



Annual Financial Report
For the year ended September 30, 2010

JURA ENERGY CORPORATION
Management's Discussion and Analysis
September 30, 2010

This Management Discussion and Analysis ("MD&A") is a review of the results of operations and the financial position of the Company as at September 30, 2010, and for the years ended September 30, 2010 and 2009. This MD&A is dated December 13, 2010, and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended September 30, 2010 and 2009.

Jura Energy Corporation's ("Jura" or the "Company") consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada ("GAAP"), and are reported in United States currency. All amounts reported in this MD&A are stated in United States currency unless otherwise stated.

Jura is listed and traded on the Toronto Stock Exchange under the trading symbol **JEC**. Additional information relating to Jura Energy Corporation is available on SEDAR at www.sedar.com.

Forward-looking Statements

This MD&A contains forward-looking statements. Readers are advised that any forward-looking statements contained in this MD&A are expressly qualified by the cautionary statements contained within the Forward-looking Statement section of this MD&A.

Non-GAAP Measurements

Within this MD&A, references are made to terms having widespread use in the oil and gas industry. "Netback" and "Working Capital" are not terms defined by GAAP in Canada and are regarded as non-GAAP measures. Netback is equal to petroleum and natural gas sales revenues less sales tax, royalties and production costs. Working capital is equal to current assets less current liabilities. The calculations for each non-GAAP measure are as follows:

Netback:

	For the year ended September 30,	
	2010	2009
Petroleum and natural gas sales	\$ 346,291	\$ 1,605,031
Less: Sales Tax	48,699	229,699
Royalty	29,881	148,560
Production expenses	81,844	256,377
	\$ 185,867	\$ 970,395

Working capital:

	September 30, 2010	September 30, 2009
Current assets	\$ 3,398,969	\$ 3,874,212
Current liabilities	(1,130,170)	(1,735,378)
	\$ 2,268,799	\$ 2,138,834

Working capital as at September 30, 2010 includes a note receivable of \$1.1 million from the Chief Executive Officer of Petroleum Exploration (Pvt) Ltd. ("PEL") on the purchase of Pyramid. Future exploration expenditures incurred by Frontier Holdings Limited ("Frontier"), the Company's indirect wholly owned subsidiary, on 3 of its 5 concession will be applied against the balance of the note. The face value of the note was \$1.647 million issued as part of the consideration for the purchase of Pyramid from PEL during the second quarter of fiscal 2010.

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Overview

Jura Energy Corporation is an international energy company engaged in the exploration and development of petroleum and natural gas properties. The Company's activities are conducted exclusively in Pakistan where it has ownership positions in exploration, production and development concessions.

Operations update

During the third quarter of fiscal 2010, the Company relinquished the license for the Karsal concession. In May 2010, the Company reached an agreement to assign 10% of its working interests in the Badin North and Badin South concessions to the operator in Pakistan. The agreement is expected to be finalized by the end of December 2010 and will become effective upon formal approval from the Government of Pakistan. As a result of these decisions, management evaluated the recoverable amounts of each of the concessions and recorded a total impairment to oil and gas properties of \$28,864,401 for the year.

On January 1, 2010, the Company's indirect wholly-owned subsidiary, Frontier Holdings Limited, sold its entire 66.665% interest in common shares of Pyramid Energy International Inc. ("Pyramid") for total proceeds of \$3,146,781 of which \$1.5 million was paid in cash and the remainder as a note receivable from the purchaser, Petroleum Exploration (Pvt) Limited ("PEL"), to be applied against Frontier's share of future exploration expenditures on 3 of its 5 exploration concessions. Pyramid's only petroleum and natural gas property is a 15.7895% interest in Block 22, a concession situated in the Central Gas Basin in Pakistan. PEL is the operator of the Company's remaining properties in Pakistan and also owned the other 33.335% of Pyramid. This transaction has been accounted for in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Accounting Guideline 16, which outlines the full cost method for oil and gas accounting. Accounting Guideline 16 specifies the required use of CICA Handbook Section 3475 – Disposal of Long Lived Assets and Discontinued Operations to calculate the gain or loss on sale. As a consequence of the sale of its interest in Pyramid, the Company no longer has any petroleum and natural gas revenues nor any proven petroleum and natural gas reserves. The Company recorded a total loss of \$1,348,326 on this transaction. At the time of disposition, Pyramid had total working capital of \$847,687 which included a cash balance of \$798,163.

The remaining four exploration licenses and one development and production lease cover a total area of 995,424 acres, with three interests being located in the Central Gas Basin and two interests in the Lower Indus Gas and Oil Basin. The committed work program for Mirpur Mathelo has been completed as of September 30, 2010, however a total of 7 well commitments remain on the Badin North, Badin South and Salam licenses, with total committed expenditures aggregating \$17million. Three of the exploration licenses were expired as of September 30, 2010 and the remaining license expired on December 1, 2010. The development and production lease does not expire until 2031. The Company is planning to pursue a license extension from the Government for the four expired licenses. The Company's experience in Pakistan to date has been that all license and/or commitment extensions sought from Government authorities by the operator have been granted, even if applied for after the expiration of the lease.

A number of leads and prospects have been identified in the Badin IV South, Badin IV North and Salam blocks that have resulted in firm plans to drill a well in each of Badin IV North (Wahid-1) and Badin IV South (Ayesha-1) in fiscal 2011. The partners are in the process of ranking additional locations with plans to finalize drilling locations for an additional well in Badin IV North, three additional wells in Badin IV South and one well in Salam. The work program for 2011 and beyond for the five exploration licenses in Pakistan is currently pending approval from the joint venture partners.

Properties

On June 2, 2006, the Company completed the acquisition of a number of petroleum and natural gas interests in Pakistan, comprised of ownership interests ranging from 47.5% to 50% in six exploration licences and a 37.5% interest in a development and production lease for a natural gas field. As of April 1, 2008, these ownership interests ranged from 35% to 37.5%, after giving effect to the reduction resulting from the GPX farm-out transaction (see below).

The Company participated in the drilling of three exploratory wells on its concessions in 2009. The Kandra 4D well remains suspended pending further evaluation by Jura and its partners. The Company and its partners will consider a second Kandra well targeting the Chiltan Limestone zone, as seismic mapping indicates a potential hydrocarbon zone updip from the Kandra 4D well location. The joint venture partners are currently evaluating the feasibility of remedial work for the Jamali Deep-1 and the Rafay-1 wells, both of which were drilled in 2009 and remain suspended.

Effective as of April 1, 2008, the Company and its partner, PEL, entered into a farm-out agreement in respect of six exploration concessions in Pakistan with Gulf Petroleum Exploration International ("GPX") pursuant to which, the Company

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and PEL each assigned a 12.5% working interest in the following concessions to GPX: Badin IV North, Badin IV South, Kandra (excluding Sui Main Limestone development), Salam, Mirpur Mathelo, and Karsal.

Under the terms of the farm-out agreement, GPX's obligations to the joint venture are to pay (i) 66.67% of the first US\$6 million in expenditures to drill each of the first 4 exploration wells of the work program in the blocks (three of which have been drilled in 2009), (ii) 58.33% of the first US\$6 million in expenditures to drill each of the next 5 exploration wells of the program in the blocks, and (iii) 50% of the first US\$6 million in expenditures to drill each of an additional 2 wells, contingent on there being at least 4 commercial discoveries from the first 9 wells drilled.

The Company estimates the value of the expenditures payable by GPX in accordance with this agreement that would otherwise be payable by the Company to be a minimum of \$10.0 million with the remaining value (after the drilling of the three exploratory wells in 2009) estimated to be \$6.5 million. The Company also received cash consideration of US\$4.25 million from GPX in fiscal 2009 as payment towards historical costs and was credited for 50% of GPX's working interest share of costs incurred from April 1, 2008, estimated to amount to \$3.8 million.

The Company has partnered with PEL in a project to refurbish an existing power station which would utilize as feedstock natural gas from the Kandra natural gas field - the Company's development lease located in the Central Gas basin of Pakistan. Various approvals have been sought and received from relevant Pakistan government authorities, however the project will not move forward until further analysis and planning has been completed, including detailed engineering plans and economic evaluations.

Liquidity

The Company has working capital of \$2,268,799 at September 30, 2010, of which \$1,089,078 is to be used to offset future capital spending. The remaining \$1,179,721 of liquid working capital is expected to be sufficient to fully fund general and administrative expenditures for the next twelve months. In fiscal 2011, additional cash resources will be required to exploit the Company's petroleum and natural gas properties. Management is currently evaluating and will pursue funding alternatives, including full or partial dispositions of properties, additional farm-out agreements and new equity issuances. However, there is no assurance that these initiatives will be successful. Uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future.

Toronto Stock Exchange – Eligibility Review

On August 18, 2010 the Company was advised that the Toronto Stock Exchange ("TSX") had commenced a review of the eligibility for continued listing on the TSX of the securities of the Company pursuant to the continued listing criteria of the TSX. The Company was advised by TSX that it did not meet all of the requirements, including the requirement to have listed securities valued at over \$3 million. The Company was granted 120 days to comply with the continued listing requirements of the TSX. If the Company cannot demonstrate by December 16, 2010 that it meets these listing requirements, the Company's securities will be delisted from the TSX 30 days from such date.

