



FIRST QUARTER 2011 REPORT

JURA ENERGY CORPORATION
Management's Discussion and Analysis
December 31, 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 December 31, 2010 and for the three months ended December 31, 2010 and 2009. This MD&A is dated February 10, 2011 and should be read in conjunction with the unaudited consolidated financial statements of the Company for the three months ended December 31, 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 indicated.

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.

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.

Corporate

Effective January 1, 2011, the Director's of the Company have agreed to forgo payment of their Director's fees in cash and in were issued share purchase options in lieu thereof. Options were also issued to certain employees of the Company. In aggregate, 11,775,308 share purchase options were issued to Director's and employees on December 22, 2010. The majority of the stock options granted vested immediately, resulting in significant stock based compensation in the first quarter of fiscal 2011.

Operations update

In the first quarter of fiscal 2011, the Company incurred no capital expenditures with respect to drilling programs in Pakistan. The drilling programs for Badin North and Badin South are expected to commence in March and April of 2011. As a result of decreased drilling activity in Pakistan, the Company closed its office in Islamabad, effective December 31, 2010.

During the third quarter of fiscal 2010, the Company and its partners 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 the second quarter of fiscal 2011 and will become effective when formal approval from the Government of Pakistan is received. As at December 31, 2010, the Company has net unproven property costs of \$19,624,492 after impairments and accumulated depletion. These remaining costs relate to three of the five concessions held by the Company for which there are active drilling programs planned in fiscal 2011.

Effective January 1, 2010, the Company's indirect wholly-owned subsidiary, Frontier Holdings Limited ("Frontier"), sold its entire interest in common shares of Pyramid Energy International Inc. ("Pyramid"). As part of consideration, a note receivable of \$1,646,781 was provided by the Chief Executive Officer ("CEO") and owner of the purchaser, Petroleum Exploration (Pvt) Limited ("PEL") and PEL. Under the terms of the note receivable, the CEO and PEL are joint and severally liable to the Company. Frontier's share of future exploration expenditures on three of its five exploration concessions that would otherwise be funded with cash will be applied against the balance of the note. 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.

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 \$17 million. All four of the exploration licenses expired as of December 31, 2010, however, the development and production lease does not expire until 2031. The Company is pursuing 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 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 plans to drill a well in each of Badin IV North (Wahid-1) and Badin IV South (Ayesha-1) in fiscal 2011. The

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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.

In 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 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 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.

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 \$574,460 at December 31, 2010. Of the Company's \$2,533,922 balance of current assets, \$939,138 can only be used to offset future spending. The Company's liquid working capital, together with expected receipts of cash, is sufficient to fully fund general and administrative costs for the next twelve months. In fiscal 2012, 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.

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Results of Operations

Quarterly Comparative Statement of Operations

	For the three months ended December 31,	
	2010	2009
Revenues		
Petroleum and natural gas sales	\$ -	\$ 346,291
Less: Sales Tax	-	48,699
Royalty	-	29,881
	-	267,711
Interest	48,798	10,330
Other income	-	-
	<u>48,798</u>	<u>278,041</u>
Expenses		
Production	-	81,844
Administration	845,351	479,863
Stock based compensation	232,901	-
Revaluation of deferred share units	272,013	15,003
Foreign exchange gain (losses)	32,608	67,642
Severance and restructuring	716,735	-
Depletion, depreciation and accretion	5,322	234,091
Loss on sale of assets	57,577	-
Loss before non-controlling interest and taxes	(2,113,709)	(600,402)
Non-controlling interest	-	(5,645)
Future income tax (recovery) expense	-	(1,617)
Net loss for the period	<u>\$ (2,113,709)</u>	<u>\$ (593,140)</u>
Capital expenditures	\$ 10,687	\$ 40,553
	As at December 31,	
	2010	2009
Total assets	\$ 23,955,024	\$ 59,987,917
Shareholder's equity	\$ 21,728,041	\$ 23,493,999

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The three month period ended December 31, 2010 does not include any petroleum and natural gas revenues and related sales tax, royalties and production expense as the Company sold its interest in Pyramid, which owned the only producing asset, on January 1, 2010.

