

**JERICO OIL CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)**  
**For the quarter ended September 30, 2017**  
**(Expressed in CDN\$ unless otherwise indicated)**

This document is current in all material respects up to November 29, 2017

**INTRODUCTION**

Jericho Oil Corporation (“Jericho” or the “Company”) was incorporated on October 21, 2010 under the Laws of British Columbia and was listed on the TSX Venture Exchange after completion of its initial public offering on May 29, 2012. The Company’s name, formerly Dakar Resource Corp., was changed on February 27, 2014. The Company trades on the TSX Venture Exchange under the symbol “JCO”, and on the United States OTC exchange under the symbol “JROOF”. The head office, principal address and records office of the Company are located at Suite 350, 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T7.

The Company incorporated a subsidiary, Jericho Oil (Kansas) Corp., in the State of Delaware, United States, on January 27, 2014, and another subsidiary, Jericho Oil (Oklahoma) Corp., also in the State of Delaware, on February 18, 2015.

**OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

We are an independent crude oil and natural gas company engaged in the exploration, development and production of crude oil and natural gas. We derive most our revenue, operating income, and cash flows from the sale of crude oil and natural gas and expect this to continue in the future. Our operations are primarily focused on exploration and development activities in the Mississippi Lime, Woodford Shale and Hunton formations in Central and Northeast Oklahoma. The Company has approximately 70,000 acres of developed and undeveloped acreage.

*Subsequent Events*

On October 1, 2017 the company purchased an additional 25% of Jericho Buckmanville LLC (“Buckmanville”) for approximately US\$3,500,000. With this purchase the company now holds a 50% interest in Buckmanville.

On November 2, 2017 the STACK investment vehicle (“STACK”), a private company, in which Jericho bought an interest in the third quarter, closed the acquisition of an additional 76 acres (100% held-by-production) in the oil window of the Anadarko Basin STACK play in Oklahoma contiguous to its current position.

*Third Quarter results*

On September 1, 2017, Jericho invested US\$3m to purchase shares in STACK on the Anadarko Super Basin STACK play. This investment represents approximately 13% ownership of the STACK investment vehicle. Jericho has an option to invest an additional US\$6 Million in the STACK investment vehicle. Jericho will own approximately a 31% interest in the STACK investment vehicle upon fully exercising its option. The

STACK investment vehicle has acquired an interest in 9,400 net surface acres in the oil window of the Anadarko Basin STACK play in a highly contiguous block located in Blaine County, Oklahoma.

Jericho's pilot programs, as noted in the second quarter are ongoing. The results from the initial re-stimulation well was below expectations as there was a mechanical failure in the well casing. The second test well is still in flow-back and its initial results are expected in Q4 of 2017. The second pilot program focused on the Company's Seminole Uplift Resource Extension (SURE) in Seminole and Potawatomie County. This pilot program will initially test the potential of the lower Woodford Shale in the SURE region. The first test well, which started flowing in the late spring has produced over 6,800 Barrels of Oil and 1450 MCF of gas through September 30th. The second well is currently in flow-back. Jericho's Geology and Engineering team will continue to test the viability of the lower Woodford's commercial potential with additional test efforts underway.

Overall the third quarter results were below expectations due to a series of lightning strikes at two multi-well tank battery installations. The strikes will not have any long-term impact and all operations were restated and new tank batteries installed by quarter end. There will be some 4th quarter installation follow-up work associated with these lightning strikes, but all the wells impacted have been returned to production.

The three joint venture companies, Jericho Buckmanville, LLC, Eagle Road Oil, LLC, and Lurgan Oil, LLC are in breach of the leverage covenant with respect to the Facility for the third quarter of 2017 with the lender East West Bank. East West Bank has granted a waiver with respect to the breach and agreed to re-set the leverage covenant to restart in the fourth quarter of 2017 and has taken no other action against the joint venture companies.

During the third quarter, the borrowing based was reaffirmed at \$12 million following the Company's regularly scheduled semi-annual redetermination. However, on November 2, 2017 the company announced that it has voluntarily elected to decrease the borrowing base under its joint Senior Secured Revolving Credit Facility (the "Facility") from US\$12 million to \$10 million to reduce unnecessary fees associated with unused borrowing commitments.