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Results of Operations

Annual Comparative Statement of Operations

	For the year ended September 30,		
	2010	2009	2008
Revenues			
Petroleum and natural gas sales	\$ 346,291	\$ 1,605,031	\$ 1,607,320
Less: Sales Tax	48,699	229,699	220,142
Royalty	29,881	148,560	142,849
	<u>267,711</u>	<u>1,226,772</u>	<u>1,244,329</u>
Interest	33,034	544,910	402,509
Other income	-	1,725,296	3,936,914
	<u>300,745</u>	<u>3,496,978</u>	<u>5,583,752</u>
Expenses			
Production	81,844	256,377	336,638
Administration	1,736,006	2,430,943	3,565,300
Interest Expense	-	13,090	-
Foreign exchange gain (losses)	78,752	75,250	190,529
Loss on sale of ABCP	-	725,546	5,725,790
Loss on marketable securities	-	-	88,111
Depletion, depreciation and accretion	296,187	1,513,209	1,204,908
Impairment of producing petroleum and natural gas properties	-	2,000,000	-
Impairment of undeveloped petroleum and natural gas assets	28,864,401	20,000,000	-
	<u>31,057,190</u>	<u>27,014,415</u>	<u>11,111,275</u>
Loss on sale of subsidiary	<u>(1,348,326)</u>	-	-
Loss before non-controlling interest and taxes	(32,104,771)	(23,517,437)	(5,527,523)
Non-controlling interest	(5,645)	54,413	35,302
Current income tax expense (recovery)	(303,979)	302,000	-
Future income tax (recovery) expense	<u>(1,617)</u>	<u>(636,708)</u>	<u>(53,118)</u>
Net loss for the years	<u>\$ (31,793,530)</u>	<u>\$ (23,237,142)</u>	<u>\$ (5,509,707)</u>
Capital expenditures	\$ 1,800,404	\$ 7,127,547	\$ 17,143,321
		As at September 30,	
	2010	2009	2008
Total assets	\$ 24,889,168	\$ 60,414,206	\$ 97,232,278
Shareholder's equity	\$ 23,493,999	\$ 54,914,263	\$ 86,861,911

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The current year ended September 30, 2010 includes petroleum and natural gas revenues and related sales tax, royalties and production expense for the three months ended December 31, 2009 as the Company sold its interest in Pyramid on January 1, 2010. As such, there is a lack of comparability between the year ended September 30, 2010 and 2009.

Total sales volumes for the year ended September 30, 2010 were 184,295 Mcf (2009: 833,385 Mcf); net sales volumes were 122,741 Mcf (2009: 555,034 Mcf).

Sales tax for the year was 14.1% (2009: 14.3%) as a percentage of gross revenues. Royalties for the year were 8.6% (2009: 9.3%). Production expenses in the year ended September 30, 2010 were \$0.44/Mcf compared to \$0.31/Mcf in the comparative period.

Loss on sale of subsidiary for the current year of \$1,348,326 is due to the sale of Pyramid on January 1, 2010.

The resource activities for the current year resulted in a gross netback of \$185,867 (net: \$123,908) as compared to a gross netback for 2009 of \$970,395 (net: \$646,914).

Depletion expense on petroleum and natural gas operations was \$281,888 or \$1.52/Mcf for the year ended September 30, 2010 (2009: \$1,468,702 or \$1.76/Mcf). The comparative year expense is higher because the costs of drilling the Kandra 4D well were added to petroleum and natural gas costs subject to depletion for that year. These drilling costs were fully impaired at September 30, 2009, and therefore not included in costs subject to depletion and resulting in a lower current period depletion expense.

Interest revenues from short term investments for the current year were \$33,034, a decrease of \$511,876 from the comparative year. The decrease is due to the interest revenue of \$473,587 the Company recorded from the restructured asset backed commercial paper in the comparative year. Additionally, lower interest was earned on cash deposits in the current year as balances held on deposit and rates of return have decreased.

During the comparative year ended September 30, 2009, the Company received net proceeds of \$1,725,296 upon completion of several transactions that resulted in the utilization of previously unrecognized income tax losses and recorded then as other income.

General and administrative expenses of \$1,736,006 for year ended September 30, 2010 are down by \$694,937 (29%) from the comparative year. The decrease in general and administrative expense is a result of less stock based compensation expense recorded and the absence of Pyramid costs subsequent to its sale on January 1, 2010.

Due to the relinquishment of the Karsal license and the assignment of 10% working interests in two concessions for no consideration, indicators of impairment relating to unproven property costs existed as at September 30, 2010. Management completed an analysis of these indicators and has concluded that impairment in the amount of \$28,864,401 should be recorded. After recording the impairment charge, unproven property costs of \$19,739,387 remain which are not subject to depletion and amortization for the year ended September 30, 2010.

Fourth Quarter Results

Due to the disposition of Pyramid on January 1, 2010, no petroleum and natural gas sales were recorded in the fourth quarter. Additionally, no sales tax or royalties were paid as the Company did not have any production after disposing of Pyramid. In the fourth quarter of fiscal 2009 volumes averaged 2,190 Mcf/ day (2008: 2,414 Mcf/day); net sales volumes averaged 1,459 Mcf/day (2008: 1,608 Mcf/day) and total sales revenues were \$331,861. In the fourth quarter of 2009, sales tax was 14.8% of revenues, royalties were 8.9% of revenues and production expenses were \$0.37/Mcf.

General and administrative expenses were \$442,265 (2009: \$586,933) with the decrease due to a decrease in stock based compensation expense upon cancellation of the plan.

Management completed an analysis of impairment indicators as at September 30, 2010 and recorded an impairment charge of \$20,187,040. This resulted in a total impairment charge of \$28,864,401 for the year ended September 30, 2010.

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Summary of Selected Quarterly Information (unaudited)
(000's, except for per share amounts)

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	\$ 7.6	\$ 7.6	\$ 7.5	\$ 278.0	\$ 328.7	\$ 450.4	\$ 614.5	\$ 2,103.4
Expenses	20,917.1	9021.4	\$ 1,907.2	\$ 871.1	\$ 22,760.0	\$ 1,120.6	\$ 1,547.9	\$ 1,305.6
Net earnings (loss)	\$ (20,909.4)	\$ (9,013.8)	\$ (1,899.7)	\$ (593.1)	\$ (22,431.3)	\$ (670.2)	\$ (933.4)	\$ 797.8
- per share	\$ (0.18)	\$ (0.07)	\$ (0.02)	\$ (0.01)	\$ (0.19)	\$ (0.01)	\$ (0.01)	\$ 0.01

Note – Q4: 2010 includes impairment of undeveloped petroleum and natural gas assets in the amount of \$15 million. Q3: 2010 includes impairment of undeveloped petroleum and natural gas assets in the amount of \$8.7 million. Q2: 2010 includes the loss on sale of subsidiary of \$1.3 million. Expenses for Q4: 2009 includes the impairment on undeveloped petroleum and natural gas assets of \$20.0 million and impairment on producing petroleum and natural gas properties of \$2.0 million.

Liquidity and capital resources

The Company presently anticipates expending approximately \$17 million for its proportionate share of exploration and development activities on its concessions within Pakistan. These activities are expected to occur over the next two to three years, and include drilling an additional seven exploration wells, all in accordance with commitments agreed to when the Company first acquired its concessions in Pakistan. The Company currently has no contractual obligations that extend beyond five years.

The Company is participating in the development and upgrading of a power generation plant located nearby the Kandra development lease, with preliminary estimates anticipating that the Company's share of capital expenditures will amount to \$60.5 million in respect of a 120 megawatt facility. The partners on this project are currently evaluating the necessary steps to be taken to confirm the economic viability of the project, confirm the supply of required natural gas feedstock and confirm the site at which the plant is to be constructed. If the project is deemed economically feasible and other issues identified can be satisfactorily resolved, the Company will need to raise the \$60.5 million of funds estimated to be required of which \$49 million is expected to be raised through debt financing secured by the power plant and the remaining \$11.5 million raised through other means.

Existing working capital of \$2.3 million is presently anticipated to be sufficient to fully fund continued operations and capital expenditure commitments for the next twelve months. New cash resources must be secured to fully exploit the Company's petroleum and natural gas properties. Management is currently evaluating and will pursue funding alternatives, including additional farm-out agreements, asset sales and new equity issuances. There is no assurance that these initiatives will be successful. Uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future.

There are a number of material uncertainties that could raise significant doubt as to the Company's ability to continue as a going concern, including economic dependence on joint venture partners, obtaining extensions on expired licenses, realization of bank guarantees, settlement of litigation, resolution of a dispute with a joint venture partner and current economic conditions in Pakistan. The Company's access to sufficient capital will impact the ability to complete exploration and development activities, identify commercial oil and gas reserves and to ultimately have profitable operations. The Company's financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Company has not yet concluded agreements that will be required to raise the additional capital funding referred to above. Failure to do so in a timely manner could result in the Company deferring expenditures on work commitments which could result in the relinquishment or surrender of the Company's interests in some or all of its concession grants. Factors that could affect the Company's ability to attract equity and debt funding would include economic downturns affecting capital markets in North America and Europe, and the potential consequences arising from political instability should it continue within Pakistan. The expiry dates for work commitments for certain concession agreements could also negatively affect

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Jura's ability to attract new equity or farm-out partners notwithstanding the Company's experience to date that all extensions requested for such license deadlines have been granted by government authorities. The full balance of accounts payable is current and is expected to be paid in the normal course of business, with the exception of the balance of deferred share units of \$175,176 included in accounts payable. Please refer to note 13(e) for details regarding the deferred share unit plan.

Summary of payments due by period:

	Total	2011-2013	2014-2015	After 2015
Contractual obligations				
Operating leases - office space	\$ 29,700	\$ 29,700	\$ -	\$ -
Exploration and development expenditure obligations to earn ownership interests and contractually committed work	17,002,500	8,812,500	8,190,000	-
	<u>\$ 17,032,200</u>	<u>\$ 8,842,200</u>	<u>\$ 8,190,000</u>	<u>\$ -</u>

Related party transactions

For the year ended September 30, 2010, the Company recorded \$177,258 (2009 - \$141,051) for Directors fees and related costs. At September 30, 2010, \$11,936 (2009 - \$37,956) was due to directors and included in accounts payable and accrued liabilities on the consolidated balance sheet.

In May 2007, the Company commenced providing financial and accounting services to Kulczyk Oil Ventures Inc. ("KOV"), formerly Loon Energy Inc., which owns 6.4% of the outstanding shares of the Company. Two directors and officers of KOV are directors of the Company. The Chief Financial Officer of KOV is also the Chief Financial Officer of the Company. Effective November 1, 2009, a new arrangement was agreed to such that KOV now provides financial and accounting services to the Company. For the year ended September 30, 2010, the Company was charged fees and associated costs totaling \$71,025 (2009 - \$54,057). At September 30, 2010, nil (2009 - \$1,749) was due to KOV and included in accounts payable on the consolidated balance sheet.

As part of the completion of several transactions that resulted in the other income being earned during the year ended September 30, 2009, the Company utilized short-term financing provided by an entity whose principal was at the time a director of the Company. The cost of this financing was \$88,382 (CAD\$110,000) and is recorded as a charge against the gross proceeds recorded in other income. All amounts borrowed were fully repaid and no amounts are outstanding as at September 30, 2010.