Total sales volumes for the three months ended December 31, 2009 were 184,295 Mcf; net sales volumes were 122,741 Mcf. Sales tax for the three months ended December 31, 2009 was 14.1% as a percentage of gross revenues. Royalties for the period were 8.6%. Production expenses in the three months ended December 31, 2009 were \$0.44/Mcf. The resource activities for the three months ended December 31, 2009 resulted in a gross netback of \$185,867 (net: \$123,908).

Interest revenues from short term investments for the three months ended December 31, 2010 were \$48,798, an increase of \$38,468 from the comparative year. The increase is due to higher interest rates applicable on cash deposits in the current year.

Administration expenses of \$845,351 for the three months ended December 31, 2010 have increased by \$365,488 (76%) from the comparative year. The increase in general and administrative expense is a result of all administrative charges from the operator being expensed in the current period as there was no capital activity in the period. For the three months ended December 31, 2009, \$217,040 of administrative charges was capitalized. Effective January 1, 2011, significant measures have been taken to reduce Administration charges to improve the Company's ability to continue as a going concern, including closing an office in Pakistan and renegotiating and severing the employment contracts of executive officers.

During the first quarter of fiscal 2011, the Company issued options to purchase 11,775,308 Company shares to Directors and employees. The majority of these options vested immediately, resulting in \$232,901 of stock based compensation for the three months ended December 31, 2010 (2009 – nil).

During the first quarter of fiscal 2011, the Company closed its office in Islamabad, Pakistan resulting in severance payments to the individuals employed in that office. Additionally, two executive employees received severance and settlement payments as part of a restructuring undertaken by the Company during the quarter. In total, \$716,735 of severance and restructuring payments were incurred in the three months ended December 31, 2010 (2009 - nil). All office furniture, computer equipment and various office supplies were liquidated. Assets with a net book value of \$78,595 were disposed of for \$21,018 in cash proceeds. As such, a total loss on sale of the assets of \$57,577 was recorded for the three months ended December 31, 2010 (2009 - nil). As at December 31, 2010, no office and computer equipment remain in Islamabad, Pakistan. All office and computer equipment relate to the head office maintained in Calgary.

Depletion expense on petroleum and natural gas operations was \$234,091 or \$1.27/Mcf for the three months ended December 31, 2009.

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

	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	49	8	8	8	278	329	450	615
Expenses	2,163	20,917	9,021	1,907	871	22,760	1,121	1,548
Net loss	(2,114)	(20,909)	(9,014)	(1,900)	(593)	(22,431)	(670)	(933)
- per share	\$ (0.02)	\$ (0.18)	\$ (0.07)	\$ (0.02)	\$ (0.01)	\$ (0.19)	\$ (0.01)	\$ (0.01)

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- Q1; 2011 includes severance and restructuring costs of \$0.7 million and stock based compensation of \$0.2 million.
- 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 over the next two to three years. This program includes drilling an additional seven exploration wells 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 \$574,460 is presently anticipated to be sufficient to fund general and administrative 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 and political 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 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.

Summary of payments due by period:

	<u>Total</u>	<u>2011-2013</u>	<u>2014-2015</u>	<u>After 2015</u>
Exploration and development expenditure obligations to earn ownership interests and contractually committed work	<u>\$ 17,002,500</u>	<u>\$ 8,812,500</u>	<u>\$ 8,190,000</u>	<u>\$ -</u>

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Related party transactions

For the three months ended December 31, 2010, the Company recorded nil (2010 - \$53,443) for Directors fees and related costs. At December 31, 2010, no amounts (2009 - \$18,679) were due to directors and included in accounts payable and accrued liabilities on the consolidated balance sheet.

