both Stag Oilfield and Ogan Komering. Net loss for the quarter was US$3.9 million compared to US$3.1 million in the same period of 2016.

RESULTS OF OPERATIONS

	3-months ended September 30, 2017 US$000	3-months ended September 30, 2016 US$000	6-months ended September 30, 2017 US$000	6-months ended September 30, 2016 US$000
Revenue	21,383	-	39,517	-
Cost of sales	(18,485)	-	(45,549)	-
Gross Profit/(Loss)	2,898	-	(6,032)	-
Staff costs	(2,784)	(1,701)	(5,894)	(4,005)
Share-based compensation	(143)	(17)	(292)	(23)
Other operating expenses	(2,155)	(1,128)	(3,907)	(1,507)
Depreciation	(74)	(10)	(106)	(21)
Write back of material and spare parts	-	-	29	-
Exploration (expenses)/credit	36	(210)	22	(278)
Impairment of exploration asset	-	-	-	(2,562)
Write back of exploration asset	-	-	400	-
Back cost recovered/(expensed)	(81)	-	153	-
Foreign exchange loss	(137)	(21)	(63)	(31)
Operating Loss before Interest and Taxation	(2,440)	(3,087)	(15,690)	(8,427)
Interest income	25	1	26	1
Finance costs	(1,228)	-	(1,972)	-
Loss before tax	(3,643)	(3,086)	(17,636)	(8,426)
Taxation	(287)	-	1,928	-
Loss For The Period, Representing Total Comprehensive Loss For The Period	(3,930)	(3,086)	(15,708)	(8,426)
Loss per ordinary share :				
Basic and diluted - US$	(0.02)	(0.03)	(0.07)	(0.09)

The company reported a quarterly gross profit US$2.9 million-the first time the company has reported a positive quarterly gross profit in the company's history. The overall reported net loss was US$0.8 million greater than the same period in 2016 due to offsets to the positive gross profit including higher staff costs of US$1.1 million and higher operating expenses of US$0.9 million arising from the acquisitions of Stag and Ogan Komering, lower cost recovery in the exploration blocks, and professional fees in connection with a number of inorganic growth initiatives.

The material items contributing to the results for the six-month period to September 30, 2017, were as follows:

Revenue

Stag Oilfield revenue for the six months to September 2017 was US$27.4 million based on liftings of 501,834 bbls sold at an average oil price of US$54.69 per bbl (6-months ended September 30, 2016 - US$Nil).

Ogan Komering revenue for the six months to September 2017 was US$12.1 million (6-months ended September
30, 2016 - US$Nil), arising from:

Revenue type	Gross value	Production	Average unit price

Liquids	$8.1 million	174,231 bbls	US$46.29 per bbl
Gas	$4.0 million	553,261 mmbtu	US$7.26 per mmbtu
Total	**$12.1 million**	**1,456 boe/day**	

Cost of Sales
Stag's six months' cost of sales were US$34.7 million, including FSO costs of US$10.2 million, well workovers of US$9.7 million, depletion and amortization of US$4.3million, off-shore employees' costs of US$3.0 million, contractors' related costs of US$2.8 million, repairs and maintenance US$1.3 million, air/marine/on-shore support US$1.2million, administration related costs US$1.2 million and inventory movement of US$1.0 million (6-months ended September 30, 2016 - US$Nil).

Ogan Komering's costs of sales for the six months were US$10.8 million, including royalties US$5.3 million, operating expenditures of US$4.1 million and depletion, amortisation and depreciation of US$1.4 million (6-months ended September 30, 2016 - US$Nil).

Staff Costs
Staff costs for the six months were US$6.2 million compared to US$4.0 million in the same period of 2016. The increase of US$2.2 million is mainly due to the change in strategy by the new management team from an exploration focused business to a focus on a balanced portfolio with an emphasis on production and near-term development. This has resulted in a reduction of legacy staff costs of US$1.4 million and lower termination costs of US$0.5 million, offset by incremental staff costs arising from the acquisition of Stag, the Jakarta representative office and the Singapore office of US$4.1 million.