Nemmoco Petroleum Corporation ("Nemmoco"), a private company wholly owned by certain Directors and an Executive of the Company, provides certain personnel and general accounting and administrative services to the Company at its offices in Dubai on a cost sharing basis. Nemmoco also provides bank accounts for use by the Company in Dubai, United Arab Emirates. All cash held in these accounts is owned by the Company and held in trust for the Company by Nemmoco. Total cash held by Nemmoco on behalf of the Company as at September 30, 2010 was 65,629 in United Arab Emirates dirhams ("AED") and \$160,986 as well as all bank guarantees in the amount of \$3.085 million.

The above related party transactions were at exchange amounts agreed to by both parties which approximate their fair value.

Risks and uncertainties

a) Economic dependence on joint venture partners

The Company is dependent on joint venture partners to fund future capital commitments through the application of a note receivable issued by the Chief Executive Officer of PEL and the farm-out agreement with GPX. The ability of PEL's Chief Executive Officer and GPX to satisfy these commitment creates dependence risk for the Company.

b) License extensions

As of September 30, 2010, three exploration licenses had expired, and one exploration license expired on December 1, 2010. The Company's experience in Pakistan to date has been that all licenses and/or work commitment extensions sought from Government authorities by the Operator have been granted, even if applied for

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after the expiration of the license. However, the Company's ability to realize economic value from its concessions is dependent on the extensions being granted by the government of Pakistan.

c) Realization of bank guarantees

The Company has posted a number of bank guarantees related to work commitments on its concessions held in Pakistan with the cash securing such guarantees to be released upon fulfillment of work commitments. The ability for the Company to meet its required expenditure commitments is dependent on receiving the cash to be released from bank guarantees in a timely fashion.

d) Litigation

The Company assesses each lawsuit on an action by action basis as to the probability that a claim will be successful. Claims are not reflected as an asset or recovery in the Company's consolidated financial statements until such time that there is a high degree of certainty that the claim will be successful, taking into consideration all avenues of appeal and settlement. Claims reflected as liabilities or expenses are recorded when the amount can be estimated and the occurrence of the payment of the claim is likely although the actual amount may differ from what had been previously estimated.

Hotel property foreclosure

A former Company subsidiary was sued by the first mortgage holder on a hotel property to recover \$2,625,414 (CAD\$2,666,896), with this being the claimed shortfall between the net proceeds from the judicial sale of the foreclosed property and the outstanding debt secured by the property plus additional interest and costs from the defendants. The Company believes that it has valid defences to this claim and accordingly has not recorded any related liability. The shareholders of the former subsidiary commenced an action against the Company for non-performance on a \$631,192 (CAD \$650,000) note payable due in respect of the acquisition of the subsidiary. The Company believes it has valid defences to this claim, however the principal amount of the obligation is recorded in the Company's consolidated financial statements as a note payable.

Other

Various other legal actions remain unresolved however the outcome of the actions is considered unlikely to have any material effect on amounts presently recorded in the Company's consolidated financial statements.

e) Dispute Resolution

The Company is currently disputing the amount of \$3,225,279 which the Operator of its properties in Pakistan believes should be included in the joint accounts as recoverable from the Company. This amount is not included in the Company's consolidated financial statements as management believes that the Operator's claim is without merit and that these amounts will not be payable to the Operator.

Critical accounting estimates

The Company's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles. In so doing, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the measurement and disclosure of contingent assets and liabilities at the date of the financial statements together with the reported amounts of revenues and expenses for the reporting periods then ended. Actual results could differ from these estimates. Estimates and judgements used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the consolidated financial statements are prepared. Predicting the outcome of future events cannot be done with certainty however, and therefore estimates used may change as new events occur, additional experience is acquired or the Company's operating environment changes.

The Company considers the following accounting estimates to be critical given the uncertainties that exist at the time the consolidated financial statements are prepared:

a) Litigation

An unsecured note payable was issued on July 1, 2000 to unit-holders and shareholders of a former subsidiary of the Company and is part of a legal claim in existence since 2002 that continues to be litigated. The face value of the note in the amount of \$631,192 (2009: \$606,230) is unsecured and bears interest at 8% per annum. The note is denominated in Canadian dollars and has a face value of CAD\$650,000.

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As at September 30, 2010, the Company calculated total interest due on the note payable to be \$758,681 (CAD \$781,290), however, such interest has not been recorded as an expense or a liability in the Company's consolidated financial statements. Subsequent to year end, the Company entered into a conditional agreement to settle the note payable for an amount less than the face value of the note. Based on this information, Management believes it is more likely than not that the Company will not have to pay the accrued portion of the interest and therefore continues to record only the face value of the note payable as a current liability. At such time as the note is settled, the Company will recognize a gain or loss on settlement.

b) *Depletion and depreciation expense*

Depletion and depreciation of petroleum and natural gas properties and equipment, when provided, is calculated using the unit-of-production method and proved reserves. The Company retains an independent reservoir engineering firm to determine proved reserves used in the depletion and depreciation provision, however it should be recognized that the determination of proved reserves requires the use of estimates and assumptions by the reservoir engineers which are based on their professional expertise and experience. Volumes are converted to equivalent units on the basis that one barrel of oil is equivalent to six thousand cubic feet of natural gas.

c) *Cost recovery test on property and equipment*

The Company performs a cost recovery test on its Pakistan cost centre at least annually to evaluate and if appropriate, recognizes impairment when the carrying value of property and equipment exceeds the undiscounted future cash flows from proven reserves using estimated future commodity prices. The amount of any impairment to be recognized is determined as the excess of the carrying value over net recoverable amount. Fair value is determined using proven and probable reserves together with undeveloped properties, and is based on the present value of expected future cash flows discounted at a risk-free rate of interest. Future cash flows from proven reserves are determined for the Company by independent reservoir engineers, and require the use of estimates and professional judgement as described above for depletion and depreciation expense. Future commodity prices used by the independent reservoir engineers are based on their estimates of prices that will occur in the future, and as such there can be no certainty that such prices will actually be realized.

d) *Asset retirement obligations*

The Company's asset retirement obligation has been determined by management based on estimates of the cost to abandon wells located in Pakistan in accordance with acceptable oilfield practices prevailing in the country, and in accordance with legal requirements.

e) *Stock based compensation*

The Company previously issued options to directors, officers and employees to acquire common shares. Options are accounted for using the fair value method which estimates the value of the options at the date of grant using the Black-Scholes option pricing model. The fair value thus established is recognized as an expense over the vesting period of the options with a corresponding increase to contributed surplus. When the options are exercised, the proceeds received and the applicable amount in contributed surplus will be credited to capital stock

f) *Deferred share units*

A portion of director's fees and employee salaries is paid in the form of deferred share units. Upon termination of services the director or employee would be issued shares of the Company. The value of deferred shares granted is currently matched 2:1 by the Company. The value of these units is re-valued at each balance sheet date based on the current trading price of the Company's stock.

Changes in accounting policies

Financial instruments – disclosures

In June 2009, the CICA amended Handbook Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. The Company adopted this standard effective October 1, 2009 and it had no impact on its consolidated financial statements.

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Future accounting policy changes:

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable profit-oriented enterprises will be required to use International Financial Reporting Standards ("IFRS") in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Over the next year, Canadian GAAP will be modified, to a certain extent, to converge with IFRS.

An evaluation of IFRS conversion requirements that pertain to the Company has been conducted and will lead to the development of an implementation plan to transition the Company's financial reporting process, including internal controls and information systems to IFRS. The evaluation will allow the Company to be in a position to estimate the initial financial impact of the transition to IFRS so key stakeholders and users of the financial information can begin to understand the overall consequences of this process.

Based on the initial conversion assessment completed by Management, The Company expects the following financial statement areas will be impacted:

a) Property, Plant and Equipment

The Company currently uses the full cost method of accounting for property, plant and equipment under Canadian GAAP. Direct costs of acquisition, exploration and development are capitalized for each concession. Due to the fact that the Company no longer holds concessions with proven reserves, no depletion is recorded against petroleum and natural gas assets.

Upon transition to IFRS, multiple cost centres will be created to treat each concession as a separate cash generating unit. Furthermore, exploration costs will require separate disclosure in the financial statements. Costs for a concession for which technical feasibility has not yet been determined will be recorded as Exploration and Evaluation assets. Upon achieving technical feasibility the costs will be reclassified as Property, Plant and Equipment. If technical feasibility is never reached, the costs associated with the concession will be impaired.

Development costs will be recorded as part of Property, Plant and Equipment for concessions for which technical feasibility has been determined. These amounts will be required to be depleted using the unit-of-production method for each concession (which is consistent with the Company's current and past treatment).

b) Asset Retirement Obligation ("ARO")

The Company currently records ARO based on an initial measurement of expect retirement costs for all concessions. Upon transition to IFRS, the estimated fair value of future retirement costs will be required to be revalued at each balance sheet date. The Company's current ARO balance is not significant, and as such the impact of transition is expected to be immaterial.

c) Impairment

The Company currently recognizes an impairment loss using the guidance of AcG 16 – Oil & Gas Accounting, Full Cost, which considers events or changes in circumstances that may indicate that the carrying amount may not be recoverable. Canadian GAAP refers to a two step approach, whereby the estimated future undiscounted cash flows is compared against the carrying value. If the carrying value exceeds the undiscounted cash flows, the asset will be impaired by the amount that the carrying value exceeds the estimated future discounted cash flows. IFRS does not rely on undiscounted cash flows and relies entirely on future estimated discounted cash flows to determine if impairment exists and the amount of the impairment. IFRS also allows the carrying value of assets to be increased if the recoverable amount is higher.

d) Income Taxes

The Company does not anticipate material differences reporting deferred income taxes in accordance with IFRS versus reporting deferred income taxes under Canadian GAAP. The Company currently holds a significant unrecognized future income tax asset, which is not recognized under Canadian GAAP, and would not be recognized under IFRS.

Changes to Canadian GAAP

a) Business Combinations

In January 2009, the CICA issued *Handbook Section 1582 - Business combinations* which replaced the existing standards. This section establishes the standards for the accounting for business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also

JURA ENERGY CORPORATION
Management's Discussion and Analysis
September 30, 2010

be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

b) Non-Controlling Interests

In January 2009, the CICA issued *Handbook Section 1602 - Non-controlling interests* which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

c) Consolidated Financial Statements

In January 2009, the CICA issued *Handbook Section 1601 - Consolidated financial statements* which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

Financial instruments

All financial instruments held by the Company have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximates the carrying value.

(a) Cash and cash equivalents

The Company maintains its short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks on the Company's obligations are not considered material.