#### Joint Venture Operating Statements to September 30, 2017

The purpose of the statement below is to show the operations in the currency in which revenue prices are denominated. It also presents the combined joint venture as viewed by investors, lenders, and American readers of the financial performance of the combined entity. (Please also refer to the Company's share of investment in the Joint Ventures in Canadian dollars under IFRS in note 10 of the annual financial statements.)

**Statement of 100% joint venture partners' income (US\$) to September 30, 2017**

	<b>Three Month Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2017</b>
<b>Operating Results</b>		
Oil sales	\$ 1,767,423	\$ 5,355,700
NGL sales	186,531	600,304
Natural gas sales	125,651	365,792
Salt water disposal income, net	24,880	130,114
Administrative overhead income, net	404	124,836
Equipment service income, net	(9,069)	(6,637)
Operating revenues	<u>2,095,820</u>	<u>6,570,108</u>
Interest income	60	96
Loss on Disposal Asset	(3,748)	(8,528)
Other income	97,425	99,730
Total income	<u>2,189,558</u>	<u>6,661,406</u>
Lease operating expenses	1,672,101	4,485,309
Oil and gas production taxes	194,665	527,200
Depreciation, depletion, and amortization (1)	1,965,326	2,693,573
Accretion of discount on asset retirement	45,153	135,459
General and administrative	235,348	553,720
Total operating costs and expenses	<u>4,112,593</u>	<u>8,395,261</u>
Derivative expense	(75,896)	136,229
Gain (Loss) from Hedging	108,224	108,224
Loan interest expenses	99,230	247,891
Fair value adjustment on derivatives	(423,903)	(174,403)
Net income (loss) as reported	<u>\$ (1,630,691)</u>	<u>\$ (2,051,797)</u>
Net income (loss) as reported	\$ (1,630,691)	\$ (2,051,797)
Fair value adjustment on derivatives, plus	(423,903)	(174,403)
Interest expense, plus	99,230	247,891
Depreciation, depletion, and amortization, plus	1,965,326	2,693,573
Accretion, plus	45,153	135,459
Non-cash and extraordinary items, plus	(59,424)	(59,424)
Total adjusted net income	<u>\$ (4,310)</u>	<u>\$ 791,298</u>

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(1) Depreciation, depletion, and amortization costs in the third quarter include an adjustment to correct under recording depletion in the first two quarters.

**Statement of 100% joint venture partners' income (US\$) to September 30, 2017 (continued)**

	<b>Three Month Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2017</b>
Oil (BBL)	39,886	112,644
NGL (BBL)	7,863	26,327
Natural gas (MCF)	45,136	121,659
Total sales (BOE)	55,272	159,248
Average daily sales (BOE/d)	601	583
Operating Results Per BOE:	<b>USD\$</b>	<b>USD\$</b>
Oil sales (\$/BBL)	\$ 44.31	\$ 47.55
NGL sales (\$/BBL)	23.72	22.80
Natural gas sales (\$/MCF)	2.78	3.01
Total sales (\$/BOE)	37.63	39.70
Oi & Natural gas sales plus cash settlement		
Lease operating expenses (\$/BOE)	\$ 30.25	\$ 28.17

Reconciliation of 100% Joint Venture partner's income table to the company's share of Joint Venture income to September 30, 2017, based on IFRS.

Nine Months Ended	Eagle Road	Lurgan	Buckmanville	Total
100% Net income (loss) in US\$	(817,726)	(202,008)	(1,032,063)	(2,051,797)
100% Net income (loss) in CDN\$	(1,069,095)	(264,106)	(1,349,319)	(2,682,519)

Nine Months Ended	Eagle Road	Lurgan	Buckmanville	Total
100% Net income (loss) in US\$	(817,726)	(202,008)	(1,032,063)	(2,051,797)
Jericho's ownership	50%	50%	25%	
Jericho's share of net income (loss) in US\$	(408,863)	(101,004)	(258,016)	(767,883)
Jericho's share of net income (loss) in CDN\$	(534,548)	(132,053)	(337,330)	(1,003,930)