Other Operating Expenses
Other operating expenses for the six months were US$3.9 million compared to US$1.6 million in the same six month to September 2016. The increase of US$2.3 million was due to a change in strategy by the new management team. Lower exploration activities have resulted in US$1.0 million lower allocation of costs to intangible exploration assets, lower VAT recovery of US$0.4 million, and lower professional fees of US$0.2 million. In relation to the producing assets, additional professional fees of US$0.6 million was incurred in relation to Stag regulatory approvals and operations. Office costs increased marginally by US$0.1 million, mainly due to the increase of US$0.7 million arising from the acquisition of Stag operation and new Jakarta representative office, offset by the closure and/or reduction in legacy office costs in Jakarta, Vietnam and Kuala Lumpur.

Finance Costs
Finance costs for the six months were US$2.0 million mainly due to Stag asset restoration obligations (ARO) provision accretion expense of US$1.1 million, and interest expense and relevant costs associated with the convertible bond facility amounting to US$0.9 million (6-months ended September 30, 2016 - US$Nil).

Taxation
Taxation for the six months was a credit of US$1.9 million consisting of deferred petroleum resources rent tax of US$2.9 million, off-set by Indonesian corporate income tax of US$1.0 million (6-months ended September 30, 2016 - US$Nil).

FINANCIAL POSITION

The following table provides select financial information of the Company, which was derived from, and should be read in conjunction with the unaudited Financial Statements for the 6-months ended September 30, 2017:

	As at September 30, 2017 US$000	As at March 31, 2017 US$000 Restated
Total assets	221,473	220,477
Non-current assets	188,135	188,153
Current assets	33,338	32,324
Current liabilities	12,249	12,482
Non-current liabilities	101,448	84,803
Shareholders' equity	107,776	123,192

Total assets at September 30, 2017 were US$221.5 million, a marginal increase of US$1.0 million from March 31, 2017.

Non-current Assets

Non-current assets at September 30, 2017 were US$188.1 million, consistent with prior period.

Current Assets

Current assets reduced by US$1.0 million to US$33.3 million, mainly due to net effect of higher cash of $5.1 million but off-set by lower inventory and receivables of $6.1 million, compared to prior period.

Current Liabilities

Trade payables, other payables, accruals and provisions reduced by US$0.2 million to US$12.2 million compared to prior period, mainly due to full repayment of remaining borrowings of US$0.4 million.

Non-current Liabilities

Non-current liabilities increased US$16.6 million largely due to the drawdown on the US$28 million convertible bond facility entered with Tyrus Capital Event S.à.r.l. in the prior year and changes in the provision for ARO.

Secured convertible bonds & derivative financial instruments
During the first six months, the Group drew down US$15 million from the US$28 million convertible bond facility. The cost of conversion embedded in the bond has been calculated using the Black & Scholes model and included as a derivative financial liability instrument. As at September 30, 2017, the convertible bond was valued at US$12.5 million, after deducting the fair value of the derivative financial instrument (US$2.4 million) and original issue discount (US$0.4 million).

Provision for Asset Restoration Obligations
The Group's ARO, in respect of the future cost of decommissioning the Stag Oilfield facilities increased by US$1.7 million to US$78.9 million, compared to the prior period. This was due to accretion expenses of US$1.0 million and additions of US$0.7 million arising from changes in the discounted present value of estimated future decommissioning costs based on an estimated risk free rate of 2.84% and a United States to Australian dollar exchange rate of 0.7839 as at September 30, 2017 (March 31, 2017 - Australian risk free rate was 2.70% and the foreign exchange rate was 0.7692).

Shareholders' Equity

Shareholders' equity comprises the paid-up share capital, share-based payment reserve and accumulated losses. The shareholders' equity at September 30, 2017 was US$107.8 million compared to US$123.2 million as at March 31, 2017. This represented a net decrease of US$15.4 million, due to losses for the first six months of US$15.7 million, partially offset by recognition of share-based compensation of US$0.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash at Bank

At September 30, 2017 cash at bank was US$19.6 million compared with US$14.5 million as at March 31, 2017.