(b) Note receivable

The note receivable issued by the Chief Executive Officer of PEL is denominated in US dollars and therefore it is not subject to foreign currency exchange risk. The Company does not view the note issuer as a credit risk, thereby valuing the note based on the face value, less any applied capital expenditures to date. Since the note will be fully expended within one year, the Company believes that the fair value approximates the carrying value.

(c) Accounts receivable

The Company's accounts receivable are primarily from joint venture partners and government agencies (including Pyramid's natural gas purchaser for periods prior to January 1, 2010) operating within the international petroleum and natural gas industry, and are subject to credit and political risks that would be considered normal in this environment.

(d) Note payable

The note payable is classified as held for trading with the change in value being recorded in profit or loss. The note is subject to foreign currency exchange risk as the note is denominated in Canadian dollars. Although the note has a prescribed rate of interest, no interest has been accrued as the Company does not believe it will be paid. As such, the fair value is deemed to be the carrying value of the note.

Outstanding share data

Common shares

	<i>Number of shares</i>	<i>Stated Value</i>
Balance, September 30, 2009 and 2010	<u>117,753,084</u>	<u>\$ 180,237,125</u>

JURA ENERGY CORPORATION
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Stock Options

The Company's stock option plan reflects the current requirements of the Toronto Stock Exchange regarding security based compensation agreements, and as such, the aggregate number of shares to be issued under the stock option plan is limited to 10% of the Common Shares outstanding from time to time. The exercise price for options issued under the plan is set by the Board of Directors, and cannot be less than the market price of the shares at the time of the grant calculated in accordance with the Toronto Stock Exchange's rules.

Share purchase options outstanding are as follows:

	Number
Balance outstanding, September 30, 2008	10,455,000
Options forfeited	<u>(810,000)</u>
Balance outstanding, September 30, 2009	9,645,000
Options surrendered	<u>(9,645,000)</u>
Balance outstanding, September 30, 2010	<u>-</u>

During the second quarter of 2010, directors, officers and employees of the Company surrendered all share purchase options that were then outstanding.

Deferred share unit plan

Effective October 1, 2009, the Company adopted a deferred share unit ("DSU") plan allowing directors, officers and employees of the Company to voluntarily participate in the plan and receive DSU's instead of cash as part of their compensation. The amount contributed by the participant is used to notionally purchase shares of the Company at that period's weighted average share price. DSU's vest immediately and are redeemable at a value equivalent to the quoted market value of the Company's common shares at the time of redemption. DSU's are redeemable in cash by participants following completion of their services as directors, officers or employees.

At September 30, 2010, the Company has an obligation under the DSU plan of \$175,176 (CAD\$180,396) (September 30, 2009 – nil) which is recorded in accounts payable and accrued liabilities.

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected. Specific forward-looking statements in this MD&A, among others, include statements pertaining to the following:

- factors upon which the Company will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

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With respect to forward-looking statements in this MD&A, the Company has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the Company's ability to obtain additional financing on satisfactory terms;
- the Company's ability to obtain exploration and development services and equipment on an absolute basis, or on terms considered by the Company to be justifiable;
- the Company's ability to obtain extensions to license expiry dates and/or work commitment deadline dates from the Government of Pakistan; and
- the Company's ability to attract and retain qualified personnel.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital; and
- alternatives to and changing demand for petroleum products.

Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A. The Company does not intend and does not assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

The preparation of this MD&A is supported by a set of disclosure controls and procedures and internal controls over financial reporting as at September 30, 2010. Disclosure controls and procedures have been designed to provide reasonable assurance that material information required to be disclosed by the Company is accumulated, appropriately processed and communicated to the Company's management to allow timely decisions regarding and preparation of required disclosures. Current securities policies in Canada require that management of the Company certify that it has assessed the effectiveness of the Company's disclosure controls and procedures at every interim and annual period. Internal controls over financial reporting have not changed since the last reporting period.

The Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, however they do not expect that these disclosure controls and procedures will prevent all errors and/or fraud. Management has concluded that the disclosure controls and internal controls over financial reporting as at September 30, 2010 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings. The board of directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee meets at least annually with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters.

Approval

The Company's Board of Directors has approved the disclosure contained within this MD&A. A copy of the MD&A is available on SEDAR at www.sedar.com.

Jura Energy Corporation
Consolidated Financial Statements
For the year ended September 30, 2010 and 2009

Management's Report

The Consolidated Financial Statements of Jura Energy Corporation and related financial information were prepared by, and are the responsibility of Management. The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The Consolidated Financial Statements and related financial information reflect amounts which must of necessity be based upon informed estimates and judgments of Management with appropriate consideration to materiality. The Company has developed and maintains systems of controls, policies and procedures in order to provide reasonable assurance that assets are properly safeguarded, and that the financial records and systems are appropriately designed and maintained, and provide relevant, timely and reliable financial information to Management.

PricewaterhouseCoopers LLP are the external auditors appointed by the shareholders, and they have conducted an independent examination of the corporate and accounting records in order to express an Auditors' Opinion on these consolidated financial statements.

The Board of Directors has established an Audit Committee. The Audit Committee reviews with Management and the external auditors any significant financial reporting issues, the consolidated financial statements, and any other matters of relevance to the parties. The Audit Committee meets quarterly to review and approve the interim financial statements prior to their release, as well as annually to review the Company's annual financial statements, Management's discussion and analysis, and the Annual Information Form, and to recommend their approval to the Board of Directors. The external auditors have unrestricted access to the Company, the Audit Committee and the Board of Directors.

"Signed"

Graham S. Garner
President and Chief Executive Officer

"Signed"

Paul H. Rose
Chief Financial Officer

December 14, 2010

December 14, 2010

Auditors' Report

To the Shareholders of Jura Energy Corporation

We have audited the consolidated balance sheets of Jura Energy Corporation as at September 30, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, changes in deficit and accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

Jura Energy Corporation
Consolidated Balance Sheet
(US Dollars)

		As at September 30,	
		2010	2009
Assets			
Current assets			
Cash and cash equivalents (note 5)		\$ 770,298	\$ 3,190,353
Accounts receivable		171,558	671,216
Note receivable (note 7)		1,089,078	-
Prepaid expenses and deposits		33,222	12,643
Other current assets (note 8)		1,334,813	-
		3,398,969	3,874,212
Other assets (note 8)		1,750,812	3,085,625
Property and equipment (note 9)		19,739,387	53,454,369
		\$ 24,889,168	\$ 60,414,206
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 498,978	\$ 827,148
Income taxes payable (note 17)		-	302,000
Note payable (note 10)		631,192	606,230
		1,130,170	1,735,378
Asset retirement obligation (note 11)		264,999	463,230
Future income taxes (note 17)		-	1,750,796
Non-controlling interest in subsidiaries (note 12)		-	1,550,539
		1,395,169	5,499,943
Shareholders' equity			
Share capital (note 13)		180,237,125	180,237,125
Contributed surplus (note 14)		20,026,014	19,926,100
Accumulated other comprehensive income		3,367,791	3,094,439
Deficit		(180,136,931)	(148,343,401)
		23,493,999	54,914,263
		\$ 24,889,168	\$ 60,414,206
Going concern (note 2)			
Commitments (note 18)			
Subsequent event (note 23)			

Jura Energy Corporation
Consolidated Statement of Operations and Comprehensive Loss
(US Dollars)

	For the years ended September 30,	
	2010	2009
Petroleum and natural gas revenue (note 6)	\$ 346,291	\$ 1,605,031
Less:		
Sales tax	48,699	229,699
Royalty	29,881	148,560
	267,711	1,226,772
Interest	33,034	544,910
Other income (note 16)	-	1,725,296
	300,745	3,496,978
Expenses		
Production (note 6)	81,844	256,377
Administration	1,736,006	2,430,943
Interest Expense	-	13,090
Foreign exchange loss	78,752	75,250
Loss on sale of ABCP (note 8)	-	725,546
Depletion, depreciation and accretion	296,187	1,513,209
Impairment of producing petroleum and natural gas properties (note 9)	-	2,000,000
Impairment of undeveloped petroleum and natural gas assets (note 9)	28,864,401	20,000,000
	31,057,190	27,014,415
Loss on sale of subsidiary (note 6)	(1,348,326)	-
Loss before non-controlling interest and taxes	(32,104,771)	(23,517,437)
Non-controlling interest (note 12)	(5,645)	54,413
Income taxes (note 17)		
Current income tax expense (recovery)	(303,979)	302,000
Future income tax recovery	(1,617)	(636,708)
Net loss	(31,793,530)	(23,237,142)
Other comprehensive (loss) income		
Unrealized gain (loss) on translation of financial statements into reporting currency	273,352	(3,759,878)
Comprehensive loss	\$ (31,520,178)	\$ (26,997,020)
Loss per share (basic and diluted)	\$ (0.27)	\$ (0.20)

Jura Energy CorporationConsolidated Statement of Changes in Deficit and Accumulated Other Comprehensive Income
(US Dollars)

	For the year ended September 30,	
	<u>2010</u>	<u>2009</u>
Deficit		
Balance, beginning of year	\$ (148,343,401)	\$ (125,106,259)
Net loss	<u>(31,793,530)</u>	<u>(23,237,142)</u>
Balance, end of year	<u>\$ (180,136,931)</u>	<u>\$ (148,343,401)</u>
Accumulated other comprehensive income		
Balance, beginning of year	\$ 3,094,439	\$ 6,854,317
Unrealized (loss) gain on translation of financial statements into reporting currency	<u>273,352</u>	<u>(3,759,878)</u>
Balance, end of year	<u>\$ 3,367,791</u>	<u>\$ 3,094,439</u>

Jura Energy Corporation
Consolidated Cash Flow Statement
(US Dollars)