Kulczyk Oil Ventures Inc ("KOV"), which owns 6.4% of the outstanding shares of the Company provides financial and accounting services to the Company. For the three months ended December 31, 2010, the Company was charged fees and associated costs totaling \$27,161 (2009 - \$2,393). At December 31, 2010, nil (2009 - nil) was due to KOV. 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.

Nemmoco Petroleum Corporation ("Nemmoco"), a private company wholly-owned by Directors and a former 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 December 31, 2010 was 11,383 in United Arab Emirates dirhams and \$591,119 as well as all bank guarantees as described in note 6. At December 31, 2010, nil (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.

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 December 31, 2010, all exploration licenses had expired. 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 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) Budget overruns

Existing working capital of \$639,813 is presently anticipated to be sufficient to fully general and administrative expenditure commitments for the next twelve months. However, an increase in capital spending in excess of the budgeted amounts will negatively affect the Company's ability to fund continued operational plans for fiscal 2011.

d) 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 and agreements to such fulfillments by Pakistan authorities. 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.

e) 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), 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.

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The shareholders of the former subsidiary commenced an action against the Company for non-performance on a \$621,059 (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.

f) Dispute Resolution

The Company is currently disputing the amount of \$3,450,743 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 \$653,529 (September 30, 2010: \$631,192) 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 December 31, 2010, the Company calculated total interest due on the note payable to be \$757,689 (CAD \$753,597), 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.

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, recognize 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

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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 issued share purchase options to directors, officers and employees to acquire 11,775,308 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 share capital.

f) Deferred share units

A portion of director's fees and employee salaries can be paid, at the option of the recipient, in the form of deferred share units ("DSUs"). Under the terms of the DSU plan, the Company has the discretion to contribute additional DSUs to each recipient. To date, the value of the deferred share units earned by the director or employee has been matched by the Company on a 2:1 basis. Upon termination of services the director or employee will be entitled to an equivalent payment of cash. The value of these units is re-valued at each balance sheet date based on the current trading price of the Company's stock.

On December 22, 2010, 5,000,000 deferred share units were granted to an employee of the Company resulting in total outstanding deferred share units of 14,019,786 as at December 31, 2010. These units were revalued to the share price on December 31, 2010 resulting in an obligation under the plan of \$649,781 (CAD\$646,273) (September 30, 2010 – \$175,176). The total amount of deferred share units payable is included in Accounts payable and accrued liabilities.

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.

An evaluation of IFRS conversion requirements that pertain to the Company has been conducted and an implementation plan to transition the Company's financial reporting process, including internal controls and information systems to IFRS has been completed.

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. Cost for concessions 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.

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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. Under Canadian GAAP, the expiration of a license by itself is not an indicator of impairment. 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 primarily on future estimated discounted cash flows to determine if impairment exists and the amount of the impairment. Under IFRS, the expiration of a license will result in an impairment being recorded. Based on this, the Company will record an opening balance sheet adjustment upon conversion to IFRS to impair the full cost basis of Badin North and Badin South as these licenses were expired as at December 31, 2010. IFRS also allows the carrying value of assets to be increased if the recoverable amount is higher than the cost basis to the extent that the asset has been previously impaired.

d) Income Taxes

The Company does not anticipate material differences reporting deferred income taxes in accordance with IFRS versus reporting future 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 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 their carrying values.

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(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 was issued by the Chief Executive Officer of PEL. The Company does not view the note issuer as a credit risk since the note will be expended within the current year through the application of expenditures billed by the Operator, therefore values the note based on the face value, less any applied expenditures to date. Since the note is expected to be retired 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 interest 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>	Stated Value
Balance, December 31 and September 30, 2010	<i>117,753,084</i>	\$ 180,237,125

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:

	<u>Number of options</u>	<u>Weighted average exercise price per option</u>
Balance outstanding, September 30, 2010	-	\$ -
Options granted	11,775,308	0.05
Balance outstanding, December 31, 2010	11,775,308	\$ 0.05

