



## THIRD QUARTER 2009 REPORT

**JURA ENERGY CORPORATION**  
**Management's Discussion and Analysis**  
**June 30, 2009**

This Management Discussion and Analysis ("MD&A") is a review of the results of operations and the financial position of the Company as at June 30, 2009, and for the three and nine month periods ended June 30, 2009 and 2008. This MD&A is dated August 4, 2009, and should be read in conjunction with the unaudited consolidated financial statements of the Company as at, and for the three and nine months ended June 30, 2009.

Jura Energy Corporation's ("Jura" or the "Company") annual consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada ("GAAP"), and effective October 1, 2008, are reported in US currency (\$ or US\$). Refer to the section entitled *Change in reporting currency and foreign currency translation* on page 12 of this MD&A for further information regarding the change in reporting currency and the consequent impact of this change on the unaudited interim consolidated financial statements.

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](http://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 commencing on page 14 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. Each of these non-GAAP measures is calculated as follows:

Netback	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Petroleum and natural gas sales	\$ 389,023	\$ 391,708	\$ 1,219,440	\$ 1,201,104
Less: Sales Tax	53,687	52,703	172,732	161,373
Royalty	35,770	37,158	114,328	110,455
Production expenses	55,018	139,844	181,347	258,406
	<u>\$ 244,548</u>	<u>\$ 162,003</u>	<u>\$ 751,033</u>	<u>\$ 670,870</u>

  

Working capital	June 30,	September 30,
	2009	2008
	US\$	US\$
Current assets	\$ 10,248,704	\$ 7,459,658
Current liabilities	(12,238,255)	(5,376,673)
	<u>\$ (1,989,551)</u>	<u>\$ 2,082,985</u>

**Overview**

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

All of the Company's exploration expenditures and the majority of overhead costs incurred to date have been funded by equity issuances and more recently, 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. The Company's strategic growth plan has always contemplated the need for additional capital resources to fully exploit existing resource properties, and further equity issuances are anticipated.

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However, the current uncertainty in global capital markets and in particular those for development stage, international resource companies will likely cause the Company to re-evaluate the timing and amount of future equity to be raised.

The Company presently has a working capital deficiency and other assets are insufficient to fully fund continued operations and capital expenditures planned for the next twelve months; accordingly, new cash resources must be secured, or certain capital expenditures deferred. Management is currently evaluating and will pursue funding alternatives, including new debt facilities, additional farm-out agreements and new equity issuances. There is no assurance that these initiatives will be successful. The current uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future.

The Company has substantially completed an extensive seismic acquisition program that extends over its properties acquired on June 2, 2006 and is continuing to evaluate the data acquired. In March 2008, the Company announced the signing of a twelve month drilling contract for Weatherford Rig #810 and commenced drilling its first exploratory well, Kandra 4D, on August 16, 2008. The well is currently suspended, with further actions to be determined after further evaluation of test results by independent engineers.

The Weatherford drilling rig was moved to the Badin IV North concession area, and in June, 2009 completed the drilling of the Jamali Deep well to a depth of 3,872m. Gas shows were observed over 1,300m throughout the targeted Lower Goru zone. Based on the hydrocarbon shows during drilling, log results, and interpretations, it was concluded that gas accumulations existed in several zones of the Lower Goru. Testing did not, however, yield sustainable flows of gas. All of the three Drill Stem Tests ("DST's") produced gas which flared for a short period. Down-hole pressure data indicates tight sands with low permeability as a major reason for the lack of flow. The joint venture is currently evaluating whether hydraulic fracturing or other stimulation may be successful in generating commercial gas flows from the well. Consequently the well has been temporarily suspended. Following the drilling of Jamali Deep, Weatherford Rig #810 was released and the contract terminated.

The Rafay-1 well also completed drilling in June, 2009 to a depth of 3,671m. Gas shows were observed over a 480m section in the targeted Lower Goru formation. Based on the hydrocarbon shows during drilling, log results, and interpretations, it was concluded that gas accumulations existed in several zones of the Lower Goru. Testing did not, however, yield sustainable flows of gas. Two of the three DST's produced gas which flared for a short period. Down-hole pressure data indicates tight sands with low permeability as a major reason for the lack of flow. The joint venture is currently evaluating whether hydraulic fracturing or other stimulation may be successful in generating commercial gas flows from the well. Consequently the well has been temporarily suspended.

A number of additional drilling locations have been identified and the Company intends to continue drilling these prospects in fiscal 2010. Three development wells were drilled in 2008 on properties acquired in January 2007 with the acquisition of Pyramid Energy International Inc, ("Pyramid"). Two of the wells were completed and commenced production of natural gas during 2008 while the third was completed and put on production in March, 2009.

**Activity update - operational**

Drilling of the Kandra-4D well commenced on August 16, 2008 and the well was drilled to a total depth of 2,229 metres. The well targeted three potential hydrocarbon-bearing zones: the Sui Main Limestone (600-750m), the Lower Goru (1700-2000m), and the Chiltan Limestone (2150-2250m). Natural gas shows were encountered during initial testing of the Chiltan Limestone zone and subsequently from the Lower Goru zone. Data from well logs and tests has been forwarded to independent engineering consultants for analysis, with further action on the well to be determined after evaluation of these results 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 potential updip from the Kandra 4D well location.

The Jamali Deep-1 well was drilled to a depth of 3,872m with drilling finishing in June, 2009. Gas shows were observed over 1,300m throughout the targeted Lower Goru zone. Based on the hydrocarbon shows during drilling, log results, and interpretations, it was concluded that gas accumulations existed in several zones of the Lower Goru. Testing did not, however, yield sustainable flows of gas. All of the three DST's produced gas which flared for a short period. Down-hole pressure data indicates tight sands with low permeability as a major reason for the lack of flow. Following the drilling of Jamali Deep, Weatherford Rig #810 was released and the contract terminated.

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For both wells, Jamali Deep-1 and Rafay-1, the joint venture is currently evaluating whether hydraulic fracturing or other stimulation techniques could be successful in generating commercial gas flows from the wells. Potential drilling targets have also been identified in the Badin IV South and Salam blocks, with plans to finalize drilling locations for two wells in Badin IV North, four wells in Badin IV South and one well in Salam. The intention is to complete this work through 2009 and 2010.

During fiscal 2008, the Company successfully drilled three development wells on the Block 22 concession in which its subsidiary company, Pyramid, has a 15.7895% ownership interest. The first well, Hassan-3, began producing natural gas in early January 2008 and the second well, Khanpur 2, came on production late in March 2008. The third development well, Sadiq 2, was completed and placed on production during March, 2009. The Company has a net 10.5% interest in each of these three wells through its 66.665% ownership in Pyramid.

On September 30, 2008, the Company announced that together with its partner, Petroleum Exploration (Pvt) Limited ("PEL"), it had entered into 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 Sui Main Limestone development), Salam, Mirpur Mathelo, and Karsal. The agreement closed with 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. 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.

In addition, the Company received cash consideration of US\$4.25 million from GPX as payment towards historical costs (against which an income tax liability of \$302,000 has been accrued) 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. Kandra 4D, Jamali Deep 1 and Rafay #1 are three of the first four wells in which GPX is participating.

The Company substantially completed the acquisition phase of its seismic program during 2008 and 2009. Since the inception of the program, over 1,754 km of 2D seismic has been shot on the Company's concessions and an additional 1,600 km<sup>2</sup> of 3D data has been purchased over the Badin IV North and Badin IV South blocks. An acquisition program of 154 line-Km's of 2D seismic data was recently completed on the Karsal block, and the data is currently being processed. Processing and interpretation of previously acquired data continues. Leads have also been identified in the Badin IV South and Salam blocks, with plans to finalize drilling locations for two wells in Badin IV North, four wells in Badin IV South and one well in Salam. The intention is to complete this work through 2010.

In January 2007, the Company and PEL submitted a proposal 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. On January 16, 2008, the Government of Pakistan, Ministry of Water and Power, (Private Power and Infrastructure Board) issued a formal Letter of Interest ("LOI") for a 120 Megawatt Combined Cycle Power Facility. Under a Field Development Plan previously approved by the Government of Pakistan, Ministry of Petroleum & Natural Resources, the power station is to be fuelled by low-BTU gas supplied from the Kandra field, blended with pipeline quality gas to be purchased from Sui Southern Gas Company Limited.

Evaluations completed on detailed engineering studies have since raised questions that require resolution prior to the project being moved ahead. These included issues with the existing "brownfield" Sukkur power generation site and concerns about securing regulatory approval for a natural gas price for the Kandra shallow gas that is sufficient to justify the investment required for the relatively high development and production costs required for the low-BTU gas Kandra shallow gas. Accordingly, Jura and PEL sought, and on July 4, 2009 received a revised Letter of Interest from the Government of Pakistan for the construction of a new power facility near the city of Sukkur. Detailed engineering plans for the new facility are being prepared, and it is presently expected that these will be completed by August, 2010.

A summary discussion of resource related acquisitions that have been completed to date follows:

Exploration and appraisal licences 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 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 range from 35% to 37.5%, after giving effect to the reduction resulting from the GPX farm-out transaction.