	For the years ended September 30,	
	2010	2009
Cash flow provided by (used in) operating activities		
Net loss	\$ (31,793,530)	\$ (23,237,142)
Items not involving cash:		
Depletion, depreciation and accretion	296,187	1,513,209
Impairments	28,864,401	22,000,000
Future income tax recovery	(1,617)	(636,708)
Unrealized foreign exchange loss	-	56,623
Deferred Share Units (note 13(e))	(175,176)	-
Loss on sale of ABCP	-	725,546
Stock based compensation	99,914	247,679
Non-controlling interest	(5,645)	54,413
Loss on sale of subsidiary	1,348,326	-
	(1,367,140)	723,620
Changes in non-cash working capital		
Accounts receivable	1,497,821	1,960,680
Prepays and deposits	(20,579)	(2,497)
Accounts payable and accrued liabilities	(1,161,554)	333,235
	(1,051,451)	3,015,038
Cash flow provided by (used in) Investing activities		
Proceeds on sale of subsidiary (note 6)	701,837	-
Proceeds from sale of ABCP	-	3,910,203
Property and equipment additions	(1,800,404)	(7,127,547)
Recovery of past capital expenditures	-	4,250,000
Change in non-cash working capital related to capital expenditures	(384,117)	(2,471,665)
	(1,482,684)	(1,439,009)
Effect of exchange rate changes on cash	114,080	(1,707,461)
Change in cash and cash equivalents	(2,420,055)	(131,433)
Cash and cash equivalents, beginning of year	3,190,353	3,321,786
Cash and cash equivalents, end of year	\$ 770,298	\$ 3,190,353
Supplemental cash flow information		
Interest paid	\$ -	\$ 13,090
Interest received	\$ 33,034	\$ 544,910

Jura Energy Corporation
Notes to Consolidated Financial Statements
September 30, 2010
(US Dollars)

1. Basis of preparation

Jura Energy Corporation ("the Company") is an energy exploration and development company with active operations focused in Pakistan. The Company's consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and its wholly-owned subsidiaries, Frontier Acquisition Company Limited ("FAC") and Frontier Holdings Limited ("Frontier"). Frontier owned 66.665% of Pyramid Energy International Inc ("Pyramid") until January 1, 2010, when the ownership interest in Pyramid was sold; see note 6 for additional information. Jura Energy Corporation is listed on the Toronto Stock Exchange and trades under the symbol "JEC".

2. Going concern

Management has prepared these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") applicable to a going concern, which contemplates that assets will be realized and liabilities discharged in the normal course of business as they come due. To this point, all exploration activities and the majority of overhead costs have been funded by equity issuances and by a farm-out agreement through which a third party reimbursed the Company for a portion of historical costs and will pay a portion of the Company's future capital expenditures to earn a portion of the Company's ownership interest in its resource properties (note 9).

The Company has working capital of \$2,268,799 at September 30, 2010, of which \$1,089,078 can only be used to offset future capital spending. The remaining \$1,179,721 of liquid working capital is sufficient to fully fund general and administrative costs for the next twelve months. In fiscal 2011, additional cash resources will be required to exploit the Company's petroleum and natural gas properties. Management is currently evaluating and will pursue funding alternatives, including full or partial dispositions of properties, additional farm-out agreements and new equity issuances. However, there is no assurance that these initiatives will be successful.

There are a number of material uncertainties that could raise significant doubt as to the Company's ability to continue as a going concern, including economic dependence on joint venture partners, obtaining extensions on expired licenses, realization of bank guarantees, settlement of litigation, resolution of disputes with a joint venture partner and current economic conditions in Pakistan. The Company's access to sufficient capital will impact the ability to complete exploration and development activities, identify commercial oil and gas reserves and to ultimately have profitable operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Company has incurred significant losses in its current and prior fiscal years and has a current accumulated deficit of \$180,136,931. The Company has recorded total impairments against its petroleum and natural gas assets of \$48,864,401 over the past two fiscal years. The Company has not yet achieved commercial production from the exploitation of its oil and natural gas assets, and as such, there is inherent uncertainty regarding the recoverable amount of petroleum and natural gas assets.

On August 18, 2010 the Company was advised that the Toronto Stock Exchange ("TSX") had commenced a review of the eligibility for continued listing on the TSX of the securities of the Company pursuant to the continued listing criteria of the TSX. The Company was advised by TSX that it did not meet all of the requirements, including the requirement to have listed securities valued at over \$3 million. The Company was granted 120 days to comply with the continued listing requirements of the TSX. If the Company cannot demonstrate by December 16, 2010 that it meets these listing requirements, the Company's securities will be delisted from the TSX 30 days from such date.

3. International operations

Exploration and appraisal licenses and development lease

On June 2, 2006, the Company completed the acquisition of a number of petroleum and natural gas interests in Pakistan, comprised of ownership interests ranging from 47.5% to 50% in six exploration licenses and a 37.5% interest in a development and production lease for a natural gas field. As of April 1, 2008, these ownership interests ranged from 35% to 37.5%, after giving effect to the reduction resulting from the GPX farm-out transaction (note 9). During the third quarter of fiscal 2010, the Company relinquished the license for the Karsal concession. In May 2010, the Company agreed to assign 10% of its 37.5% interest in each of the Badin IV North and Badin IV South blocks to PEL for no consideration. The assignments are subject to the approval of the Government of Pakistan, which has not yet been received. The Company does not act as operator for any of the properties in which it has an ownership interest.

Jura Energy Corporation
Notes to Consolidated Financial Statements
September 30, 2010
(US Dollars)

3. International operations (continued)

The remaining four exploration licenses and one development and appraisal lease cover a total area of 995,424 acres, with three interests being located in the Central Gas Basin and two interests in the Lower Indus Gas and Oil Basin. The committed work program for Mirpur Mathelo has been completed as of September 30, 2010, however a total of 7 well commitments remain on the Badin North, Badin South and Salam licenses, with total committed expenditures aggregating \$17million. Three of the exploration licenses were expired as of September 30, 2010 and the remaining license expired on December 1, 2010. The development and appraisal lease does not expire until 2031. The Company is planning to pursue a license extension from the Government for the four expired licenses. The Company's experience in Pakistan to date has been that all license and/or commitment extensions sought from Government authorities by the operator have been granted, even if applied for after the expiration of the lease.

Until January 1, 2010, the Company owned 66.665% of all of the issued and outstanding common, voting shares of Pyramid, which owned a 15.7895% interest in Block 22, a concession situated in the Central Gas Basin in Pakistan. Effective January 1, 2010, the Company's indirect wholly-owned subsidiary, Frontier, sold its entire interest in common shares of Pyramid (note 6).

4. Significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly and partially owned subsidiaries. The Company owned 66.665% of Pyramid until January 1, 2010, and recorded 100% of the results of operations of Pyramid in the consolidated financial statements with an offsetting amount recorded as non-controlling interest up until the date of disposition.

(b) Foreign currency

• **Foreign currency transactions**

Transactions in foreign currencies are translated to United States dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the Company's functional currency at the period-end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss.

• **Foreign currency translation**

Jura Energy Corporation ("Jura"), the Canadian parent entity, uses Canadian dollars as its functional currency, while its wholly-owned subsidiaries FAC and Frontier use United States dollars. The assets and liabilities of Jura are translated into the Company's functional currency at the period-end exchange rate. The income and expenses of Jura are translated into U.S. dollars at the average exchange rate for the period. Translation gains and losses are included in other comprehensive income.

(c) Property and equipment

The Company follows the full cost method of accounting for its resource activities, and accordingly all costs related to the exploration for and development of petroleum and natural gas reserves are accumulated in one cost centre for Pakistan. Capitalized costs include: concession, land and lease acquisition costs, geological and geophysical expenditures, the carrying costs associated with undeveloped and non-producing properties, drilling and completion costs of productive and non-productive properties, and related production, gathering and plant equipment costs. A portion of overhead charges directly related to acquisition, exploration and development activities are capitalized. Proceeds received from the disposition of properties are normally credited to the cost centre without recognition of a gain or loss unless such treatment would result in a change of 20% or more to the depletion rate.

The Company performs a cost recovery test at least annually to evaluate and if appropriate, recognize impairment when the carrying value of property and equipment exceeds the undiscounted future cash flows from proven reserves using estimated future commodity prices as determined by independent consulting engineers. The Company also assesses if any indicators of impairment exist on the carrying costs related to undeveloped and non-producing properties. The amount of any impairment to be recognized is determined as the excess of the carrying value over fair value. Fair value is determined using proven and probable reserves together with undeveloped land, and is based on the present value of expected future cash flows discounted at a risk-free rate of interest.

Jura Energy Corporation
Notes to Consolidated Financial Statements
September 30, 2010
(US Dollars)

4. Significant accounting policies (continued)

(d) Depletion

Depletion of petroleum and natural gas properties is provided using the unit-of-production method and proved reserves. Expenditures on undeveloped properties are excluded from the depletion provision until related reserves are proven or impairment is recognized. Volumes are converted to equivalent units on the basis that one barrel of oil is equivalent to six thousand cubic feet of natural gas.

(e) Other property and equipment

Office and computer equipment are recorded at cost and are depreciated over the estimated useful lives of the asset on the declining balance basis at rates ranging from 20% to 30%; leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease. Expenditures associated directly with the feasibility study on the power station project have been capitalized.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

(g) Asset retirement obligations

The Company recognizes the fair value of its asset retirement obligation as a liability at the time it incurs a legal obligation for future abandonment and reclamation costs resulting from its resource operations. The asset retirement obligation is initially measured at its estimated fair value, which is the discounted future value of the liability, with the liability then accreting each subsequent period until the obligation is settled. The estimated fair value of the asset retirement obligation is capitalized to the petroleum and natural gas properties and equipment accounts, and is depleted over the estimated useful life of these assets. Asset retirement expenditures, up to the recorded liability at that time, are charged to the liability.

(h) Joint ventures

The Company conducts all of its exploration, development and production activities with partners, and accordingly these consolidated financial statements reflect only the Company's proportionate interest in such activities.

(i) Financial instruments

Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net earnings or loss. Financial assets and liabilities available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income or loss. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

(j) Revenue recognition

Revenue derived from the sale of the Company's petroleum and natural gas products is recognized when title to the product passes from the Company to its customer.

(k) Income taxes

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income taxes and liabilities. Future income tax assets and liabilities are calculated using tax rates that are enacted or substantively enacted and are expected to apply in the periods that the temporary differences are expected to reverse. To the extent that management does not consider it more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

(l) Stock based compensation

The Company previously issued options to directors, officers and employees to acquire common shares. Options are accounted for using the fair value method which estimates the value of the options at the date of grant using the Black-Scholes option pricing model. The fair value thus established is recognized as an expense over the vesting period of the options with a corresponding increase to contributed surplus. When the options are exercised, the proceeds received and the applicable amount in contributed surplus will be credited to capital stock.