*Second Quarter results*

During the quarter ending June 30, 2017, the Company began two pilot programs. The first is a modern re-stimulation program designed at improving yields on existing, idled wellbores within the Company's Pawnee County assets. Improved completion techniques have advanced rapidly since these wells were completed in the beginning of 2013 by a previous operator. The Company has approximately 40 idled horizontal wellbores which may prove to be potential candidates for the re-stimulation program. The

other pilot program focuses on the Company's Seminole and Pottawatomie County assets. The program is designed to prove the viability of potentially productive oil and gas bearings zones within existing vertical wellbores that cover a large majority of the Company's acreage. We are in the early stages of the process of both programs and are evaluating their results.

During the second quarter, the Company's borrowing base facility with East-West Bank was increased to \$12 million. The additional capacity increases the Company's undrawn committed funds under the facility to over \$6 million.

In May, the Company re-entered a drilled uncompleted vertical well in its Oaktree asset to test the lower Woodford. The test will be followed by a test in the upper Woodford. These tests are an effort by the Company to better understand the formation in the area in advance of completing the horizontal lateral acquired in the PostRock Energy acquisition.

#### *First quarter results*

During the quarter ending March 31, 2017, the Company begun the implementation of its produced Natural Gas generator system. This system will utilize a series of natural gas-powered generators to run about 25-30% of the production in the Searight Field. The implementation is expected to reduce power costs by for the area by approximately 15-20% and increase run time. This implementation was the result of a year-long test run on a single well. That well ran without interruption, other then scheduled maintenance in 2016 with no overhead power costs.

In March 2017, in accordance with the company's risk management strategy, the Joint Venture Entity, Jericho Buckmanville Oil LLC. ("Buckmanville), under agreement with Cargill, Incorporated, through its Cargill Risk Management Business Unit ("Cargill"), added to its existing oil and natural gas derivatives by entering into a series of new contracts.

For the period June 2016 through December 2017, Buckmanville entered into a fixed for variable price swap agreement with Cargill covering 6,775 MMBtus of Natural Gas production at \$3.104 per MCF. For the period, Jan 2018 to March 2019 Buckmanville entered a series of collar contracts for 135,714 MMBtus of its engineered natural gas volumes. The contract provides for a floor of \$2.80 and a ceiling of \$3.07 per MCF.

With respect to its Oil production, Buckmanville entered into a series of collar contracts covering the period August 2017 to July 2018. These contracts provide for a floor price of \$45 and a ceiling price of \$54.10. The oil production covered by these agreements for this period was 26,671 Barrels. For the period, August 2018 through March of 2019, the contracts provide for a floor price of \$45 and a ceiling of \$53.75. In addition to this collar for the August 2018 to March 2019 period, Buckmanville also purchased a \$60 call option. This call option will allow Buckmanville to participate in the appreciation of oil prices above \$60 a barrel on its covered production. The cost for the \$60 call was \$3.37 per barrel for 39,625 barrels.

Gross Production for the quarter increased 2% over Q4 2016, with oil production flat quarter over quarter and gas production up slightly as the result of the company's ongoing efforts to clean and rehabilitate older wells.

## 2016

### *Fourth Quarter results*

During the Quarter ending December 31, 2016, the Company began the evaluation process for workover and re-stimulation opportunities at its recent acquisition from Enervest. The acquisition included 62 horizontal wellbores many of which were not producing at acquisition due to capital constraints of the previous owner of the project and some of which were not fully stimulated when initially completed. A large portion of the fourth quarter was spent on delineating the various Mississippian Lime benches and which were contributing to the current production. This effort was led by the Company's new head of Engineering, Dennis Webb. Dennis joined Jericho's joint venture operating entity Eagle Road Oil, LLC in the fourth quarter. He brings with him 30+ years of engineering experience with his most recent efforts being in the design, development and production of Mississippi Lime and Woodford horizontal wells in Oklahoma.

In an effort to reduce operating costs, the Company purchased a series of natural gas fueled field generators to power a portion of its Seminole County assets. This program will allow the Company to reduce its dependence on remote co-op provided overhead power. The company expects this to reduce its operating costs and improve well run time in 2017. The Generators will be installed and made operational during the first half of 2017.