JURA ENERGY CORPORATION
Management's Discussion and Analysis
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The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. The following assumptions were used in arriving at the fair value of \$0.03 per option associated with stock options granted during the period:

	<u>December 31, 2010</u>
Risk free interest rate	1.77%
Expected life	2.5 to 2.8 years
Expected volatility	171% to 181%

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. The value of deferred shares granted is currently matched on 2:1 basis by the Company. 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 \$649,780 (CAD\$646,272) (September 30, 2009 – \$53,491) 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 and regional supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

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 realize proceeds from reduction of bank guarantees in a timely manner;
- 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:

JURA ENERGY CORPORATION
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- 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.

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 three months ended December 31,	
	2010	2009
Petroleum and natural gas sales	\$ -	\$ 346,291
Less: Sales Tax	-	48,699
Royalty	-	29,881
Production expenses	-	81,844
	\$ -	\$ 185,867

Working capital:

	December 31, 2010	September 30, 2010
Current assets	\$ 2,533,922	\$ 3,398,969
Current liabilities	(1,959,462)	(1,130,170)
	\$ 574,460	\$ 2,268,799

Of the Company's \$2,533,922 balance of current assets, \$939,138 can only be used to offset future capital spending. This reflects the current balance of a note receivable from the Chief Executive Officer of Petroleum Exploration (Pvt) Ltd. ("PEL") on the purchase of Pyramid Energy international Inc. ("Pyramid"). Future exploration expenditures incurred by Frontier Holdings Limited ("Frontier"), the Company's indirect wholly-owned subsidiary, on three of its five concession will be applied against the balance of the note. The face value of the note was \$1,646,781 issued as partial consideration for the purchase of Pyramid from PEL during the second quarter of fiscal 2010.

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 December 31, 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.

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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 December 31, 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 Audit Committee 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 three months ended December 31, 2010 and 2009
Unaudited

Jura Energy Corporation
Consolidated Balance Sheet
(Unaudited - US Dollars)

		As at	
		December 31, 2010	September 30, 2010
Assets			
Current assets			
Cash and cash equivalents (note 6)		\$ 874,392	\$ 770,298
Accounts receivable		74,146	171,558
Note receivable (note 5)		939,138	1,089,078
Prepaid expenses and deposits		34,995	33,222
Other current assets (note 6)		611,251	1,334,813
		2,533,922	3,398,969
Other assets (note 6)		1,750,812	1,750,812
Property and equipment (note 7)		19,670,290	19,739,387
		\$ 23,955,024	\$ 24,889,168
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 1,305,933	\$ 498,978
Note payable (note 8)		653,529	631,192
		1,959,462	1,130,170
Asset retirement obligation (note 9)		267,521	264,999
		2,226,983	1,395,169
Shareholders' equity			
Share capital (note 11)		180,237,125	180,237,125
Contributed surplus (note 12)		20,258,915	20,026,014
Accumulated other comprehensive income		3,482,641	3,367,791
Deficit		(182,250,640)	(180,136,931)
		21,728,041	23,493,999
		\$ 23,955,024	\$ 24,889,168
Going concern (note 2)			
Commitments (note 14)			

Jura Energy CorporationConsolidated Statement of Changes in Deficit and Accumulated Other Comprehensive Income
(Unaudited - US Dollars)For the three months ended December 31,
2010 2009

Deficit

Balance, beginning of period

\$ (180,136,931) \$ (148,343,401)

Net loss

(2,113,709) (593,140)

Balance, end of period

\$ (182,250,640) \$ (148,936,541)

Accumulated other comprehensive income

Balance, beginning of period

\$ 3,367,791 \$ 3,094,439

Unrealized (loss) gain on translation of financial statements
into reporting currency114,850 111,837