Cash Flow

The following table provides selected cash flow information for the periods indicated:

	3-months ended September 30, 2017 US$000	3-months ended September 30, 2016 US$000	6-months ended September 30, 2017 US$000	6-months Ended September 30, 2016 US$000
Cash generated from / (used in) operating activities	1,894	(3,474)	(6,235)	(7,133)
Cash outflows used in investing activities	(1,921)	(263)	(2,501)	(1,130)
Total cash provided by financing activities	4,627	-	14,104	263
(Decrease)/ increase in cash during the period	4,600	(3,737)	5,368	(8,000)
Effect of translation on foreign currency cash and cash equivalents	(137)	(21)	(270)	(31)
Cash and equivalent at beginning of period	15,113	4,844	14,478	9,117
Cash and equivalents at the end of period	19,576	1,086	19,576	1,086

Cash used in the operating activities for the first six months was US$6.2 million, compared to US$7.1 million used in the same period of 2016, with the Company generating positive free cash flow from operations in the September 2017 quarter as the major driver for a reduction in cash used in operating activities.

Cash provided by financing activities for the first six months was US$14.1 million compared to US$0.3 million in the same period of 2016. The US$14.1 million comprised proceeds of US$14.6 million arising from the drawn down of the convertible bond facility, partially offset by the payment on borrowings of US$0.4 million.

Working Capital Components

As at September 30, 2017, the Company's working capital was US$21.1 million compared to US$19.8 million as at March 31, 2017. A breakdown of the Company's working capital is as follows:

	As at September 30, 2017 US$'000	As at March 31, 2017 US$'000 Restated	Change US$'000
Inventories	8,515	10,803	(2,288)
Receivables and prepayments	5,247	7,043	(1,796)
Cash and cash equivalents	19,576	14,478	5,098

Borrowings	-	(435)	435
Trade & other payables, accruals and provisions	(12,249)	(12,047)	(202)
Net working capital	21,089	19,842	1,247

The increase in working capital of US$1.2 million was due to the net effect of higher cash of US$5.1million, higher borrowings and payables US$0.2 million, but lower inventory and receivables of US$4.1 million.

Contractual Obligations and Commitments

As at September 30, 2017	**Total US$000s**	**Less than 1 year US$000s**	**1-5 years US$000s**	**After 5 years US$000s**
Lease operating commitments	1,405	751	654	-
Stag Oilfield operational commitments	121,896	17,533	92,692	11,671
SEA portfolio PSC operational commitments	10,000	10,000	-	-
Total contractual obligations	133,301	28,284	93,346	11,671

At September 30, 2017, the Group has entered into certain commercial leases in respect of rental of office premises, office equipment and cars, that result in the lease operating commitments as above.

In addition, the Stag Oilfield operational commitments relate to the leased FSO vessel, permanently moored to a catenary anchor leg mooring buoy.

The Southeast Asian portfolio PSC operational commitments comprise an amount of US$10.0 million related to the minimum work commitment outstanding in Exploration Phase Two of Block 46/07 PSC; the drilling of a further well. Drilling of this well has been delayed as a result of ODP delays discussed in the earlier Operational Activities section. Jadestone will seek a further extension to Exploration Phase Two of the Block 46/07 PSC in order to maintain the alignment of appraisal and development drilling.

SHARE CAPITAL

As at September 30, 2017, the Company had 221,298,004 issued and outstanding common shares and 927,822 of exercisable stock options with a weighted average exercise price of C$0.59 and a weighted average remaining contractual life of 9.26 years. The 234,641 share purchase warrants as at April 1, 2017 expired on April 20, 2017, and were cancelled during the period.
Each stock option entitles the holder thereof to acquire one common share of the Company.

FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND RISK MANAGEMENT

The Group's financial instruments that are not measured at fair value are comprised of cash and bank balances, receivables and prepayments, trade & other payables, accruals and current provisions. As at September 30, 2017, management considers that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair value.

The Group drew down US$15 million from the $28 million convertible bond facility in June and July 2017. As at September 30, 2017, the carrying value of the convertible bonds was US$12.5 million and the carrying value of the embedded derivative financial liability amounted to US$2.4 million.

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

Interest Rate Risk

The Group's interest rate exposure arises from some of its cash and bank balances and short-term borrowings. The Group's other financial instruments are non-interest bearing or fixed rate, and are therefore not subject to interest rate risk.