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The six licences and one lease cover a total area of 1,287,548 acres, with four interests being located in the Central Gas Basin, two interests in the Lower Indus Gas and Oil Basin and one in the northern oil-bearing Potwar Basin. The work program associated with these interests' calls for extensive seismic evaluation and the drilling of up to ten exploration wells and fourteen development wells over a period of approximately 36 months. PEL, as operator of the properties, has successfully applied for, and received license extensions when required from the Government of Pakistan.

For further information on the Company's petroleum and gas properties acquired on June 2, 2006, refer to the Company's September 30, 2008 Annual Information Form.

Pyramid Energy International Inc.

On November 3, 2006, the Company, together with PEL, signed a Share Purchase Agreement to acquire all of the issued and outstanding common, voting shares of Pyramid. Pursuant to the terms of the agreement, Jura acquired 66.665% of the shares of Pyramid and PEL acquired 33.335% of the Pyramid shares. The acquisition closed on January 3, 2007 with this being deemed the effective date of the acquisition for accounting purposes.

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. The concession area had three natural gas wells on production when acquired. Since that time three additional developmental wells have successfully been drilled, two of which have been completed and were on production in 2008 and the third was placed on production during March, 2009.

**Activity update – other**

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. In July 2008, the Company sold CAD\$5.0 million face value of its original SAT Series-A commercial paper for CAD\$0.50 per CAD\$1.00 of face value of the notes, and accordingly has CAD\$10.0 million in face value of its initial investment remaining. A Canadian Court approved a Restructuring Plan early in January 2009, and on February 27, 2009 the Company was informed that CAD\$10.0 million face value of Restructured Notes were to be received in the following relative proportions: Class A-1 notes – 16%, Class A-2 notes – 69%, Class B notes – 12% and Class C notes – 3%. Due to a correction in the proportion of Restructured Notes to be received and the impact of the reduced 90 day Bankers Acceptance interest rate as at March 31, 2009, the Company recorded an additional valuation allowance of CAD\$900,000 for the three months ended March 31, 2009. No additional valuation allowance was recorded for the three months ended June 30, 2009. To date, the Company has earned CAD\$490,226 of interest on the restructured notes. Due to the low interest rates being experienced, the amount of interest currently being earned on the notes is negligible.

The Company negotiated a credit facility agreement with a Canadian chartered bank in January 2008 which has a limit of 65% of the face value on the Company's ABCP, and is secured solely by the ABCP. The credit facility repayment date was extended to October 31, 2009 from October 31, 2008, and any amounts outstanding under the facility will bear interest at the bank's prime rate plus 0.5%.

In May of 2009, the Company made a single draw for the maximum amount available under the credit facility, \$5,591,398 (CAD\$6.5 million) in accordance with the terms of the credit facility. As at August 4, 2009, the entire amount remains outstanding. While the loan is outstanding, it is repayable on demand by the bank or by October 31, 2009 and any proceeds from the disposition of the Company's ABCP will be applied against the outstanding amount of the facility.

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**Results of Operations**

**Quarterly Comparative Statement of Operations**

	Three months ended June 30,		Change
	2009	2008	
	US\$	US\$	US\$
<b>Revenues</b>			
Petroleum and natural gas sales	\$ 389,023	\$ 391,708	\$ (2,685)
Less: Sales Tax	53,687	52,703	(984)
Royalty	35,770	37,158	1,388
	<u>299,566</u>	<u>301,847</u>	<u>(2,281)</u>
Interest	150,818	60,208	90,610
Other income	-	865,318	(865,318)
	<u>450,384</u>	<u>1,227,373</u>	<u>(776,989)</u>
<b>Expenses</b>			
Production	55,018	139,844	84,826
Administration	592,425	953,501	361,076
Interest Expense	12,570	-	(12,570)
Unrealized foreign exchange (gain) loss	235,801	202,817	(32,984)
Realized foreign exchange losses	(254,854)	18,036	272,890
Valuation allowance on other assets	-	2,924,993	2,924,993
Depletion, depreciation and accretion	380,969	279,770	(101,199)
	<u>1,021,929</u>	<u>4,518,961</u>	<u>3,497,032</u>
Loss before non-controlling interest and taxes	(571,545)	(3,291,588)	2,720,043
Non-controlling interest	(27,122)	(3,859)	23,263
Current income tax expense	-	-	-
Future income tax (recovery) expense	125,766	(65,353)	(191,119)
	<u>                  </u>	<u>                  </u>	<u>                  </u>
Net loss and comprehensive loss for the period	<u>\$ (670,189)</u>	<u>\$ (3,222,376)</u>	<u>\$ 2,552,187</u>

Total sales volumes for the three months ended June 30, 2009 were 205,130 Mcf (2008: 192,992 Mcf), net sales volumes were 136,740 Mcf (2008: 128,649 Mcf). The increase in volumes in the current quarter reflects the addition of production from Sadiq-2 as it was tied-in and began production in late March 2009.

Sales tax for the period was 13.8% (2008: 13.5%) as a percentage of gross revenues. Royalties for the period were 9.2% (2008: 9.4%). Production expenses in the three months ended June 30, 2009 were \$0.27/Mcf compared to \$0.73/Mcf in the comparative period. The reduction in the current period is due to additional cost from an extended annual turnaround and a retroactive increase in operator charges for the three month period ended June 30, 2008.

The resource activities for the current three month period resulted in a gross netback of \$244,548 (net: \$163,016) as compared to a gross netback for 2008 of \$162,003 (net: \$107,991).

Depletion expense on petroleum and natural gas operations was \$380,969 or \$1.86/Mcf for the three months ended June 30, 2009 (2008: \$279,770 or \$1.45/Mcf). The increase in the current period is due to the costs of drilling the Kandra 4D well being added to petroleum and natural gas costs subject to depletion.

Interest revenues from short term investments for the current period were \$150,818, an increase of \$90,610 from the comparative period. The increase in the current period was because of additional interest revenue of CAD\$142,640 the Company received from the restructured asset backed commercial paper. This interest revenue was offset by lower interest earned on cash deposits in the current period as balances and rates of return are lower.

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Other income for the comparative quarter includes a gain on disposition of shares of an inactive subsidiary. The proceeds from sale were \$51,000 with the additional amount of the gain resulting from the elimination of the non-controlling interest in the inactive subsidiary together with the liabilities related thereto.

General and administrative expenses of \$592,425 for the three months ended June 30, 2009 are down by \$361,076 from those recorded in the comparative year. This reduction is due to the adoption of the US dollar as reporting currency and the difference in average exchange rates on Canadian and US currencies between the comparative periods in addition to the decrease in stock based compensation expense of \$147,705 and reduced legal fees of \$112,043 in the current quarter. The reduction in stock based compensation expense is the result of no additional grants of stock options in fiscal 2009; legal fees have been reduced because fewer claims remain unresolved.

**Nine Month Period Comparative Statement of Operations**

	Nine months ended June 30,		Change
	2009	2008	US\$
	US\$	US\$	US\$
<b>Revenues</b>			
Petroleum and natural gas sales	\$ 1,219,440	\$ 1,201,104	\$ 18,336
Less: Sales Tax	172,732	161,373	(11,359)
Royalty	114,328	110,455	(3,873)
	<u>932,380</u>	<u>929,276</u>	3,104
Interest	510,535	359,629	150,906
Other income	1,725,296	2,076,974	(351,678)
	<u>3,168,211</u>	<u>3,365,879</u>	(197,668)
<b>Expenses</b>			
Production	181,347	258,406	77,059
Administration	1,844,010	2,762,220	918,210
Interest Expense	12,570	-	(12,570)
Unrealized foreign exchange (gain) loss	(30,385)	6,387	36,772
Realized foreign exchange losses	(233,559)	309,426	542,985
Valuation allowance on other assets	732,362	5,725,790	4,993,428
Unrealized loss on marketable securities	-	88,111	88,111
Depletion, depreciation and accretion	1,088,279	870,096	(218,183)
	<u>3,594,624</u>	<u>10,020,436</u>	6,425,812
Loss before non-controlling interest and taxes	(426,413)	(6,654,557)	6,228,144
Non-controlling interest	41,572	18,139	(23,433)
Current income tax expense	302,000	-	(302,000)
Future income tax (recovery) expense	35,893	(40,638)	(76,531)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net loss and comprehensive loss for the period	<u>\$ (805,878)</u>	<u>\$ (6,632,058)</u>	<u>\$ 5,826,180</u>
Total assets	<u>\$ 93,440,555</u>	<u>\$ 90,280,247</u>	
Long term financial liabilities	<u>\$ 4,223,990</u>	<u>\$ 4,593,826</u>	

Total sales volumes for the nine months ended June 30, 2009 were 631,872 Mcf (2008: 617,599 Mcf); net sales volumes were 425,205 Mcf (2008: 411,691 Mcf).

Sales tax for the period was 14.2% (2008: 13.4%) as a percentage of gross revenues. Royalties for the period were 9.4% (2008: 9.2%). Production expenses in the nine months ended June 30, 2009 were \$0.29/Mcf compared to \$0.42/Mcf in the comparative period. The reduction in the current period is due to additional cost from an extended annual turnaround and a retroactive increase in operator charges for the nine month period ended June 30, 2008

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The resource activities for the current nine month period resulted in a gross netback of \$751,033 (net: \$500,639) as compared to a gross netback for 2008 of \$670,870 (net: \$447,202).