Balance, end of period

\$ 3,482,641 \$ 3,206,276

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

	For the three months ended December 31,	
	2010	2009
Petroleum and natural gas revenue (note 4)	\$ -	\$ 346,291
Less:		
Sales tax	-	48,699
Royalty	-	29,881
	-	267,711
Interest	48,798	10,330
	48,798	278,041
Expenses		
Production (note 4)	-	81,844
Administration	845,351	479,863
Stock based compensation (note 11(d))	232,901	-
Revaluation of deferred share units (11(e))	272,013	15,003
Foreign exchange loss	32,608	67,642
Severance and restructuring	716,735	-
Depletion, depreciation and accretion	5,322	234,091
Loss on sale of assets	57,577	-
	2,162,507	878,443
Loss before non-controlling interest and taxes	(2,113,709)	(600,402)
Non-controlling interest (note 10)	-	(5,645)
Income taxes		
Future income tax recovery (note 4)	-	(1,617)
Net loss	(2,113,709)	(593,140)
Other comprehensive (loss) income		
Unrealized gain (loss) on translation of financial statements into reporting currency	114,850	111,837
Comprehensive loss	\$ (1,998,859)	\$ (481,303)
Loss per share (basic and diluted)	\$ (0.02)	\$ (0.01)

Jura Energy Corporation
Consolidated Cash Flow Statement
(Unaudited - US Dollars)

For the three months ended December 31,

	2010	2009
Cash flow provided by (used in) operating activities		
Net loss	\$ (2,113,709)	\$ (593,140)
Items not involving cash:		
Depletion, depreciation and accretion	5,322	234,091
Loss on sale of assets	57,577	-
Future income tax recovery	-	(1,617)
Unrealized foreign exchange loss	-	(1,573)
Deferred Share Units (note 11(e))	453,920	-
Stock based compensation	232,901	39,443
Non-controlling interest	-	(5,645)
	(1,363,989)	(328,441)
Changes in non-cash working capital		
Accounts receivable	97,412	(79,584)
Prepays and deposits	(1,773)	(20,214)
Accounts payable and accrued liabilities	353,035	29,028
Note receivable applied against expenditures	149,940	-
	(765,375)	(399,211)
Cash flow provided by (used in) Investing activities		
Property and equipment expenditures	(10,687)	(40,553)
Proceeds from release of bank guarantees	723,562	-
Proceeds from sale of assets	21,018	-
Change in non-cash working capital related to capital expenditures	-	(442,343)
	733,893	(482,896)
Effect of exchange rate changes on cash and cash equivalents	135,577	371,465
Change in cash and cash equivalents	104,094	(510,642)
Cash and cash equivalents, beginning of period	770,298	3,190,353
Cash and cash equivalents, end of period	\$ 874,392	\$ 2,679,711
Supplemental cash flow information		
Interest received	\$ 48,798	\$ 10,330

Jura Energy Corporation
Notes to Consolidated Financial Statements
December 31, 2010
(Unaudited - US Dollars)

1. Basis of preparation and significant accounting policies

Jura Energy Corporation ("the Company") is an energy exploration and development company with 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. Jura Energy Corporation is listed on the Toronto Stock Exchange and trades under the symbol "JEC".

The unaudited interim consolidated financial statements of the Company are presented in accordance with Canadian GAAP and have been prepared using the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended September 30, 2010, except as noted below. Interim consolidated statements do not contain all the disclosures required for annual consolidated financial statements. Accordingly, these statements should be read in conjunction with the audited annual consolidated financial statements for the year ended September 30, 2010.

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 7).

The Company has working capital of \$574,460 at December 31, 2010. Of the Company's \$2,533,922 of current assets, \$939,138 can only be used to offset future spending billed by the Operator (note 5). The Company's liquid working capital, together with expected receipts of cash, is expected to be sufficient to fund general and administrative costs for the next twelve months. In fiscal 2012, 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.

The Company has incurred significant losses in its current and prior fiscal years and has a current accumulated deficit of \$182,186,846. 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.

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 and political 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.