### *Third Quarter Results*

The company announced its affiliate Eagle Road Oil, LLC (a joint venture, owned 50% by Jericho) signed a definitive agreement with an affiliate of Enervest Ltd., to acquire operated and non-operated producing wells and drillable leaseholds in Central Oklahoma for a net cash consideration of CDN \$5,158 million/USD\$3.951 million (CDN\$ 2.579 million/US\$1.975 million net to Jericho). The asset package is in an area complementary to Jericho Oil's existing operations in Oklahoma and represents the Company's fifth acquisition within Central and Northeast Oklahoma since January 2015. The asset is 31,200 net acres and includes a 60-mile water and gas pipeline system.

The company announced that it entered into a USD\$30 million Senior Secured Revolving Credit Facility (the "Facility") with East West Bancorp, Inc. (NASDAQ: EWBC) as the sole arranger. The Facility is secured by all the company's Oklahoma joint venture interests. The initial borrowing base has been set at US\$10 million. The Facility is available for working capital requirements, capital expenditures, acquisitions, general corporate purposes, and to support letters of credit. The Facility will bear interest at a rate of WSJ Prime plus 75 basis points and will be payable monthly. The interest rate was fixed at 4.25% for the first six months of the Facility. The Facility, subject to customary financial covenant tests, matures on July 29, 2018 and will be subject to semi-annual re-determinations and will be secured by a first lien on substantially all the Company's assets. In conjunction with the Facility, the Company entered into additional oil and natural gas derivative contracts. The company now has contracts representing approximately 75 percent of production of the engineered production volumes per the company's third-party reserve report over the life of the Facility (24 months).

During the quarter, Jericho and its Joint Venture partners' monthly gross production increased 28% from the second quarter of 2016. The increase is attributed to both the Enervest acquisition and continued

operating improvements being implemented throughout the various assets. It is worth noting that July production did not include the Enervest acquisition which closed on August 1st. The operating team continues to add best in the basin technical experts, welcoming experienced geologist Shane Matson to its geology team. These recent acquisitions strengthen the foundation from which Jericho will seek to grow its production through future acquisitions and development.

#### *Second Quarter results*

During the second quarter, the Company engaged in a field-wide workover program related to its Seminole County assets. The assets, acquired at year-end 2015, from PostRock Energy had been previously undercapitalized which presented the opportunity to examine possible solutions to stem declining production, bring new production on-line and optimize lease operating expenses. The program, consisted of clean out, re-fracs and up hole recompletions. During this process wells must be temporarily taken out of production negatively impacted second quarter production number. Wells, representing approximately 15 percent of Company production, were taken off-line to perform these services resulting in increased LOE / BOE statistics. We view these efforts as long-term value accretive for Jericho and will continue to make sound long term operating decisions that we believe will drive shareholder value. We see these efforts as complementary to our acquisition strategy whereby we are utilizing the downturn in prices, we hope, to maximize well uptime in a higher price environment.

Commodity prices showed some signs of stabilization and recovery in the second quarter of 2016, but remain volatile and unpredictable due to domestic and global supply and demand factors. Considering the challenges facing our industry, our primary business strategies for 2016 continue to focus on: (1) optimizing cash flows through operating efficiencies and cost reductions, (2) high-grading investments based on rates of return, and (3) continue with our strategy to acquire underdeveloped and undervalued producing properties proximal to our current asset base in Oklahoma.

Production for the second quarter of 2016 in Oklahoma averaged 442 BOE per day, a decrease of 22% from the first quarter of 2016. Year to date production from Oklahoma averaged 507 BOE per day. The average oil revenue price received in the second quarter was US\$42.73.

(In Kansas second quarter production was 60 BOE per day, and in the first quarter it was 72 BOE per day. Kansas assets are discussed in Note 7 of the accompanying financials statements.)