Depletion expense on petroleum and natural gas operations was \$1,088,279 or \$1.72/Mcf for the nine months ended June 30, 2009 (2008: \$870,096 or \$1.41/Mcf). The increase in the current period is due to the costs of drilling the Kandra 4D well being added to petroleum and natural gas costs subject to depletion.

Interest revenues from short term investments for the current period were \$510,535, an increase of \$150,906 from the comparative period. The increase in the current period was due to the interest revenue of \$405,716 (CAD\$490,226) the Company accrued from the restructured asset backed commercial paper. This interest revenue increase was offset by lower interest revenues earned on cash deposits in the current period as balances and rates of return were lower.

During the nine months ended June 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. The Company completed a similar transaction in the nine months ended June 30, 2008 that resulted in net proceeds of \$1,247,979. During that same three month period, the Company disposed of a portion of its portfolio of marketable securities for proceeds of \$119,857 resulting in the recognition of a loss of \$36,323. Additional other income for the comparative quarter included a gain on disposition of shares of an inactive subsidiary. The proceeds from sale were \$51,000 with an additional gain of \$814,318 resulting from the elimination of the non-controlling interest in the inactive subsidiary together with the liabilities related thereto.

General and administrative expenses of \$1,844,010 for the nine months ended June 30, 2009 are down by \$918,210 from the comparative year. This reduction is due to the adoption of the US dollar as reporting currency and the difference in average exchange rates on Canadian and US currencies between the comparative periods in addition to the decrease in stock based compensation of \$351,836 and a decrease in legal costs of \$229,555 in the current nine month period. Reduction in stock based compensation expense is a result of no additional grants of stock options in fiscal 2009 and legal fees have are lower because fewer claims remain unresolved.

The current income tax provision of \$302,000 arises from the farm-out agreement in which GPX acquired an interest in the Company's concessions during the first quarter of 2009.

### **Capital Expenditure Summary**

In March 2008 the Company announced that PEL, the operator of the concessions in Pakistan, entered into a 12 month drilling contract with Weatherford Drilling International for the provision of a new 1,500 horsepower drilling rig. A drilling contract was also concluded with Oil and Gas Engineering Company, SPA - Pakistan Branch ("SPA") to provide a 2,000 horsepower drilling rig and crew for drilling one well – the Rafay #1 well which commenced on February 24, 2009. The Weatherford rig was released after completion of drilling of the Jamali Deep well, and the contract terminated.

Drilling of the Kandra-4D well commenced on August 16, 2008 and the well was drilled to a total depth of 2,229m. The well targeted three potential hydrocarbon-bearing zones, the Sui Main Limestone (600-750m), the Lower Goru (1700-2000m), and the Chiltan Limestone (2150-2250m). Natural gas shows were encountered during initial testing of the Chiltan Limestone zone. The Chiltan zone was acidized, which resulted in the production of water. The decision was then taken to plug off the Chiltan zone, and move uphole to commence testing of the Lower Goru, the primary target of the Kandra 4D well, where natural gas shows were also encountered during testing. Although there was flaring of natural gas during initial testing of the Lower Goru, the well produced water, the source of which has not yet been confirmed. Data from well logs and tests has been forwarded to independent engineering consultants for analysis, with further action on the well to be determined after evaluation of these results 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 considerable potential updip from the Kandra 4D well location.

The Jamali Deep-1 well was drilled to a depth of 3,872m with drilling completed in June, 2009. Based on the hydrocarbon shows during drilling, log results, and interpretations, it was concluded that gas accumulations existed in several zones of the Lower Goru. Testing did not, however, yield sustainable flows of gas. All of the three DST's produced gas which flared for a short period. Down-hole pressure data indicates tight sands with low permeability as a major reason for the lack of flow. The well has been temporarily suspended.

The Rafay-1 well also completed drilling in June, 2009 to a depth of 3,671m. Gas shows were observed over a 480m section in the targeted Lower Goru formation. Based on the hydrocarbon shows during drilling, log results, and interpretations, it was concluded that gas accumulations existed in several zones of the Lower Goru. Testing did not, however, yield sustainable flows of gas. Two of the three DST's produced gas which flared for a short period and down-hole

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For both wells, Jamali Deep-1 and Rafay-1, the joint venture is currently evaluating whether hydraulic fracturing or other stimulation techniques could be successful in generating commercial gas flows from the wells. Potential drilling targets have also been identified in the Badin IV South and Salam blocks, with plans to finalize drilling locations for two wells in Badin IV North, four wells in Badin IV South and one well in Salam. The intention is to complete this work through 2010.

During fiscal 2008, the Company successfully drilled three development wells on the Block 22 concession in which its subsidiary company, Pyramid, has a 15.7895% ownership interest. The first well, Hassan-3, began producing natural gas in early January 2008 and the second well, Khanpur 2, came on production late in March 2008. Sadiq-2, the third development well, has been completed and is currently on production. The Company has a net 10.5% interest in each of these three wells. The Block 22 partners have approved the installation of a compressor on the currently producing fields that is presently anticipated to be operational by October of 2009.

The Company substantially completed the acquisition phase of its seismic program during the year ended September 30, 2008. Since the inception of the program, over 1,754 km of 2D seismic has been shot on the Company's concessions and an additional 1,600 km<sup>2</sup> of 3D data has been purchased over the Badin IV North and Badin IV South blocks. An acquisition program of 154 line-Km's of 2D seismic data was recently completed on the Karsal block, and the data is currently being processed. Processing and interpretation of previously acquired data continues. Multiple leads have been identified in the Badin IV North, Badin IV South, Salam, and Mirpur Mathelo blocks, with plans to finalize drilling locations for two wells in Badin IV North, four wells in Badin IV South, one well in Salam and one well in Mirpur Mathelo. The intention is to complete this work through 2010.

**Summary of Selected Quarterly Information (unaudited)**

(000's, except for per share amounts)

	2009			2008			2007	
	Q3 US\$	Q2 US\$	Q1 US\$	Q4 US\$	Q3 US\$	Q2 US\$	Q1 US\$	Q4 US\$
Revenues	\$ 450.4	\$ 614.5	\$ 2,103.4	\$ 2,217.9	\$ 1,227.1	\$ 1,680.1	\$ 458.4	\$ 1,569.8
Expenses	\$ 1,120.6	\$ 1,547.9	\$ 1,305.6	\$ 1,095.5	\$ 4,449.5	\$ 3,715.5	\$ 1,832.7	\$ 6,108.6
Net earnings (loss)	\$ (670.2)	\$ (933.4)	\$ 797.8	\$ 1,122.4	\$ (3,222.4)	\$ (2,035.4)	\$ (1,374.3)	\$ (4,538.9)
- per share	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.03)

Note: figures presented for 2008 and 2007 in the above summary table have been restated to reflect the Company's change in reporting currency from Canadian to United States currency, and to reflect the reclassification of the Company's subsidiaries to self-sustaining and their consequent adoption of the US\$ as their functional currency.

**Liquidity and capital resources**

The Company presently anticipates expending approximately \$20.2 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 six exploration wells and six development 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

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million is expected to be raised through debt financing secured by the power plant and the remaining \$11.5 million raised through other means.

The existing working capital deficiency of \$2.0 million is offset by the \$3.5 million estimated fair value of the Company's ABCP investment, however these other assets are insufficient to fully fund continued operations and capital expenditures planned for the next twelve months, and accordingly new cash resources must be secured. Management is currently evaluating and will pursue funding alternatives, including new debt facilities, additional farm-out agreements and new equity issuances. There is no assurance that these initiatives will be successful. Further, there is no assurance that the Company will realize in cash the current estimated fair market value of its ABCP investment. The current uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future. The Company's consolidated financial statements as at June 30, 2009 include a going concern note to describe these uncertainties.

The uncertainty surrounding the timing and ultimate realization of the Company's remaining investment of CAD\$10.0 million face value of ABCP has negatively affected the Company's working capital position. The Company sold CAD\$5 million face value of the ABCP in July, 2008 for cash proceeds of CAD\$2.495 million and is actively seeking to monetize its remaining investment. The positive development relative to this ABCP is that a restructuring plan was approved by the Canadian Courts, and the Restructured Notes contemplated by the plan have been received. However, it is not yet clear whether a secondary market will develop upon which the Restructured Notes can be traded and therefore the timing and amount of a liquidity event for the Company's investment has yet to be determined.

The Company negotiated a credit facility agreement with a Canadian chartered bank in January 2008 which has a limit of 65% of the face value on the Company's ABCP, and is secured solely by the ABCP. The credit facility repayment date was extended to October 31, 2009 from October 31, 2008, and any amounts outstanding under the facility will bear interest at the bank's prime rate plus 0.5%.

In May of 2009, the Company made a single draw for the maximum amount available under the credit facility, \$5,591,398 (CAD\$6.5 million) in accordance with the terms of the credit facility. As at August 4, 2009, the entire amount remains outstanding. While the loan is outstanding, it is repayable on demand by the bank or by October 31, 2009 and any proceeds from the disposition of the Company's ABCP will be applied against the outstanding amount of the facility.