Jura Energy Corporation
Notes to Consolidated Financial Statements
December 31, 2010
(Unaudited - US Dollars)

3. International operations

As at December 31, 2010, the Company held a number of petroleum and natural gas interests in Pakistan, comprised of ownership interests ranging from 35% to 37.5%. Upon relinquishment of the license for the Karsal concession, the Company holds interests in four exploration licenses and one development and production lease covering a total area of 995,424 acres. All four of the exploration licenses had expired as of December 31, 2010, however, the development and production lease does not expire until 2031. The operator of the Company's properties in Pakistan is pursuing license extensions from the Government for the four expired licenses, which has not yet been granted. 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 license. 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.

4. 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 Energy International Inc. ("Pyramid"). As part of consideration, a note receivable of \$1,646,781 was provided by the Chief Executive Officer ("CEO") and owner of the purchaser, Petroleum Exploration (Pvt) Limited ("PEL") and PEL. Under the terms of the note receivable, the CEO and PEL are joint and severally liable to the Company. Frontier's share of future exploration expenditures on three of its five exploration concessions that would otherwise be funded with cash will be applied against the balance of the note. 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.

5. Note receivable

	For the three months ended December 31, 2010	For the year ended September 30, 2010
Opening balance	\$ 1,089,078	\$ -
Note receivable received from sale of subsidiary	-	1,646,781
Amounts applied against expenditures	(149,940)	(557,703)
Closing balance	<u>\$ 939,138</u>	<u>\$ 1,089,078</u>

The Company received a note receivable as part of the consideration for the sale of its interest in Pyramid (note 4). The principle amount of the note receivable is to be retired through the application by offset of payments for certain expenditures billed by the Operator that would otherwise be due by the Company to PEL. To date, \$707,643 of expenditures has been applied against the note. The note receivable was issued by the CEO of PEL, and under the terms thereof, the liability to the Company is shared joint and severally by PEL and its CEO.

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 and values the note at its face value, less any applied expenditures to date. Since the note will be fully expended within one year, the Company believes that the fair value approximates the carrying value.

Jura Energy Corporation
Notes to Consolidated Financial Statements
December 31, 2010
(Unaudited - US Dollars)

6. Other assets

	December 31, 2010	September 30, 2010
<u>Restricted cash (not available for general corporate purposes)</u>		
Other current assets	611,251	1,334,813
Other non-current assets	1,750,812	1,750,812
	2,362,063	3,085,625

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 that were realized in cash during the first quarter of fiscal 2011, resulting in a reduction of Other current assets of \$723,562. Additionally, the Company applied for the release of three other bank guarantees in the aggregate amount of \$611,251. Two of the guarantees totaling \$521,875 were realized on January 24, 2011, with the remaining balance expected to be approved by the Government of Pakistan within the next twelve months. As such, these amounts have been classified as a current asset.

7. Property and equipment

As at December 31, 2010			
	Cost	Accumulated Depletion, Depreciation and Impairment	Net Book Value
Petroleum and natural gas properties	\$ 68,898,579	\$ 49,274,086	\$ 19,624,492
Office and computer equipment	330,504	284,707	45,797
	\$ 69,229,082	\$ 49,558,793	\$ 19,670,290
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
	\$ 69,412,415	\$ 49,673,028	\$ 19,739,387

Additions and Recoveries

Included in unproven oil and gas property additions for the three months ended December 31, 2009 are capitalized Administrative costs in the amount of \$217,040. Costs capitalized in fiscal 2010 related to work performed by geological staff employed in the Pakistan office. No general and administrative costs were capitalized in the current period due to the closure of the Pakistan office.

Jura Energy Corporation
Notes to Consolidated Financial Statements
December 31, 2010
(Unaudited - US Dollars)

7. Property and equipment (continued)

Impairments

To date, the Company has recorded impairment charges totaling \$48,864,401 on concessions held and formerly held in Pakistan. As a result of the impairment charges, three of the Company's six concessions were written down to nil net book value. Badin IV North, Badin IV South and Kandra have net book values as at December 31, 2010 of \$5,848,860, \$5,328,115 and \$8,222,054 respectively.