(m) Deferred share units

A portion of director's fees and employee salaries is paid in the form of deferred share units. Upon termination of services the director or employee would be issued shares of the Company. The value of deferred shares granted is currently matched 2:1 by the Company. The value of these units is re-valued at each balance sheet date based on the current trading price of the Company's stock.

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4. Significant accounting policies (continued)

(n) Earnings per share

Basic earnings per share is calculated by dividing net earnings attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share, when appropriate, is calculated using the treasury stock method which adjusts earnings and weighted average shares outstanding to recognize the effect, if any, of the exercise of in-the-money stock options and warrants.

(o) Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the period. Actual results may differ materially from those estimates.

Significant estimates are included in the determination of the provisions for depletion and depreciation of petroleum and natural gas assets, the asset retirement obligations liability and the accretion thereof and estimated tax provision related to branch operations in Pakistan. Depletion and the ceiling test are based on estimates of reserves, which by their nature include estimates of future production rates, oil and gas prices and costs, as well as other assumptions. The Company's past estimates of the fair value of its former holding of asset backed commercial paper involved estimates of timing, discount rates and other market factors. These and other estimates are subject to measurement uncertainty and the effect on the financial statements of changes in estimates could be material.

(p) Litigation

The Company assesses each lawsuit on an action by action basis as to the probability that a claim will be successful. Claims are not reflected as an asset or recovery in the consolidated financial statements until such time that there is a high degree of certainty that the claim will be successful, taking into consideration all avenues of appeal and settlement. Claims reflected as liabilities or expenses are recorded when the amount can be estimated and the occurrence of the payment of the claim is likely although the actual amount may differ from what had been previously estimated.

(q) Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation.

New accounting policies

Change in reporting currency

Effective October 1, 2008, the Company changed its reporting currency from Canadian dollars (CAD \$) to United States dollars (US\$ or \$), as the Company anticipates that the majority of its future income stream and a significant source of new capital will be denominated in US\$. The Company has made this change in accordance with Canadian GAAP by following the recommendations of the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA") Abstract EIC-130.

During the first quarter of 2009, the Company reclassified its subsidiaries from integrated to self-sustaining foreign operations because the subsidiaries have demonstrated that they are no longer wholly dependent on their Canadian parent for capital requirements. Accordingly, the subsidiaries now use the US\$ as their functional currency. The Company has prospectively adopted the current rate method of foreign currency translation in accordance with section 1651 of the CICA handbook. Under this method, revenues and expenses are translated using average exchange rates for the applicable period, assets and liabilities are translated using the exchange rates in effect on the balance sheet dates, and shareholders' equity is translated using historical rates in effect at the date of each transaction. Resulting exchange differences are reported as a separate component of other comprehensive income.

For the year ended September 30, 2009, the Company recorded \$3,759,878 as other comprehensive loss. This amount arose from the prospective adoption of the current rate method for foreign currency translation of the accounts of its reclassified self-sustaining foreign operations and because of the change in the reporting currency from Canadian to United States dollars. All comparative financial information has been translated and restated as if the US\$ had been used as the Company's reporting currency but the subsidiaries remain classified as integrated prior to year-end.

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4. Significant accounting policies (continued)

Financial instruments – disclosures

In June 2009, the Canadian Institute of Chartered Accountants (“CICA”) amended Handbook Section 3862, “Financial Instruments – Disclosures”, to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. The adoption by the Company of this standard effective October 1, 2009 had no financial impact on the consolidated financial statements.

All financial instruments held by the Company have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements based on the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: observable inputs; and
- Level 3: unobservable inputs

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximates the carrying value.

(a) Note receivable

The note receivable issued by the Chief Executive Officer of PEL (note 7) is denominated in US dollars and therefore it is not subject to foreign currency exchange risk. The Company does not view the note issuer as a credit risk, thereby valuing the note based on the face value, less any applied capital expenditures to date. Since the note will be fully expended within one year, the Company believes that the fair value approximates the carrying value.

(b) Note payable

The note payable is classified as held for trading with the change in value being recorded in profit or loss. The note is subject to foreign currency exchange risk as the note is denominated in Canadian dollars. Although the note has a prescribed rate of interest, no interest has been accrued as the Company does not believe it will be paid. As such, the fair value is deemed to be the carrying value of the note.

Future Accounting Policy Changes

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable profit-oriented enterprises will be required to use International Financial Reporting Standards (“IFRS”) in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. As such, the Company will be required to report using IFRS beginning October 1, 2011.

Canadian GAAP Policies to be Implemented

Business Combinations

In January 2009, the CICA issued *Handbook Section 1582 - Business combinations* which replaces the existing standards. This section establishes the standards for the accounting for business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies are to be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company’s financial statements.

Non-Controlling Interests

In January 2009, the CICA issued *Handbook Section 1602 - Non-controlling interests* which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011, however earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company’s financial statements.

Consolidated Financial Statements

In January 2009, the CICA issued *Handbook Section 1601 - Consolidated financial statements* which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company’s financial statements.

Jura Energy Corporation
Notes to Consolidated Financial Statements
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5. Cash and cash equivalents

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Cash	\$ 770,298	\$ 1,390,353
Short term investments in HSBC Bank issued		
Bankers Acceptances and Bearer Deposit Notes	-	1,800,000
	<u>\$ 770,298</u>	<u>\$ 3,190,353</u>

6. Sale of interest in subsidiary

Effective January 1, 2010, the Company's indirect wholly-owned subsidiary, Frontier, sold its entire interest in common shares of Pyramid for total proceeds of \$3,146,781 of which \$1.5 million was paid in cash and the remaining consideration consisting of a \$1.647 million note receivable issued jointly and severally from the Chief Executive Officer ("CEO") and owner of the purchaser, Petroleum Exploration (Pvt) Limited ("PEL") and PEL. Frontier's share of future exploration expenditures on 3 of its 6 exploration concessions will be applied against the balance of the note. This transaction has been accounted for in accordance with CICA Handbook Accounting Guideline 16, which outlines the full cost method for oil and gas accounting. Accounting Guideline 16 specifies the required use of CICA Handbook Section 3475 – Disposal of Long Lived Assets and Discontinued Operations to calculate the gain or loss on sale. As a consequence of the sale of its interest in Pyramid, the Company no longer has any petroleum and natural gas revenues or any proven petroleum and natural gas reserves. All revenues reported in fiscal 2010 relate to first quarter activity derived from Pyramid's operations.

The Company recorded a total loss of \$747,633 on this transaction, based on a foreign currency translation adjustment of \$110,761 and the following net asset values as at December 31, 2009:

Cash	\$ 798,163
Accounts receivable	544,350
Petroleum and natural gas properties	6,421,968
Accounts payable and accrued liabilities	(494,826)
Asset retirement obligation	(222,157)
Future income tax liability	(1,718,951)
Non-controlling interest	(1,544,894)
	<u>\$ 3,783,653</u>

Subsequent to this transaction being completed, Frontier recorded a \$600,693 contingent liability that management believed was more likely than not to be paid to PEL. This contingent liability related to an adjustment to the working capital at the time of sale of Pyramid, increased the loss to \$1,348,326. In June 2010, the liability was settled for \$643,965. The increase in the settlement amount was due to changes in foreign exchange rates between the date the liability was recorded and ultimately settled.

7. Note receivable

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Opening balance	\$ -	\$ -
Not receivable received from sale of subsidiary	1,647,000	-
Amounts applied against capital spending	(557,922)	-
Closing balance	<u>\$ 1,089,078</u>	<u>\$ -</u>

Jura Energy Corporation
Notes to Consolidated Financial Statements
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7. Note receivable (continued)

The Company received a note receivable as part of the consideration received on the sale of its interest in Pyramid (note 6). The note is to be applied against capital spending billed by the Company's operator in Pakistan. To date, \$557,922 of capital spending has been applied against the note. The note was issued joint and severally by PEL and its CEO.

8. Other assets

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
<u>Restricted cash (not available for general corporate purposes)</u>		
Other current assets	\$ 1,334,813	\$ -
Other non-current assets	<u>1,750,812</u>	<u>3,085,625</u>
	<u>\$ 3,085,625</u>	<u>\$ 3,085,625</u>

Restricted cash is comprised of amounts provided as security for bank guarantees to the Government of Pakistan for exploration and development expenditure commitments made pursuant to the granting of petroleum exploration licenses. The funds have been invested in interest bearing securities. In May and June of 2010, the Government of Pakistan issued formal approval for the reduction of three bank guarantees, resulting in a reduction of other non-current assets of \$723,562, of which \$399,000 was received in cash on October 18, 2010. Additionally, the Company applied for the release of three other bank guarantees in the aggregate amount of \$611,251 that are expected to be approved by the Government of Pakistan within the next twelve months. As such, \$1,334,813 of the amount posted for bank guarantees has been classified as a current asset.

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
	CAD	CAD
<u>Asset Backed Commercial Papers ("ABCP") changes</u>		
Estimated fair value at beginning of year	\$ -	\$ 4,990,000
Less:		
Proceeds on sale of ABCP	-	(4,200,454)
Realized loss on sale	-	<u>(789,546)</u>
Estimated fair value at end of year	<u>\$ -</u>	<u>\$ -</u>

Non-bank asset backed commercial paper

The Company's investment in non-bank ABCP (SAT Series-A notes) was scheduled to mature on August 14, 2007 however the CAD\$15.0 million face value of the investment due on maturity was not funded by the issuer of the security. The Company's non-bank ABCP investment was one of a number of such investments in Canada frozen since August 2007. In July 2008, the Company sold \$5.0 million face value of its original SAT Series-A commercial paper for \$0.50 per \$1.00 of face value of the notes owned, and accordingly held \$10.0 million in face value of its initial investment after the transaction. On January 12, 2009, the Ontario Superior Court of Justice granted the Plan Implementation Order which enabled the original non-bank ABCP to be exchanged for restructured securities ("Restructured Notes") as outlined in a restructuring plan submitted to the Court under the Company's Creditors Arrangement. On February 27, 2009, the Company received confirmation that it would receive CAD\$10.0 million face value of Restructured Notes.

On August 24, 2009, the Company completed the sale of its entire \$10.0 million face value holdings in non-bank ABCP investment for net proceeds of CAD \$4,200,454, a price which represents \$0.50 per \$1.00 of the aggregate of the face value of the Series A1 and A2 Restructured Notes held. Series B and C Restructured Notes were included in the sale for an effective price of \$0.001.