During the three months ended December 31, 2008, the Company realized net cash proceeds of \$1.7 million upon completion of several transactions that resulted in the utilization of previously unrecognized income tax losses. In 2008, the Company realized net cash proceeds of \$3.1 million through the settlement of legal matters from past years, and through transactions which resulted in the utilization of non-capital losses from prior years. The closing of the farm-out agreement with GPX resulted in the Company receiving US\$4.25 million for past costs and the entitlement to an estimated additional US\$3.8 million for GPX's working interest share of costs from April 1, 2008 onwards. The \$30.0 million bought-deal equity financing that closed on June 6, 2007 also provided funding for the 2007 and 2008 capital expenditure program, and for portions of the 2009 capital commitments as well as general corporate activities.

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 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.

*Summary of payments due by period:*

	Total	2009	2010	2011 - 2014	After 2014
	US\$	US\$	US\$	US\$	US\$
Contractual obligations					
Operating leases - office space	\$ 417,859	\$ 55,156	\$ 99,690	\$ 263,013	\$ -
Exploration and development expenditure obligations to earn ownership interests and contractually committed work	20,250,000	1,030,000	10,220,000	9,000,000	-
	<u>\$ 20,667,859</u>	<u>\$ 1,085,156</u>	<u>\$ 10,319,690</u>	<u>\$ 9,263,013</u>	<u>\$ -</u>

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**Related party transactions**

For the three and nine months ended June 30, 2009, the Company recorded \$36,518 (2008 - \$44,547) and \$115,679 (2008- \$167,644) respectively for Directors fees and related costs. At June 30, 2009, \$37,956 (2008 - \$44,559) was due to directors and included in accounts payable and accrued liabilities on the consolidated balance sheet.

In connection with its Pakistan operations, the Company shares certain office facilities, personnel, and other office and administrative costs with a company for which certain officers and directors are also Directors of the Company. For the three months ended June 30, 2009, the Company's share of these costs amounted to \$63,300 (2008: \$63,300); there was no amount outstanding at the period end. For the nine months ended June 30, 2009, the Company's share of these costs amounted to \$189,900 (2008: \$189,900).

In May 2007, the Company commenced providing financial and accounting services to Kulczyk Oil Ventures Inc. ("KOVI"), formerly Loon Energy Inc., which owns 6.4% of the outstanding shares of the Company. Two directors and officers of KOVI are directors of the Company. For the three months ended June 30, 2009, the Company charged fees and associated costs totalling \$54,057 (2008 - \$67,013). For the nine months ended June 30, 2009, fees totalled \$149,360 (2008- \$201,041) At June 30, 2009, \$1,749 (2008 - \$65,479) was due from KOVI and included in accounts receivable on the consolidated balance sheet.

As part of the completion of several transactions that resulted in the other income for the three months ended December 31, 2008, 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 in other income. All amounts borrowed were fully repaid and no amounts were outstanding as at December 31, 2008.

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

**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***

The Company is involved in a number of lawsuits – both as plaintiff and as defendant – that relate to its former business activities as a merchant bank. One unresolved legal action is disclosed in the Company's financial statements at June 30, 2009. The Company's consolidated financial statements at June 30, 2009 reflect a liability (Note Payable) in the amount of \$559,139 (CAD\$650,000). The Company believes it has valid legal defences against the claim made against it in respect of this action and that the balance of the note payable reflects the maximum financial liability likely to arise from this action. Until this legal matter is resolved however, the final amount of the potential liability is not determinable.

**b) *Depletion and depreciation expense***

Depletion and depreciation of petroleum and natural gas properties and equipment is provided using the unit-of-production method and proved reserves. The Company has retained 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.

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**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 fair value. 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 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) Carrying value of Investment in 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. In July 2008, the Company sold CAD\$5.0 million face value of its original SAT Series-A commercial paper for CAD\$0.50 per CAD\$1.00 of face value of the notes, and accordingly has CAD\$10.0 million in face value of its initial investment remaining.

The Company's non-bank ABCP investment was one of a number of such investments in Canada that have been frozen since August 2007. A group representing banks, asset providers and major investors referred to as the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper (the "Committee") prepared a restructuring plan (the "Plan") under the Companies' Creditors Arrangements Act which received Court approval in 2008. On January 12, 2009, the Ontario Superior Court of Justice granted the Plan Implementation Order which enables the original non-bank ABCP to be exchanged for restructured securities ("Restructured Notes") as outlined in the Plan.

On February 27, 2009 the Company received confirmation that it would receive CAD\$10.0 million face value of Restructured Notes in the following relative proportions: Class A-1 notes – 16%, Class A-2 notes – 69%, Class B notes – 12% and Class C notes – 3%.

The Restructured Notes are to earn interest at a rate equal to 90 day Bankers Acceptances less 50 bps. Interest on Class A-1 notes is to be accrued and paid currently, with interest on all other Classes to be accrued, but only paid after interest on higher ranking Classes is paid. The Plan estimates that repayment of principal on Restructured Notes and accrued interest, where applicable, will be approximately December, 2016. To date, the Company has earned CAD\$490,226 of interest on the restructured notes and all interest was received in June 2009. The low interest rates currently being experienced have resulted in minimal amounts of interest currently being earned on the replacement notes.

At June 30, 2009 the Company completed a discounted cash flow model to assess the reasonableness of its fair value determination of the Restructured Notes on the consolidated financial statements. The discounted cash flow model calculated a fair value equal to 41% of the CAD\$10.0 million maturity value of the Restructured Notes based on the following assumptions:

- a) Maturity date of Notes: December, 2016
- b) Interest yield rates: 0.0%
- c) Discount rates by class
  - A-1 & A-2 -9%
  - B – 28.50%
  - C – 35.50%

The fair value calculation for the current three month period has resulted in the Company recording no additional amount of valuation allowance, and therefore the total valuation allowance at June 30, 2009 remains unchanged at \$5.1 million (CAD\$5.9 million).

At September 30, 2008, the Company concluded that a valuation allowance representing 50% of the face value of the remaining non-bank ABCP was reasonable based on the assumptions outlined above, and accordingly, for the year ended September 30, 2008, recognized \$5,765,950 in valuation allowance of which \$2,505,000 was a realized loss and the remainder was unrealized.

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There is no certainty as to how the market for Restructured Notes will eventually function, or whether the Company will be able to sell its Restructured Notes for cash and consequently the timing and amount of any future cash flows may vary materially from current estimates.

***Change in accounting policies***

Change in reporting currency and foreign currency translation

Effective October 1, 2008, the Company changed its reporting currency from Canadian dollars to United States dollars 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 and restated prior period's comparative information.

During the first quarter of 2008, 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 three months ended December 31, 2008, the Company recorded \$4,410,869 as other comprehensive loss, with this amount arising primarily from the change in reporting currency from Canadian to United States dollars. A portion of this other comprehensive loss item resulted from the prospective adoption of the current rate method for foreign currency translation of the accounts of its reclassified self-sustaining foreign operations. For the three months ended June 30, 2009, the Company recorded a comprehensive gain of \$735,543. For the nine months ended June 30, 2009 the Company recorded a comprehensive loss of \$4,074,288. 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. Due to the prospective application of the current rate method for foreign currency translation, the usefulness of certain comparative information is limited.

***New accounting policies***

Goodwill and intangible assets

CICA handbook section 3064, "Goodwill and Intangible Assets" has been implemented by the Company effective October 1, 2008. This standard, which replaces CICA sections 3062 and 3450, provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material effect on the consolidated financial statements.

**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 adopt International Financial Reporting Standards ("IFRS") in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. For the Company, this will mean that interim and annual consolidated financial statements will be prepared in accordance with IFRS for its 2011 fiscal year, and will include comparative figures for the 2010 fiscal year prepared in accordance with IFRS. Over the next two years, Canadian GAAP will be modified to converge with IFRS.

An evaluation of IFRS conversion requirements that pertain to the Company will be conducted throughout 2009, which will then lead to the development of an implementation plan to transition the Company's financial reporting process, including internal controls and information systems to IFRS. During this evaluation, IFRS early adoption provisions will be investigated, and the Company will evaluate whether early adoption is feasible. The evaluation will also 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.

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**Financial instruments**

The Company's consolidated financial statements reflect a number of financial instruments, including cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities, bank loan and notes payable. In conformance with the Company's accounting policy regarding the recognition and measurement of financial instruments, all of these aforementioned assets and liabilities are recorded at their fair value. The Company is exposed to the following risks related to financial assets and liabilities:

**a) 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 thereon. The Company's estimate of valuation of Restructured Notes (originally asset backed commercial paper) is affected by changes in interest rates. The Company ensures that all changes in the interest rates are taken into account when reviewing the fair value of the restructured notes. The Company pays interest on the outstanding balance of its bank loan at the bank's prime rate plus 0.5%, and is thus subject to fluctuations in the interest expense it will pay. Greater borrowing costs will result from higher interest rates, and will reduce cash flow otherwise available and may negatively affect project economics.

**b) Credit risk**

The Company's accounts receivable are primarily from joint venture partners and government agencies (including its natural gas purchaser) 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 Company has an investment with a maturity value of CAD\$10.0 million in former non-bank Canadian Asset Backed Commercial Paper that has now been exchanged for Restructured Notes with an expected maturity of December, 2016. The Company made an estimate of the impact of the credit risk when reviewing the valuation as at June 30, 2009.