Total impairment charges of \$48,864,401, together with depletion, results in unproven property costs of \$19,399,029 as at December 31, 2010, which are not subject to depletion and amortization.

Disposition of property

During the first quarter of fiscal 2011, the Company closed its office in Islamabad, Pakistan. All office furniture, computer equipment and various office supplies were liquidated. Assets with a net book value of \$78,595 were disposed of for \$21,018 in cash proceeds and a total loss on sale of the assets of \$57,577 was recorded. As at December 31, 2010, no office and computer equipment remain in Islamabad, Pakistan. All office and computer equipment remaining relate to the head office maintained in Calgary.

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 \$3,450,743 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.

8. 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 16). The principle value of the note in the amount of \$653,529 (September 30, 2010: \$631,192) 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 December 31, 2010, the Company calculated total interest due on the note payable to be \$757,689 (CAD \$753,597), 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.

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.

Jura Energy Corporation
Notes to Consolidated Financial Statements
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(Unaudited - US Dollars)

8. Note payable (continued)

On October 17, 2010, the Company entered into a conditional agreement to settle the note payable for \$250,000 and 4,000,000 warrants to purchase Jura shares at a strike price of \$0.05. The agreement is conditional on Jura's ability to obtain financing by March 31, 2011, however this condition can be waived at the option of the Company at any time.

9. 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 \$436,529, 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.

	For the three months ended December 31, 2010	For the year ended September 30, 2010
Balance, beginning of period	\$ 264,999	\$ 463,230
Liabilities settled due to disposition (note 6)	-	(222,157)
Accretion	2,522	23,926
Balance, end of period	<u>\$ 267,521</u>	<u>\$ 264,999</u>

10. Non-controlling interest in subsidiaries

The non-controlling interest arose from the Company's 66.665% ownership interest in Pyramid that was sold effective January 1, 2010 (note 4).

11. 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>	Stated Value
Balance, December 31 and September 30, 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 three months ended December 31, 2010 and 2009 is 117,753,084 shares.

Jura Energy Corporation
Notes to Consolidated Financial Statements
December 31, 2010
(Unaudited - US Dollars)

11. 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.

On December 22, 2010, the Company granted 11,775,308 share purchase options to various Directors and employees of the Company. Of the share purchase options issued, 7,375,000 were issued with an exercise price of \$0.035 per share and vested immediately, 2,625,000 were issued with an exercise price of \$0.07 per share as performance options to vest on the close of a significant transaction, and 1,775,308 were issued with an exercise price of \$0.07 per share vesting in quarters beginning December 31, 2010. All options have an expiry date of December 22, 2015.

Share purchase options outstanding are as follows:

	Number of options	Weighted average exercise price per option
Balance outstanding, September 30, 2010	-	\$ -
Options granted	11,775,308	0.048
Balance outstanding, December 31, 2010	11,775,308	\$ 0.048

The following table summarizes information about the options outstanding as at December 31, 2010:

Options outstanding			Options exercisable	
Exercise price	Options	Contractual life remaining, years (weighted average)	Options	Exercise price
\$ 0.035	7,375,000	4.98	7,375,000	\$ 0.035
0.070	4,400,308	4.98	443,827	\$ 0.070
\$ 0.048 ⁽¹⁾	11,775,308	4.98	7,818,827	\$ 0.037 ⁽¹⁾

(1) weighted average

The fair value of each option granted is estimated as of the grant date using the Black-Scholes option pricing model. The following assumptions were used in arriving at the fair value of \$0.03 per option associated with stock options granted during the period:

	December 31, 2010
Risk free interest rate	1.77%
Expected life	2.5 to 2.8 years
Expected volatility	171% to 181%

(d) Stock Based Compensation expense

During the three months ended December 31, 2010, the Company recorded \$232,901 (2009 - nil) of stock based compensation expense with respect to options issued during the first quarter of fiscal 2011. Options were granted to Directors of the Company in lieu of the payment of Director's fees in cash effective January 1, 2011. Options were also granted to certain employees of the Company. The majority of the options vested immediately, resulting in the immediate recognition of stock based compensation expense. The Company has not capitalized any of the stock based compensation expense recorded.