During the previous fiscal year, the Company arranged a loan facility in the amount of CAD\$6.5 million that was secured solely by the Company's holdings of Replacement Notes. The loan facility was fully drawn earlier in the current year, and then, concurrent with the closing of the sale of remaining non-bank ABCP, the Company retired the entire \$6.5 million balance outstanding on the loan facility. During the previous year, the Company paid \$13,090 in interest expense on the loan balance outstanding on the credit facility.

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9. Property and equipment

As at September 30, 2010			
	Cost	Accumulated Depletion, Depreciation and Impairment	Net Book Value
Petroleum and natural gas properties	\$ 68,887,892	\$ 49,274,086	\$ 19,613,806
Office and Computer Equipment	524,523	398,942	125,581
Leasehold Improvements	308,739	308,739	-
	\$ 69,721,154	\$ 49,981,766	\$ 19,739,388

As at September 30, 2009			
	Cost	Accumulated Depletion, Depreciation and Impairment	Net Book Value
Petroleum and natural gas properties	\$ 81,021,006	\$ 27,741,830	\$ 53,279,176
Office and Computer Equipment	501,678	326,485	175,193
Leasehold Improvements	308,739	308,739	-
	\$ 81,831,423	\$ 28,377,054	\$ 53,454,369

Additions

Included in unproven oil and gas property additions for the year ended September 30, 2010 are capitalized general and administrative costs in the amount of \$838,929 (2009: \$980,340).

Impairments

Karsal

During the third quarter of fiscal 2010, the Company and its partners decided not to apply for an extension to the license for the Karsal concession. Due to the relinquishment, the concession was fully impaired as at June 30, 2010 in the amount of \$7,778,767, resulting in nil net book value as at September 30, 2010.

Badin IV North and Badin IV South

In May 2010, the Company reached an agreement in principle to assign 10% of its working interests in Badin North and Badin South to PEL. The assignments are subject to the approval of the Government of Pakistan, which has not yet been received. The assignment was issued for no consideration, indicating that impairment may exist. Upon analysis of the recoverable amounts from each concession, a total impairment of \$11,478,016 was recorded resulting in net book values as at September 30, 2010 of \$5,848,860 and \$5,328,115 for Badin IV North and Badin IV South respectively.

Mirpur Mathelo and Salam

The Company does not have firm plans to drill wells in Mirpur Mathelo and Salam. As such, both concessions were fully impaired during the year in the amount of \$9,496,204 resulting in nil net book value as at September 30, 2010.

Kandra Power Plant

Expenditures of \$111,414 were incurred during fiscal 2008 that relate to the Company's interest in a power generation project. This project has not reached the feasibility stage, resulting in a full impairment in the current year.

Jura Energy Corporation
Notes to Consolidated Financial Statements
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9. Property and equipment (continued)

Summary

The impairments for each of the four exploration blocks and the Kandra power plant result in a total impairment of \$28,864,401 for the year ended September 30, 2010 (\$20,000,000 – 2009). After recording the impairment charge, unproven property costs of \$20,023,491 (2009-\$46,718,727) remain which are not subject to depletion and amortization for the year ended September 30, 2010. For the year ended September 30, 2009 the Company also recorded impairment of \$2,000,000 as the carrying value of the Company's producing petroleum and natural gas properties exceeded the value calculated in the ceiling test in accordance with the full cost method of accounting.

Disposition of property

On January 1, 2010, the Company sold its entire interest in Pyramid resulting in a net reduction of \$6.4 million to petroleum and natural gas properties (note 6). A portion of the proceeds received on the disposition was paid in the form of a note receivable issued by the Chief Executive Officer of PEL. Frontier's share of future exploration expenditures on 3 of its 6 exploration concessions will be applied against the balance of the note. The face value of the note was \$1.647 million, but has been reduced to \$1,089,078 as at September 30, 2010, through the application of \$557,922 in capital costs charged by PEL.

Farm-out

During the first quarter of fiscal 2009, the Company and PEL completed a farm-out agreement in respect of six exploration concessions in Pakistan with Gulf Petroleum Exploration International ("GPX"). Pursuant to the agreement, the Company and PEL each assigned a 12.5% working interest in the following concessions to GPX: Badin IV North, Badin IV South, Kandra (excluding the Sui Main Limestone development zone), Salam, Mirpur Mathelo, and Karsal. The agreement had an effective date of April 1, 2008.

Under the terms of the agreement, GPX's obligations to the joint venture are to pay (i) 66.67% of the first US\$6 million in expenditures to drill each of the first 4 exploration wells of the work program in the blocks, (ii) 58.33% of the first US\$6 million in expenditures to drill each of the next 5 exploration wells of the program in the blocks, and (iii) 50% of the first US\$6 million in expenditures to drill each of an additional 2 wells, contingent on there being at least 4 commercial discoveries from the first 9 wells drilled. To date, 3 of the first 4 exploration wells have been drilled reducing the remaining obligation to 6 wells. The Company also received cash consideration of \$4.25 million on November 26, 2008 from GPX towards historical costs and was further credited \$3.8 million for the portion of costs funded by the Company since April 1, 2008 that were reimbursed by GPX. These funds received were credited to the Company's capitalized costs recorded at that time in the related exploration concessions.

Dispute Resolution

Total capitalized costs do not include disputed amounts of \$3,225,279 which the Operator of the Company's properties, PEL, believes should be recoverable from the Company. Management is of the opinion that the Operator's position is without merit and it is more likely than not that the disputed amounts will not become payable to the Operator. As such, these costs have been excluded from the financial statements.

10. Note payable

An unsecured note payable was issued on July 1, 2000 to unit-holders and shareholders of a former subsidiary of the Company and is part of a legal claim in existence since 2002 that continues to be litigated (note 20). The principle value of the note in the amount of \$631,192 (2009: \$606,230) is unsecured and bears interest at 8% per annum. The note is denominated in Canadian dollars, and has a face value of CAD\$650,000.

As at September 30, 2010, the Company calculated total interest due on the note payable to be \$758,681 (CAD \$781,290), however the amount remains unpaid and has not been recorded as an expense or a liability in these financial statements. Management believes it is more likely than not that the Company will not have to pay the accrued interest and therefore continues to record only the principle portion of the note payable as a current liability. At such time as the note is settled the Company will recognize a gain or loss on settlement.

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11. Asset retirement obligation

The Company's asset retirement obligations result from its working interest ownership in petroleum and natural gas properties, including tangible well equipment and processing facilities. The Company's estimate of the total undiscounted cash flows required to settle asset retirement obligations is \$445,259, which is expected to be incurred between 2012 and 2017. Accretion expense for the period is included with depletion, depreciation and amortization.

The Company's credit adjusted risk free rate of interest of 8% and inflation at an annual rate of 2% were used to calculate the net present value of the asset retirement obligation.

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Balance, beginning of year	\$ 463,230	\$ 303,301
Additions	-	167,827
Liabilities settled due to disposition (note 6)	(222,157)	-
Accretion	23,926	16,726
Adoption of change in foreign currency translation	-	(24,624)
Balance, end of year	<u>\$ 264,999</u>	<u>\$ 463,230</u>

12. Non-controlling interest in subsidiaries

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Balance, beginning of year	\$ 1,550,539	\$ 1,849,382
Current operations	(5,645)	54,413
Reduction due to disposition (note 6)	(1,544,894)	-
Adoption of change in foreign currency translation	-	(353,256)
Balance, end of year	<u>\$ -</u>	<u>\$ 1,550,539</u>

The non-controlling interest arose from the Company's 66.665% ownership interest in Pyramid that was sold effective January 1, 2010 (note 6).

13. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, with rights and privileges for each series as determined by the Board of Directors.

(b) Issued

Common shares issued:

	<i>Number of shares</i>	<i>Stated Value</i>
Balance, September 30, 2009 and 2010	<u>117,753,084</u>	<u>\$ 180,237,125</u>

The weighted average number of common shares outstanding used in computing income per share for the years ended September 30, 2010 and 2009 is 117,753,084 shares.

Jura Energy Corporation
Notes to Consolidated Financial Statements
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13. Share capital (continued)

(c) Stock Options

The Company's stock option plan reflects the current requirements of the Toronto Stock Exchange regarding security based compensation agreements and as such, the aggregate number of shares to be issued under the stock option plan is limited to 10% of the Common Shares outstanding from time to time. Further, the exercise price for options issued under the plan will be set by the Board of Directors, and cannot be less than the market price of the shares at the time of the grant calculated in accordance with the Toronto Stock Exchange's rules.

Share purchase options outstanding are as follows:

	Number
Balance outstanding, September 30, 2008	10,455,000
Options forfeited	<u>(810,000)</u>
Balance outstanding, September 30, 2009	9,645,000
Options surrendered	<u>(9,645,000)</u>
Balance outstanding, September 30, 2010	<u><u>-</u></u>

During the second fiscal quarter of 2010, directors, officers and employees of the Company surrendered all share purchase options that were then outstanding.

(d) Stock Based Compensation expense

During the year ended September 30, 2010, the Company recorded \$99,914 (2009 - \$247,678) of stock based compensation expense. No stock based compensation expense was incurred subsequent to January 1, 2010 as all outstanding options were surrendered. The majority of options surrendered were vested, and as a result, no recovery of stock based compensation expense has been recorded. The Company has not capitalized any of the stock based compensation expense recorded.

(e) Deferred Share Unit Plan

Effective October 1, 2009, the Company adopted a deferred share unit ("DSU") plan allowing directors, officers and employees of the Company to voluntarily participate in the plan and receive DSU's instead of cash as part of their compensation. The amounts contributed by the participants are used to notionally purchase shares of the Company at that period's weighted average share price. DSU's vest immediately and are redeemable at a value equivalent to the quoted market value of the Company's common shares at the time of redemption. DSU's are redeemable in cash by participants following completion of their services as directors, officers and employees.

At September 30, 2010, the Company has an obligation under the DSU plan of \$175,176 (CAD\$180,396) (September 30, 2009 – nil) which is recorded in accounts payable and accrued liabilities.

14. Contributed surplus

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Balance, beginning of year	\$ 19,926,100	\$ 19,678,422
Stock based compensation (note 13(d))	<u>99,914</u>	<u>247,678</u>
Balance, end of year	<u><u>\$ 20,026,014</u></u>	<u><u>\$ 19,926,100</u></u>

15. Capital management

The Company's total capital resources are \$23,493,999 (September 30, 2009 - \$54,914,263) with this amount comprised entirely of shareholders' equity. Consistent with prior periods, the Company manages its capital structure to maximize its financial flexibility making adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company does not presently utilize any quantitative measures to monitor its capital.