**c) 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 June 30, 2009, the Company's primary exposures relate to US dollar denominated cash balances held in Canada.

	US\$
Cash and cash equivalents	\$ 139,489
Accounts receivable	50,000
	<hr/>
Net foreign exchange exposure	\$ 189,489
	<hr/>

The Company performed a sensitivity analysis of the effect on net income and other comprehensive loss of a change in the Canadian dollar against the U.S. dollar. At June 30, 2009, if the Canadian dollar had strengthened by 10% compared to the U.S. dollar and all other variables were held constant, after tax net income would have been \$0.02 million lower and other comprehensive loss would have been lower by approximately \$5.5 million.

**d) Fair value**

The recorded value of the majority of the Company's financial assets and liabilities approximate their fair values due to their demand nature or because of their relatively short term to maturity. The fair value of the Restructured Notes, originally asset backed commercial paper, is determined through a discounted cash flow model and its value as per the consolidated financial statements is the calculated estimate of its fair value.

**e) Liquidity**

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 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. Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required by work programmes to retain concession licenses, asset sales

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(through farm-out agreements similar to the one concluded in 2008), extending existing debt facilities and/or negotiating new debt facilities and seeking new equity capital.

**Outstanding share data**

**Common shares**

	<i>Number of shares</i>	<i>Stated value US\$</i>
Balance, September 30, 2008 and 2007, and June 30, 2009	<u>117,753,083</u>	<u>\$ 180,237,125</u>

**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 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:

	<i>Number</i>	<i>Exercise price per share</i>
Balance outstanding, September 30, 2007	<u>8,260,000</u>	
Granted December 20, 2007; expire December 20, 2012	2,500,000	\$0.41
Granted March 25, 2008; expire March 25, 2013	130,000	\$0.45
Options forfeited	<u>(435,000)</u>	
Balance outstanding, September 30, 2008	10,455,000	
Options forfeited	<u>(810,000)</u>	
Balance outstanding, June 30, 2009	<u>9,645,000</u>	

**Common Share Purchase Warrants**

	<i>Number</i>	<i>Exercise price per share</i>
Balance outstanding, September 30, 2007	2,466,000	
Expiry of warrants on August 19, 2008	<u>(900,000)</u>	\$1.00
Balance outstanding, September 30, 2008	1,566,000	
Expiry of warrants on December 6, 2008	<u>(1,566,000)</u>	
Balance outstanding, June 30, 2009	<u>-</u>	

**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;

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- 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 obtain exploration and development services and equipment on an absolute basis, or on terms considered by the Company to be justifiable; 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;
- alternatives to and changing demand for petroleum products; and
- changes in interest rates.

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 as at June 30, 2009. 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. The Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, however they do not expect that the disclosure controls and procedures will prevent all errors and/or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing Internal Controls over Financial Reporting ("ICFR") or causing them to be designed under their supervision. Senior management believes that the Company's system of ICFR is appropriately designed to provide reasonable assurance regarding the reliability of financial reporting systems and the preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP. However the Company recognizes that its ICFR has a number of inherent weaknesses due to the geographical distribution of the Company's senior management staff, and the limited number of staff employed by the Company. At the Company's present stage of development, it is not economically feasible to achieve complete segregation of otherwise incompatible duties. Management believes that it has designed sufficient compensating internal controls, comprised primarily of management and Board review and oversight, to mitigate these limitations.

A system of ICFR, no matter how well conceived or operated can provide only reasonable, not absolute, assurance that the objectives of the ICFR are met. At present, the Chief Executive Officer, and the Chief Financial Officer oversee all material transactions and there is daily oversight by management of the Company. The Audit Committee and the Board review the interim and annual consolidated financial statements.

#### **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](http://www.sedar.com).

**Jura Energy Corporation**  
**Consolidated Financial Statements**  
For the three and nine month periods ended June 30, 2009 and 2008  
(Unaudited)

**Jura Energy Corporation**  
Consolidated Balance Sheet  
(Unaudited)

	June 30, 2009	September 30, 2008
	US\$	US\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 4)	\$ 9,538,083	\$ 3,321,786
Accounts receivable	694,298	4,127,726
Prepaid expenses and deposits	16,323	10,146
	10,248,704	7,459,658
Other assets (note 5)	6,603,905	7,793,617
Property and equipment (note 6)	76,587,946	76,483,945
	\$ 93,440,555	\$ 91,737,220
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,785,718	\$ 4,763,408
Bank loan (note 7)	5,591,398	-
Income taxes payable	302,000	-
Note payable (note 8)	559,139	613,265
	12,238,255	5,376,673
Asset retirement obligation (note 9)	459,049	303,301
Future income taxes	2,227,243	2,544,259
Non-controlling interest in subsidiaries (note 10)	1,537,698	1,849,382
	16,462,245	10,073,615
<b>Shareholders' equity</b>		
Share capital (note 11)	180,237,125	180,237,125
Contributed surplus (note 12)	19,873,293	19,678,422
Accumulated other comprehensive income	2,780,029	6,854,317
Deficit	(125,912,137)	(125,106,259)
	76,978,310	81,663,605
	\$ 93,440,555	\$ 91,737,220
Going concern (note 2)		
Commitments (note 15)		

**Jura Energy Corporation**Consolidated Statement of Changes in Deficit and Accumulated Other Comprehensive Income  
(Unaudited)

	Nine months ended June 30,	
	2009	2008
	US\$	US\$
Deficit		
Balance, beginning of period	\$ (125,106,259)	\$ (119,596,552)
Net income (loss)	(805,878)	(6,632,058)
Balance, end of period	<u>\$ (125,912,137)</u>	<u>\$ (126,228,610)</u>
Accumulated other comprehensive income		
Balance, beginning of period	\$ 6,854,317	\$ 12,356,200
Unrealized (loss) gain on translation of financial statements into reporting currency (note 3)	(4,074,288)	(2,895,789)
Balance, end of period	<u>\$ 2,780,029</u>	<u>\$ 9,460,411</u>

**Jura Energy Corporation**  
Consolidated Statement of Operations and Other Comprehensive Loss  
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Petroleum and natural gas sales	\$ 389,023	\$ 391,708	\$ 1,219,440	\$ 1,201,104
Less:				
Sales tax	53,687	52,703	172,732	161,373
Royalty	35,770	37,158	114,328	110,455
	<u>299,566</u>	<u>301,847</u>	<u>932,380</u>	<u>929,276</u>
Interest	150,818	60,208	510,535	359,629
Other income (note 14)	-	865,318	1,725,296	2,076,974
	<u>450,384</u>	<u>1,227,373</u>	<u>3,168,211</u>	<u>3,365,879</u>
<b>Expenses</b>				
Production	55,018	139,844	181,347	258,406
Administration	592,425	953,501	1,844,010	2,762,220
Interest Expense (note 7)	12,570	-	12,570	-
Unrealized foreign exchange (gain) loss	235,801	202,817	(30,385)	6,387
Realized foreign exchange losses	(254,854)	18,036	(233,559)	309,426
Valuation allowance on ABCP (note 5)	-	2,924,993	732,362	5,725,790
Unrealized loss on marketable securities	-	-	-	88,111
Depletion, depreciation and accretion	380,969	279,770	1,088,279	870,096
	<u>1,021,929</u>	<u>4,518,961</u>	<u>3,594,624</u>	<u>10,020,436</u>
Income (loss) before non-controlling interest and taxes	(571,545)	(3,291,588)	(426,413)	(6,654,557)
Non-controlling interest (note 10)	(27,122)	(3,859)	41,572	18,139
Income taxes				
Current income tax (note 6)	-	-	302,000	-
Future income tax (recovery) expense	125,766	(65,353)	35,893	(40,638)
Net income (loss)	(670,189)	(3,222,376)	(805,878)	(6,632,058)
Unrealized (loss) gain on translation of financial statements into reporting currency	735,543	862,017	(4,074,288)	(2,895,789)
Net income (loss) and other comprehensive loss	<u>\$ 65,354</u>	<u>\$ (2,360,359)</u>	<u>\$ (4,880,166)</u>	<u>\$ (9,527,847)</u>
Income (loss) per share (basic and diluted)	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>