Jura Energy Corporation
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11. Share capital (continued)

(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. Under the terms of the DSU plan, the Company has the discretion to contribute additional DSUs to each recipient. To date, the value of deferred shares granted has been matched on 2:1 basis by the Company. Upon termination of services the director or employee will be entitled to an equivalent payment of cash. 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.

On December 22, 2010, 5,000,000 deferred share units were granted to an employee of the Company resulting in total outstanding deferred share units of 14,019,786 as at December 31, 2010. These units were revalued to the share price on December 31, 2010 resulting in an obligation under the plan of \$649,781 (CAD\$646,273) (September 30, 2010 - \$175,176). The total amount of deferred share units payable is included in Accounts payable and accrued liabilities.

Deferred share units are revalued at each balance sheet date with the change in value being recorded in profit or loss.

12. Contributed surplus

	For the three months ended December 31, 2010	For the year ended September 30, 2010
Balance, beginning of period	\$ 20,026,014	\$ 19,926,100
Stock based compensation (note 11(d))	232,901	99,914
Balance, end of period	<u>\$ 20,258,915</u>	<u>\$ 20,026,014</u>

13. Capital management

The Company's total capital resources are \$21,567,930 (September 30, 2010 - \$23,493,999) 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.

14. 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 6). 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 \$1,800,000.

	Total	2011-2013	2014-2015	After 2015
Exploration and development expenditure obligations to earn ownership interests and contractually committed work	<u>\$ 17,002,500</u>	<u>\$ 8,812,500</u>	<u>\$ 8,190,000</u>	<u>\$ -</u>

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14. Commitments (continued)

Administrative

The Company's lease agreement for Calgary 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 had also leased office space in Islamabad, Pakistan for a one year term expiring on May 31, 2011. On November 27, 2010, the Company provided thirty days notice to the lessor to terminate the lease as of December 31, 2010. There are no obligations remaining under the lease.

15. 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.

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 December 31, 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 December 31, 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 \$7,625 lower and working capital would have increased by \$13,067.

(b) Credit risk

The Company's accounts receivable are primarily from joint venture partners and government agencies 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 expenditure commitments and the Company considers credit risk to be minimal as future expenditure commitments exceed the principle value of the note receivable. 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 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	\$ 74,147	\$ -	\$ -	\$ -

(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 on a timely basis, 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. Refer to note 2 for details regarding going concern. 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 \$649,781 included in accounts payable. Refer to note 11(e) for details regarding the deferred share unit plan.

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16. Litigation

Hotel property foreclosure

A former Company subsidiary was sued by the first mortgage holder on a hotel property to recover \$2,625,414, 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 \$653,529 (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 8).

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.

17. Related party transactions

For the three months ended December 31, 2010, the Company recorded nil (2010 - \$53,443) for Directors fees and related costs. At December 31, 2010, no amounts (2009 - \$18,679) were due to directors and included in accounts payable and accrued liabilities on the consolidated balance sheet.

Kulczyk Oil Ventures Inc ("KOV"), which owns 6.4% of the outstanding shares of the Company provides financial and accounting services to the Company. For the three months ended December 31, 2010, the Company was charged fees and associated costs totaling \$27,161 (2009 - \$2,393). At December 31, 2010, nil (2009 - nil) was due to KOV. 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.

Nemmoco Petroleum Corporation ("Nemmoco"), a private company wholly-owned by Directors and a former 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 December 31, 2010 was 11,383 in United Arab Emirates dirhams ("AED") and \$591,119 as well as all bank guarantees as described in note 6. At December 31, 2010, nil (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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