Jura Energy Corporation
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16. Other income

During the year ended September 30, 2009, the Company received net proceeds of \$1,725,296 upon completion of several transactions that resulted in the utilization of previously unrecognized income tax losses.

17. Income taxes

Current Taxes

During the 2009 fiscal year, a tax liability in the amount of \$302,000 was recorded with respect to expected taxes owing in Pakistan by Frontier Holdings Limited as a result of a capital gain realized on the farm-in by GPX for an interest in the concessions held by Frontier. During the third quarter of fiscal 2010, new information was obtained that indicated that no capital gain exists on the farm-in by GPX on Frontier's concessions, therefore no income tax should be payable. The reversal of the tax provision has been accounted for as a change in tax estimate and has been adjusted prospectively as a recovery in the period.

Future Taxes

The differences between the income tax provision calculated using statutory rates and the reported income tax provision are as follows:

	For the years ended September 30,	
	2010	2009
Current income tax expense (recovery):		
Net loss before income taxes and non-controlling interests	\$ (32,104,771)	\$ (23,517,437)
<i>Federal and provincial statutory rate</i>	<i>28.25%</i>	<i>29.13%</i>
Expected income tax recovery	(9,069,598)	(6,850,629)
Non-deductible payments and provisions	99,914	173,126
Non-taxable gains	-	(516,027)
Benefit of utilization of tax losses of previous years	-	9,864,991
Valuation allowance adjustments	8,664,088	(4,315,882)
Adjustments to prior year balances and rates	-	1,309,714
	<u>\$ (305,596)</u>	<u>\$ (334,708)</u>
Current income tax expense (recovery)	\$ (303,979)	\$ 302,000
Future income tax recovery	(1,617)	(636,708)
Income tax recovery	<u>\$ (305,596)</u>	<u>\$ (334,708)</u>

As at September 30, 2010, the Company has capital losses of \$44.441 million and accumulated non-capital losses for tax purposes of \$7.477 million in Canada, expiring between 2015 and 2027, which can be used to reduce income taxes otherwise payable in Canada. A valuation allowance has been recorded against these future income tax assets as the Company cannot demonstrate that it is more likely than not that these assets will be realized by the application of these losses to reduce or eliminate taxes on taxable income in Canada in future periods.

Effective January 1, 2010, the Company's indirect wholly-owned subsidiary, Frontier, sold its entire interest in common shares of Pyramid. The future income tax liability of \$1,750,796 as at September 30, 2009 was entirely attributable to assets held by Pyramid, and as such, the future income tax liability has been eliminated as of January 1, 2010.

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17. Income taxes (continued)

The tax effects of temporary differences that give rise to future tax balances at September 30 are:

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Future income tax:		
Capital loss carryforwards	\$ 5,559,459	\$ 5,084,928
Share issuance expense and other assets	140,001	270,364
Property and equipment	12,261,895	5,106,249
Asset retirement obligation	66,301	116,502
Non-capital loss carryforwards	<u>2,899,429</u>	<u>2,992,186</u>
Total future income tax assets	20,927,085	13,570,229
Valuation allowance	(20,927,085)	(13,780,663)
Future tax liabilities:		
Property and equipment	<u>-</u>	<u>(1,540,362)</u>
Net future income tax liability	<u>\$ -</u>	<u>\$ (1,750,796)</u>

18. Commitments

Resource

The Company's minimum contractual resource-related commitments initially amounted to \$3.1 million for exploration and development commitments made pursuant to the granting of petroleum exploration licences by the Government of Pakistan. The Company initially pledged this amount in cash as security against the guarantee (note 8). Cumulative exploration and development expenditures incurred to September 30, 2010 and the farm-out to GPX have reduced the required amount of the cash backed performance guarantee to \$1.8 million. During the year, the Company secured the refund of a portion of the cash pledged (\$723,562).

Administrative

The Company's lease agreement for office space was terminated by the Company effective January 15, 2010 resulting in no further commitment. New office space has been secured with no commitment to a specified lease term or amount.

The Company has also leased office space in Islamabad, Pakistan for a one year term expiring on May 31, 2011, with an option to renew for a second year with an increase in the monthly rental of 10%. The lease agreement contains an early termination clause stating that either the landlord or the Company can cancel the lease upon thirty days prior written notice. On November 27, 2010, the Company provided thirty days notice to the lessor to terminate the lease as of December 31, 2010. The cost remaining under the lease obligation is \$9,900.

19. Financial risk management

The Company as part of its operations carries a number of financial instruments including cash and short-term deposits, accounts receivable, a note receivable, accounts payable and accrued liabilities, and a note payable. The Company is exposed to the following risks related to financial assets and liabilities:

(a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net income or the value of its financial instruments.

1. Interest rate risk

The Company maintains its short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks on the Company's obligations are not considered material.

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19. Financial risk management (continued)

2. Foreign currency exchange risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between Canadian dollars, United States dollars and Pakistan rupees. At September 30, 2010, the Company's primary exposure relates to Canadian dollar denominated working capital balances held in Canada. The Company performed a sensitivity analysis of the effect on net loss and working capital due to a change in the Canadian dollar against the U.S. dollar. At September 30, 2010 if the Canadian dollar had reduced in value by 1% compared to the U.S. dollar and all other variables were held constant, before tax net loss would have been \$1,621,733 and working capital would be increased by \$3,647.

(b) Credit risk

The Company's accounts receivable are primarily from joint venture partners and government agencies (including Pyramid's natural gas purchaser for periods prior to January 1, 2010) operating within the international petroleum and natural gas industry, and are subject to credit and political risks that would be considered normal in this environment. The note receivable was issued by the Chief Executive Officer of PEL as part of the consideration payable upon the sale of Pyramid. The note is to be used to offset future capital expenditure commitments and the Company considers credit risk to be minimal as future capital expenditure commitments exceed the principal value of the note receivable. As discussed in note 9, the Company is economically dependent on its joint venture partners as the majority of the Company's future capital commitment will be funded by GPX in accordance with the farm-out agreement, and by the Chief Executive officer of PEL through the offset of capital expenditures against the note receivable. No allowance has been recorded against accounts receivable as no amounts are outstanding for greater than 90 days. Management is of the opinion that these amounts will be fully collectible and do not represent a significant credit risk for the Company.

	Current	31-60 Days	61-90 Days	Over 90 Days
Accounts receivable	\$ 141,075	\$ 1,162	\$ 29,322	\$ -

(c) Liquidity risk

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to complete planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources such as asset sales or farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. Uncertainty in global markets could have an impact on the Company's future ability to access capital on terms that are acceptable to the Company. The full balance of accounts payable is current and is expected to be paid in the normal course of business, with the exception of the balance of deferred share units of \$175,176 included in accounts payable. Refer to note 13(e) for details regarding the deferred share unit plan. The Company currently holds the following commitments:

	<u>Total</u>	<u>2011-2013</u>	<u>2014-2015</u>	<u>After 2015</u>
Contractual obligations				
Operating leases - office space	\$ 9,900	\$ 9,900	\$ -	\$ -
Exploration and development expenditure obligations to earn ownership interests and contractually committed work	17,002,500	8,812,500	8,190,000	-
	<u>\$ 17,012,400</u>	<u>\$ 8,822,400</u>	<u>\$ 8,190,000</u>	<u>\$ -</u>

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20. Litigation

Hotel property foreclosure

A former Company subsidiary was sued by the first mortgage holder on a hotel property to recover \$2,625,414 (CAD\$2,666,896), being the claimed shortfall between the net proceeds from the judicial sale of the foreclosed property and the outstanding debt secured by the property plus additional interest and costs from the defendants. The Company believes that it has valid defenses to this claim and accordingly has not recorded any related liability. The shareholders of the former subsidiary commenced an action against the Company for non-performance on a \$631,192 (CAD \$650,000) note payable due in respect of the acquisition of the subsidiary. The Company believes it has valid defenses to this claim, however the principal amount of the obligation is recorded as a note payable (note 10).

Other

Various other legal actions remain unresolved however the outcome of the actions is considered unlikely to have any material effect on amounts presently recorded in the Company's consolidated financial statements.

21. Related party transactions

For the year ended September 30, 2010, the Company recorded \$177,258 (2009 - \$141,051) for Directors fees and related costs. At September 30, 2010, \$11,936 (2009 - \$37,956) was due to directors and included in accounts payable and accrued liabilities on the consolidated balance sheet.

In May 2007, the Company commenced providing financial and accounting services to Kulczyk Oil Ventures Inc. ("KOV"), formerly Loon Energy Inc., which owns 6.4% of the outstanding shares of the Company. Two directors and officers of KOV are directors of the Company. The Chief Financial Officer of KOV is also the Chief Financial Officer of the Company. Effective November 1, 2009, a new arrangement was agreed to such that KOV now provides financial and accounting services to the Company. For the year ended September 30, 2010, the Company was charged fees and associated costs totaling \$71,025 (2009 - \$54,057). At September 30, 2010, nil (2009 - \$1,749) was due to KOV and included in accounts payable on the consolidated balance sheet.

As part of the completion of several transactions that resulted in the other income being earned during the year ended September 30, 2009 (note 16), the Company utilized short-term financing provided by an entity whose principal was at the time a director of the Company. The cost of this financing was \$88,382 (CAD\$110,000) and is recorded as a charge against the gross proceeds recorded in other income. All amounts borrowed were fully repaid and no amounts are outstanding as at September 30, 2010.

Nemmoco Petroleum Corporation ("Nemmoco"), a private company wholly owned by Directors and an Executive of the Company, provides certain personnel and general accounting and administrative services to the Company at its offices in Dubai on a cost sharing basis. Nemmoco also provides bank accounts for use by the Company to fund operations in Pakistan. All cash held in these accounts is owned by the Company and held in trust for the Company by Nemmoco. Total cash held by Nemmoco on behalf of the Company as at September 30, 2010 was 65,629 in United Arab Emirates dirhams ("AED") and \$160,986USD as well as all bank guarantees as described in note 8. At September 30, 2010, \$98,641 (2009 - \$nil) was owing to Nemmoco in relation to these services.

The above related party transactions were at exchange amounts agreed to by both parties which approximate their fair value.

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