**Jura Energy Corporation**  
Consolidated Cash Flow Statement  
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Operating activities				
Net income (loss)	\$ (670,189)	\$ (3,222,376)	\$ (805,878)	\$ (6,632,058)
Items not involving cash:				
Depletion, depreciation and amortization	380,969	279,770	1,088,279	870,096
Future income taxes	125,766	(65,353)	35,893	(40,638)
Loss (gain) on sale of marketable securities	-	(2,561)	-	33,925
Gain on sale of inactive entity	-	(862,757)	-	(862,757)
Unrealized loss on marketable securities	-	-	-	88,111
Unrealized foreign exchange (gain) loss	235,801	202,817	(30,385)	6,387
Unrealized valuation allowance on other assets	-	2,924,993	732,362	5,725,790
Stock based compensation	39,437	187,142	194,871	546,707
Non-controlling interest	(27,122)	(3,859)	41,572	18,139
	<u>84,662</u>	<u>(562,184)</u>	<u>1,256,714</u>	<u>(246,298)</u>
Changes in other current assets and liabilities	<u>417,431</u>	<u>2,321</u>	<u>269,984</u>	<u>(388,295)</u>
	<u>502,093</u>	<u>(559,863)</u>	<u>1,526,698</u>	<u>(634,593)</u>
Financing activities				
Advance of Bank loan	<u>5,591,398</u>	<u>-</u>	<u>5,591,398</u>	<u>-</u>
Investing activities				
Performance guarantee posted	-	(28,528)	-	(118,242)
Proceeds on sale of investments	-	34,848	-	154,406
Proceeds on sale of inactive entity	-	980	-	980
Property and equipment additions	(7,745,038)	(1,471,809)	(12,841,913)	(9,570,431)
Recovery of past capital expenditures (note 6)	-	-	8,132,181	-
Change in accounts payable and accounts receivable related to capital expenditures	<u>2,251,757</u>	<u>(3,201,601)</u>	<u>4,481,577</u>	<u>(392,515)</u>
	<u>(5,493,281)</u>	<u>(4,666,111)</u>	<u>(228,155)</u>	<u>(9,925,802)</u>
Effect of exchange rate changes on cash	<u>939,283</u>	<u>7,871</u>	<u>(673,644)</u>	<u>(174,102)</u>
Change in cash and cash equivalents	1,539,493	(5,218,102)	6,216,297	(10,734,496)
Cash and cash equivalents, beginning of period	<u>7,998,590</u>	<u>10,919,714</u>	<u>3,321,786</u>	<u>16,436,108</u>
Cash and cash equivalents, end of period	<u>\$ 9,538,083</u>	<u>\$ 5,701,612</u>	<u>\$ 9,538,083</u>	<u>\$ 5,701,612</u>
Supplemental cash flow information				
Interest paid	\$ 12,570	\$ -	\$ 12,570	\$ -
Interest received	\$ 150,818	\$ 60,208	\$ 510,535	\$ 359,629

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**1. Basis of preparation**

Jura Energy Corporation ("the Company") is an energy exploration, development and production company with active operations focused in Pakistan. The Company's unaudited 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 and Frontier Holdings Limited, together with its 66.665% ownership of Pyramid Energy International Inc. Jura Energy Corporation is listed on the Toronto Stock Exchange and trades under the symbol "JEC". Effective October 1, 2008, the consolidated financial statements of the Company are presented in US dollars.

**2. Going concern**

Management has prepared these interim 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 6).

The Company has a working capital deficiency of \$1,989,551. Realization of other assets would be insufficient to fully fund continued operations and capital expenditures planned for the next twelve months, and accordingly new cash resources must be secured. Management is currently evaluating and will pursue funding alternatives, including new debt facilities, additional farm-out agreements and new equity issuances. There is no assurance that these initiatives will be successful. The current uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future.

The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital 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 were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

**3. Significant accounting policies**

The 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, 2008, except as noted below. Interim consolidated financial 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, 2008.

**Change in reporting currency and foreign currency translation**

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 and restated prior period's comparative information.

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.

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**3. Significant accounting policies (continued)**

For the nine months ended June 30, 2009, the Company recorded \$4,074,288 as other comprehensive loss of which \$4,809,831 was recorded for the six months ended March 31, 2008 and a gain of \$735,543 was recorded for the three months ended June 30, 2009. These amounts 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. Due to the prospective application of the current rate method for foreign currency translation, the usefulness of certain comparative information is limited.

**New accounting policies**

Goodwill and intangible assets

New CICA handbook section 3064, "Goodwill and Intangible Assets", was implemented by the Company effective October 1, 2008. This standard replaces CICA sections 3062 and 3450, and provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard, which has been adopted prospectively, did not have a material effect on the consolidated financial statements.

**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 adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Over the next two years, Canadian GAAP will be modified to converge with IFRS.

An evaluation of IFRS conversion requirements that pertain to the Company will be conducted throughout 2009, which will then lead to the development of an implementation plan to transition the Company's financial reporting process, including internal controls and information systems to IFRS.

**4. Cash and cash equivalents**

	June 30, 2009	September 30, 2008
	US\$	US\$
Cash	\$ 7,738,083	\$ 1,109,518
Short term investments in HSBC Bank issued Bankers Acceptances and Bearer Deposit Notes	1,800,000	2,212,268
	<u>\$ 9,538,083</u>	<u>\$ 3,321,786</u>

**5. Other assets**

	June 30, 2009	September 30, 2008
	US\$	US\$
<u>Restricted cash (not available for general corporate purposes)</u> Provided as security for bank guarantee to the Government of Pakistan for exploration and development expenditure commitments made pursuant to the granting of petroleum exploration licenses; invested in interest bearing securities	\$ 3,085,625	\$ 3,085,625
<u>Non-bank Asset Backed Commercial Paper ("ABCP")</u> Estimated fair value at end of period	3,518,280	4,707,992
	<u>\$ 6,603,905</u>	<u>\$ 7,793,617</u>

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**5. Other assets (continued)**

ABCP changes, and reconciliation from CAD\$ to US\$

		June 30, 2009	September 30, 2008
Estimated fair value at beginning of period	(CAD\$)	4,990,000	13,250,950
Less:			
Proceeds on sale of CAD\$5.0 million face value of ABCP		-	(2,495,000)
Realized loss on sale		-	(2,505,000)
Valuation allowance		(900,000)	(3,260,950)
Estimated fair value at end of period	(CAD\$)	4,090,000	4,990,000
Adjustment for foreign exchange at period end rates		(571,720)	(282,008)
Estimated fair value at end of period (US\$)		<u>\$ 3,518,280</u>	<u>\$ 4,707,992</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. In July 2008, the Company sold CAD\$5.0 million face value of its original SAT Series-A commercial paper for CAD\$0.50 per CAD\$1.00 of face value of the notes, and accordingly has CAD\$10.0 million in face value of its initial investment remaining.

The Company's non-bank ABCP investment was one of a number of such investments in Canada that have been frozen since August 2007. A group representing banks, asset providers and major investors referred to as the Pan-Canadian Investors Committee for Third-Party Structured Asset Backed Commercial Paper (the "Committee") prepared a restructuring plan (the "Plan") under the Companies' Creditors Arrangements Act which received Court approval in 2008. On January 12, 2009, the Ontario Superior Court of Justice granted the Plan Implementation Order which enables the original non-bank ABCP to be exchanged for restructured securities ("Restructured Notes") as outlined in the Plan.

On February 27, 2009, the Company received confirmation that it would receive CAD\$10.0 million face value of Restructured Notes in the following relative proportions: Class A-1 notes – 16%, Class A-2 notes – 69%, Class B notes – 12% and Class C notes – 3%.

The Restructured Notes are to earn interest at a rate equal to 90 day Bankers Acceptances less 50 bps. Interest on Class A-1 notes is to be accrued and paid currently, with interest on all other Classes to be accrued, but only paid after interest on higher ranking Classes is paid. The Plan estimates that repayment of principal on Restructured Notes and accrued interest, where applicable, will be approximately December, 2016. To date, the Company has earned interest of CAD\$490,226 on the restructured notes. Due to the low interest rates being experienced, the amount of interest currently being earned on the notes is negligible.

At June 30, 2009, the Company completed a discounted cash flow model to assess the reasonableness of its fair value determination of the Restructured Notes on the consolidated financial statements. The discounted cash flow model calculated a fair value equal to 41% of the CAD\$10.0 million maturity value of the Restructured Notes based on the following assumptions:

- a) Maturity date of Notes: December, 2016
- b) Interest yield rates: 0.0%
- c) Discount rates by class: A-1 & A-2 -9%  
B – 28.50%  
C – 35.50%

The fair value calculation for the current three month period has resulted in the Company recording no additional amount of valuation allowance, and therefore the total valuation allowance at June 30, 2009 remains unchanged at \$5.1 million (CAD\$5.9 million).

At September 30, 2008, the Company concluded that a valuation allowance representing 50% of the face value of the remaining non-bank ABCP was reasonable based on the assumptions outlined above, and accordingly, for the year ended

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**5. Other assets (continued)**

September 30, 2008, recognized \$5,765,950 in valuation allowance of which \$2,505,000 was a realized loss and the remainder was unrealized.

There is no certainty as to how the market for Restructured Notes will eventually function, or whether the Company will be able to sell its Restructured Notes for cash and consequently the timing and amount of any future cash flows may vary materially from current estimates.

**6. Property and equipment**

	June 30, 2009	September 30, 2008
	US\$	US\$
Petroleum and natural gas properties	\$ 81,532,621	\$ 80,727,690
Power generation project	111,414	111,414
Office and computer equipment	475,583	489,346
Leasehold improvements	281,490	308,739
	<u>82,401,108</u>	<u>81,637,189</u>
Accumulated depletion, depreciation and accretion	(5,813,162)	(5,153,244)
	<u>\$ 76,587,946</u>	<u>\$ 76,483,945</u>

Included in petroleum and natural gas property expenditures for the three months ended June 30, 2009 are capitalized general and administrative costs in the amount of \$252,921 (2008: \$357,990). For the nine months ended June 30, 2009 capitalized general and administrative costs of \$703,462 (2008: \$1,000,427) were included in petroleum and natural gas expenditures. Unproven property costs of \$64,342,265 (2008: \$60,517,532) have been deducted from and future capital costs of \$339,814 (2008: \$875,290) have been added to costs subject to depletion and amortization for the three months ended June 30, 2009.