Jadestone holds some of its cash in interest bearing accounts and short-term deposits. Interest rates currently received are at historical lows. Accordingly, a downward interest rate movement would not cause significant exposure to the Group. The balance of short term borrowings as at September 30, 2017 amounts to US$Nil (as at March 31, 2017: US$435,000). The 7.5% coupon on the Company's US$28.0 million convertible bond facility, drawn down to a total face value of US$15 million as at September 30, 2017, is a fixed rate coupon.

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

Foreign Currency Risk

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

Cash and bank balances are generally held in the currency of likely future expenditures to minimize the impact of currency fluctuations. The majority of funds are held in US Dollars in order to match the Group's revenue and expenditures. The Company's US$28.0 million convertible debt facility is a US Dollar denominated instrument.

In addition to US Dollar, the Group transacts in various currencies, including Canadian Dollar, Australian Dollar, Singapore Dollar, Indonesian Rupiah, Vietnamese Dong and Malaysian Ringgit. No sensitivity analysis has been prepared for carrying amounts of monetary assets and liabilities denominated in these foreign currencies as the Group does not expect any material effect arising from the effects of reasonably possible changes to the exchange rate for these foreign currencies.

Commodity Price Risk

The Group has exposure to commodity price risk in its exploration and production of oil and gas business. Jadestone does not currently have in place any hedging arrangement, however the Group may consider the use of derivative financial instruments to hedge the exposure to oil and/or gas price fluctuations at any time in the future.

The results of operations and cash flows of oil and gas production can vary significantly with fluctuations in the market prices of oil and/or natural gas. These are affected by factors outside the Group's control, including the market forces of supply and demand, regulatory and political actions of governments, and attempts of international cartels to control or influence prices, among a range of other factors.

Credit Risk

Credit risk represents the financial loss that the Company would suffer if a counterparty in a transaction fails to meet its obligations in accordance with the agreed terms. The Company actively manages its exposure to credit risk granting credit limits consistent with the financial strength of its counterparties and customers, requiring financial assurances as deemed necessary, reducing the amount and duration of credit exposures, and the close monitoring of relevant accounts.

The Group's trade receivables pertain to proceeds from oil and gas sales and share of joint-venture receivables. The Group trades only with recognised, creditworthy third parties and joint operating partners respectively. The Group's other trade and other receivables are primarily with governments for recoverable amounts of value added taxes, prepayments and deposits.

The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all of its financial obligations as they become due. This includes the risk that the Company cannot generate sufficient cash flow from producing assets or is unable to raise further capital in order to meet its obligations. The Company manages its liquidity risk by optimising the positive free cash flow from its producing assets (with full legal ownership of Stag effective from July 10, 2017), on-going cost reduction initiatives, drawing down on the convertible bond facility to meet necessary capital expenditure needs, mergers and acquisition strategies, and bank balance at hand. The Company believes it has sufficient liquidity to meet all reasonable scenarios of operating and financial performance for the next 12 months.

The table below analyses the Group's financial liabilities into relevant maturity groupings at the reporting date based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The maturity profile is:

	As at September 30, 2017 US$'000	**As at March 31, 2017 US$'000 Restated**
Less than 1 year		
Trade & other payables, accruals and provisions	12,249	12,047
Borrowings	-	435
	21,249	12,482

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

Compensation of Directors and Key Management Personnel

The remuneration of directors and other members of key management during the period was as follows:

	6-months ended September 30,	**6-months ended September 30,**

	2017 US$'000	2016 US$'000
Short-term benefits	1,768	1,280
Other benefits	405	-
Termination payments	-	865
Share-based payments	213	23
	2,386	2,168

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 metocean restrictions, timing and success of integrating the business and operations of acquired assets and companies, phased growth execution, risk of litigation, regulatory issues, increases in government taxes and other fiscal changes, and risk to our reputation resulting from operational activities that may cause personal injury, property damage or environmental damage.

Environmental

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

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

To mitigate these risks, the Company's HSE policy is reinforced at every stage of each operational contract. As part of all contract tendering, the Company requests, and subsequently audits, 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 forgoing list of risks and uncertainties is not exhaustive.

ADDITIONAL INFORMATION

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