During the three months ended June 30, 2009, the Company completed the drilling of the Jamali Deep and Rafay-1 exploration wells with the results for both wells being as yet inconclusive, and further evaluation is currently ongoing. As the evaluation of the wells is not yet complete, the Company's aggregate expenditures of \$8.4 million on these wells to June 30, 2009 have been excluded from costs subject to depletion and amortization. Once the results of the evaluation are available the Company will review the treatment of the costs incurred on the wells.

The Company concluded the drilling and testing of the Kandra 4D exploration well in December 2008. At this time, testing results are being reviewed to evaluate further action to be taken. The Company has transferred approximately \$3.5 million of costs associated with this well from unproven property costs to costs subject to depletion and amortization.

Expenditures of \$111,414 were incurred during fiscal 2008 that relate to the Company's interest in a power generation project. This project is in the feasibility study stage and as such there has been no depreciation recorded to date.

During the three months ended December 31, 2008, the Company and its partner, Petroleum Exploration (Pvt) Limited ("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 Sui Main Limestone development), Salam, Mirpur Mathelo, and Karsal. The agreement has 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. In addition, the Company received cash consideration of \$4.25 million on November 26, 2008 from GPX towards historical costs (against which a current income tax provision of \$302,000 has been provided) and was further credited \$3.8 million for the portion of costs incurred by the Company since April 1, 2008 that were reimbursed by GPX. These funds reduced the Company's capitalized costs recorded to date in the related exploration concessions.

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**7. Bank loan**

The Company negotiated a credit facility agreement with a Canadian chartered bank in January 2008 which has a limit of 65% of the face value on the Company's ABCP, and is secured solely by the ABCP. Any amounts outstanding on the credit facility will bear interest at the bank's prime rate plus 0.50%; the credit facility has a repayment date of October 31, 2009.

In May of 2009, in accordance with the terms of the credit facility, the Company made a single draw of the maximum amount available under the facility, \$5,591,398 (CAD\$ 6.5 million), and this amount remains outstanding at June 30, 2009. The loan balance outstanding is repayable on demand by the bank or by October 31, 2009 and any proceeds received from the disposition of the Company's ABCP will be applied against the outstanding amount of the facility.

**8. Note payable**

The note payable is due to unit-holders and shareholders of a former subsidiary of the Company and is part of a legal claim currently being litigated (note 17(a)). The note is unsecured in the amount of \$559,139 (CAD \$650,000), and the Company is not recording interest expense related thereto. Due to the nature of the liability, the amount recorded is considered by management to be equal to its fair value.

**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 \$808,025, 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.

	June 30, 2009	September 30, 2008
	US\$	US\$
Balance, beginning of period	\$ 303,301	\$ 177,947
Additions	167,827	110,079
Accretion	12,547	15,275
Adoption of change in foreign currency translation (note 3)	(24,626)	-
Balance, end of period	<u>\$ 459,049</u>	<u>\$ 303,301</u>

**10. Non-controlling interest in subsidiaries**

	June 30, 2009	September 30, 2008
	US\$	US\$
Balance, beginning of period	\$ 1,849,382	\$ 2,639,209
Current operations	41,572	35,302
Disposition of inactive subsidiary	-	(825,129)
Adoption of change in foreign currency translation (note 3)	(353,256)	-
Balance, end of period	<u>\$ 1,537,698</u>	<u>\$ 1,849,382</u>

During 2008 the Company sold its shareholding in an inactive U.S. subsidiary that remained from the Company's former operations as a merchant bank. The disposition resulted in the elimination of the non-controlling interest in the U.S. subsidiaries together with the liability related thereto from the consolidated balance sheet of the Company. The non-controlling interest that remains arises from the Company's 66.665% ownership interest in Pyramid Energy International Inc.

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**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>	<i>Stated value US\$</i>
Balance, September 30, 2008 and 2007, and June 30, 2009	<u>117,753,083</u>	<u>\$ 180,237,125</u>

The weighted average number of common shares outstanding used in computing income per share for the three months and nine months ended June 30, 2009 is 117,753,083 shares (three months and nine months ended June 30, 2008: 117,753,083 shares).

**(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:

	<i>Number</i>	<i>Exercise price per share</i>
Balance outstanding, September 30, 2007	<u>8,260,000</u>	
Granted December 20, 2007; expire December 20, 2012	2,500,000	\$0.41
Granted March 25, 2008; expire March 25, 2013	130,000	\$0.45
Options forfeited	<u>(435,000)</u>	
Balance outstanding, September 30, 2008	10,455,000	
Options forfeited	<u>(810,000)</u>	
Balance outstanding, June 30, 2009	<u>9,645,000</u>	

The following table summarizes information about the options outstanding and exercisable at June 30, 2009:

<i>Options outstanding</i>			<i>Options exercisable</i>		
<i>Exercise price</i>	<i>Options</i>	<i>Contractual life remaining, years (weighted average)</i>	<i>Options</i>	<i>Exercise price</i>	
\$ 0.69	720,000	0.8	720,000	\$ 0.69	
\$ 1.55	4,300,000	1.8	4,300,000	\$ 1.55	
\$ 1.00	2,205,000	2.5	1,800,832	\$ 1.00	
\$ 1.15	100,000	2.9	66,666	\$ 1.15	
\$ 0.41	2,200,000	3.5	733,333	\$ 0.41	
\$ 0.45	120,000	3.7	60,000	\$ 0.45	
<u>\$ 1.08</u>	<u>9,645,000</u>		<u>7,680,831</u>	<u>\$ 1.18</u>	

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**11. Share capital (continued)**

**(d) Stock Based Compensation expense**

During the three months ended June 30, 2009, the Company recorded \$39,437 (2008- \$187,142) of stock based compensation expense with a corresponding increase to Contributed Surplus. For the nine months ended June 30, 2009 the Company has recorded stock based compensation expense of \$194,871 (2008- \$546,707). The Company has not capitalized any of the stock based compensation expense recorded.

There were no additional share purchase options granted in the nine months ended June 30, 2009.

**(e) Common Share Purchase Warrants**

Share purchase warrants outstanding are as follows:

	Number	Exercise price per share
Balance outstanding, September 30, 2007	2,466,000	
Expiry of warrants on August 19, 2008	<u>(900,000)</u>	\$1.00
Balance outstanding, September 30, 2008	1,566,000	
Expiry of warrants on December 6, 2008	<u>(1,566,000)</u>	
Balance outstanding, June 30, 2009	<u>-</u>	

**12. Contributed surplus**

	June 30, 2009	September 30, 2008
	US\$	US\$
Balance, beginning of period	\$ 19,678,422	\$ 19,040,465
Stock based compensation (note 11(d))	<u>194,871</u>	<u>637,957</u>
Balance, end of period	<u>\$ 19,873,293</u>	<u>\$ 19,678,422</u>

**13. Capital management**

The Company's total capital resources are \$76,978,310 (September 30, 2008 - \$81,663,605) with this amount comprised entirely of shareholders' equity. In January 2008, the Company concluded an agreement with a Canadian chartered bank to provide a credit facility in the maximum amount of 65% of the face value of the Company's remaining non-bank ABCP investment (note 7). After the sale by the Company of one-third of its SAT series-A commercial paper in July, 2008, the maximum amount available under the facility is CAD\$6.5 million.

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. Other income**

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Proceeds on utilization of unrecognized tax losses	\$ -	\$ -	\$ 1,725,296	\$ 1,247,979
Gain on sale of inactive subsidiary	-	865,318	-	865,318
Loss on sale of marketable securities	-	-	-	(36,323)
	<u>\$ -</u>	<u>\$ 865,318</u>	<u>\$ 1,725,296</u>	<u>\$ 2,076,974</u>

**Jura Energy Corporation**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
(Unaudited)

**14. Other income (continued)**

The Company's former operations as a merchant bank continue to result in the intermittent receipt of revenues from legal settlements, recovery of amounts previously written-off or for which allowances were provided, and certain revenues are realized and expenses incurred that relate to or arise from these former operations. The Company records such items as other income.

During the nine months ended June 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. The Company completed a similar transaction in the nine months ended June 30, 2008 that resulted in net proceeds of \$1,247,979. During that same comparative nine month period, the Company disposed of a portion of its portfolio of marketable securities for proceeds of \$119,857 resulting in the recognition of a loss of \$36,323. Other income for the three months ended June 30, 2008 resulted from a gain on disposition of shares of an inactive subsidiary. The proceeds from sale were \$51,000 with an additional gain of \$814,318 resulting from the elimination of the non-controlling interest in the inactive subsidiary together with the liabilities related thereto.

**15. Commitments**

**Resource**

The Company's 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 has pledged this amount in cash as security against the guarantee (note 5). Cumulative exploration and development expenditures incurred to June 30, 2009 and the farm-out to GPX have reduced the remaining commitment to \$1.8 million.

**Administrative**

The Company has leased office space in Calgary, Alberta under an agreement which expires on July 2013 with monthly rent expense of CAD \$9,534 from August 1, 2008 to July 31, 2010 changing to CAD \$9,863 per month for the remainder of the term.

The Company has leased office space in Islamabad, Pakistan for a one year term expiring on May 31, 2010, 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. The estimated cost remaining under the lease obligation reflected below assumes no early termination.

The following schedule outlines the Company's annual commitment under these agreements:

Year ending:	Amount
	US\$
September 2009	\$ 30,410
September 2010	98,982
September 2011	101,812
September 2012	101,812
September 2013	84,843
	\$ 417,859

**16. Financial instruments**

**Financial risk management**

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

**(a) 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 thereon. Other interest rate risks on the Company's obligations are not considered material. The Company pays interest on the outstanding balance of its bank loan at the bank's prime rate plus

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**16. Financial instruments (continued)**

0.5%, and is thus subject to fluctuations in the interest expense it will pay. Greater borrowing costs will result from higher interest rates, and will reduce cash flow otherwise available and may negatively affect project economics.

**(b) Credit risk**

The Company's accounts receivable are primarily from joint venture partners and government agencies (including its natural gas purchaser) 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 Company has an investment with a maturity value of \$8,602,151 (CAD\$10.0 million) in non-bank Canadian Asset Backed Commercial Paper that has now been exchanged for Restructured Notes which have an expected maturity of December, 2016. The Company made an estimate of the impact of the credit risk when reviewing the valuation as at June 30, 2009 (note 5).

**(c) 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 June 30, 2009, the Company's primary exposures relate to US dollar denominated cash balances held in Canada.

		US\$
Cash and cash equivalents	\$	139,489
Accounts receivable		50,000
Accounts payable and accrued liabilities		-
		-
Net foreign exchange exposure	\$	189,489

The Company performed a sensitivity analysis of the effect on net income and other comprehensive loss of a change in the Canadian dollar against the U.S. dollar. At June 30, 2009 if the Canadian dollar had reduced in value by 10% compared to the U.S. dollar and all other variables were held constant, after tax net income would have been \$22,000 lower and other comprehensive income would have been lower by approximately \$5.2 million.

**(d) Fair Value**

The recorded value of the majority of the Company's financial assets and liabilities approximate their fair values due to their demand nature or because of their relatively short term to maturity.

**(e) 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 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. The current 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.

**17. Litigation**

The Company is involved in several lawsuits that remain outstanding from its former business activities as a merchant bank – as plaintiff in some cases and as defendant in others. 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 probability 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 considered likely although the actual amount may differ from what had been previously estimated. A summary of each claim is as follows:

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**17. Litigation (continued)**

**(a) Hotel property foreclosure**

A former Company subsidiary was sued by the first mortgage holder on a hotel property to recover \$2,421,479 (CAD\$2,814,969), 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 it has valid defenses to this claim and accordingly has not recorded any related liability. The unit-holders and shareholders of the former subsidiary commenced an action against the Company for non-performance on a \$559,139 (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).

**(b) 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

**18. Related party transactions**

For the three and nine months ended June 30, 2009, the Company recorded \$36,518 (2008 - \$44,547) and \$115,679 (2008- \$167,644) respectively for Directors fees and related costs. At June 30, 2009, \$37,956 (2008 - \$44,559) was due to directors and included in accounts payable and accrued liabilities on the consolidated balance sheet.

In connection with its Pakistan operations, the Company shares certain office facilities, personnel, and other office and administrative costs with a company for which certain officers and directors are also Directors of the Company. For the three months ended June 30, 2009, the Company's share of these costs amounted to \$63,300 (2008: \$63,300); there was no amount outstanding at the period end. For the nine months ended June 30, 2009, the Company's share of these costs amounted to \$189,900 (2008: \$189,900).

In May 2007, the Company commenced providing financial and accounting services to Kulczyk Oil Ventures Inc. ("KOVI"), formerly Loon Energy Inc., which owns 6.4% of the outstanding shares of the Company. Two directors and officers of KOVI are directors of the Company. For the three and nine months ended June 30, 2009, the Company charged fees and associated costs totaling \$54,057 (2008 - \$67,013) and \$149,360 (2008 - \$201,041) respectively. At June 30, 2009, \$1,749 (2008 - \$65,479) was due from KOVI and included in accounts receivable on the consolidated balance sheet.

As part of the completion of several transactions that resulted in the other income (note 14) for the three months ended December 31, 2008, 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 in other income. All amounts borrowed were fully repaid and no amounts were outstanding as at December 31, 2008.

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

**19. Segmented information**

The Company's reportable business segments include its oil and gas operations in Pakistan and corporate activities in Canada.

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**19. Segmented information (continued)**

	<b>Three months ended June 30, 2009</b>		
	Canada	Pakistan	Consolidated
	US\$	US\$	US\$
Petroleum and natural gas sales	\$ -	\$ 389,023	\$ 389,023
Sales tax	-	(53,687)	(53,687)
Royalty	-	(35,770)	(35,770)
Interest income	124,490	26,328	150,818
	124,490	325,894	450,384
Less expenses:			
Production	-	55,018	55,018
Administration	528,620	63,805	592,425
Interest expense	12,570	-	12,570
Unrealized foreign exchange gains	235,801	-	235,801
Realized foreign exchange losses	-	(254,854)	(254,854)
Depletion, depreciation and accretion	3,972	376,997	380,969
Non-controlling interest	-	(27,122)	(27,122)
Future income tax expense	-	125,766	125,766
	\$ (656,472)	\$ (13,717)	\$ (670,189)
Property and equipment expenditures	\$ 2,592	\$ 7,742,446	\$ 7,745,038

	<b>Nine months ended June 30, 2009</b>		
	Canada	Pakistan	Consolidated
	US\$	US\$	US\$
Petroleum and natural gas sales	\$ -	\$ 1,219,440	\$ 1,219,440
Sales tax	-	(172,732)	(172,732)
Royalty	-	(114,328)	(114,328)
Interest income	417,162	93,373	510,535
Other income	1,725,296	-	1,725,296
	2,142,458	1,025,753	3,168,211
Less expenses:			
Production	-	181,347	181,347
Administration	1,686,000	158,010	1,844,010
Interest expense	12,570	-	12,570
Unrealized foreign exchange gains	(30,385)	-	(30,385)
Realized foreign exchange losses	-	(233,559)	(233,559)
Valuation allowance on other assets	732,362	-	732,362
Depletion, depreciation and accretion	10,506	1,077,773	1,088,279
Non-controlling interest	-	41,572	41,572
Current income tax expense	-	302,000	302,000
Future income tax expense	-	35,893	35,893
	\$ (268,595)	\$ (537,283)	\$ (805,878)

	<b>As at June 30, 2009</b>		
Total assets	\$ 8,548,643	\$ 84,891,912	\$ 93,440,555
Property and equipment expenditures	\$ 10,735	\$ 4,698,997	\$ 4,709,732

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**19. Segmented information (continued)**

	<b>Three month ended June 30, 2008</b>		
	Canada US\$	Pakistan US\$	Consolidated US\$
Petroleum and natural gas sales	\$ -	\$ 391,708	\$ 391,708
Sales tax	-	(52,703)	(52,703)
Royalty	-	(37,158)	(37,158)
Interest income	28,557	31,651	60,208
Other income	865,318	-	865,318
	893,875	333,498	1,227,373
Less expenses:			
Production	-	139,844	139,844
Administration	855,937	97,564	953,501
Unrealized foreign exchange gains	202,817	-	202,817
Realized foreign exchange losses	18,036	-	18,036
Valuation allowance on other assets	2,924,993	-	2,924,993
Depletion, depreciation and accretion	15,129	264,641	279,770
Non-controlling interest	-	(3,859)	(3,859)
Future income tax expense	-	(65,353)	(65,353)
	\$ (3,123,037)	\$ (99,339)	\$ (3,222,376)
Property and equipment expenditures	\$ 15,129	\$ 1,456,680	\$ 1,471,809

	<b>Nine month ended June 30, 2008</b>		
	Canada US\$	Pakistan US\$	Consolidated US\$
Petroleum and natural gas sales	\$ -	\$ 1,201,104	\$ 1,201,104
Sales tax	-	(161,373)	(161,373)
Royalty	-	(110,455)	(110,455)
Interest income	256,401	103,228	359,629
Other income	2,076,974	-	2,076,974
	2,333,375	1,032,504	3,365,879
Less expenses:			
Production	-	258,406	258,406
Administration	2,481,204	281,016	2,762,220
Unrealized foreign exchange gains	17,230	(10,843)	6,387
Realized foreign exchange losses	309,426	-	309,426
Valuation allowance on other assets	5,725,790	-	5,725,790
Depletion, depreciation and accretion	11,917	858,179	870,096
Unrealized loss on marketable securities	88,111	-	88,111
Non-controlling interest	-	18,139	18,139
Future income tax expense	-	(40,638)	(40,638)
	\$ (6,300,304)	\$ (331,754)	\$ (6,632,058)

	<b>As at June 30, 2008 (restated - note 3)</b>		
Total assets	\$ 12,702,099	\$ 77,578,148	\$ 90,280,247
Property and equipment expenditures	\$ 38,917	\$ 9,531,514	\$ 9,570,431

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