#### *First quarter results*

During the quarter ending March 31, 2016, the joint ventures were profitable at the field level despite a further downturn in oil prices. Net income was affected by non-operating non-cash items such as depletion and foreign exchange currency changes. Spot OK Sweet Crude Oil prices averaged US\$28.78, US\$27.09 and US\$34.62 respectively for the first three months of the year. Crude Purchasing Contracts were renegotiated to reduce the delivery costs down to US\$1.50 from more than US\$3.50 for Jericho Buckmanville and Lurgan Oil.

## 2015

During the year ended December 31, 2015, the Company acquired interests in several joint ventures in Oklahoma.

Jericho made two acquisitions in Oklahoma in the fourth quarter of 2015. On December 4, 2015, the Company entered a joint venture in which it has a 50% interest in a jointly controlled entity, Lurgan Oil LLC ("Lurgan"). The Company paid \$2,030,858 (US\$1,467,383) for its interest.

On December 10, 2015, the Company entered a joint venture in which it has a 25% interest in a jointly controlled entity, Jericho Buckmanville Oil LLC ("Buckmanville") for \$4,518,000 (\$US 3,264,450) for its interest.

The fourth quarter acquisition through Lurgan, Creek County, is a series of producing Horizontal Wells, Disposal Wells and infrastructure. The asset contains six (6) recently drilled horizontal Mississippian Lime wells and associated disposal wells. At acquisition, the asset produced 119 gross BOE a day and included approximately 10,000 acres in four townships in Creek County. The acreage spans a highly prolific region with optionality in multiple vertical and horizontally completed producing zones including: Mississippian Lime, Red Fork, Bartlesville, Hogshooter, Skinner and Cleveland.

The 2015 acquisition through Buckmanville was a group of Horizontal and Vertical Producing Assets located in Oklahoma's Seminole, Pottawatomie, Cleveland, Lincoln and Payne Counties and includes vertical producing wells, recently drilled horizontal wells and water disposal wells. This Central Oklahoma acreage, like the Creek County acquisition, covers a region with stacked producing reservoirs including: Mississippian Lime, Woodford, Hunton, Wilcox, Layton, Skinner, Red Fork and Viola. At acquisition, the asset produced 427 BOEs a day and included ~30,000 acres.

On May 15, 2015, the Company entered a joint venture in which it has a 50% interest in a jointly controlled entity, Eagle Road Oil, LLC ("Eagle Road"). The Company paid \$992,225 (\$US 812,500) for its interest. The Company later advanced an additional US\$235,000 to bring the total investment to \$1,449,740 (\$US 1,047,500).

In March 2015, the Company acquired a 50% working interest in 1,850 acres in northeastern Oklahoma for US\$48,163. The property was sold during the fourth quarter of 2016 for US\$7,500. This allows the company to focus resources on the potential of other Oklahoma interests.

Please refer to the company's accompanying financial statements as at December 31, 2016, for full accounting disclosure under IFRS.

## **ENVIRONMENTAL LIABILITIES**

We recognize that there are concerns over the potential environmental effects of developing oil and gas projects. We are researching methods to improve extraction and processing to enhance the sustainability of our projects. We accrue environmental and reclamation obligations over the life of our oil and gas production operation.

## OFF-BALANCE-SHEET ARRANGEMENTS

As of the date of the MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## SELECTED FINANCIAL INFORMATION

### SUMMARY OF QUARTERLY RESULTS (CDN\$)

Quarter Ended	9/30/17	6/30/17	3/31/17	12/31/16	9/30/2016	6/30/16	3/31/16	12/30/15
Gain/(Loss) for the period	(3,448,361)	(847,710)	(1,148,028)	3,135,659	(1,326,514)	607,861	(874,974)	(1,357,842)
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)	0.02	(0.02)	0.01	0.02	(0.01)

#### *Current quarter*

The net loss for the current quarter was \$(3,448,361) compared with \$(1,326,514) in the same quarter in 2016. Contributing substantially to this difference was a loss in foreign exchange of \$1,063,888 as against a \$196,658 foreign exchange gain in 2016, reflecting an upward move in the Canadian dollar against the US dollar. Stock compensation expense was \$801,124 compared with \$613,547 in the same period in 2016. Legal fees of \$89,223 (\$40,375) and transfer agency and filing fees of \$69,033 (2016 \$7,742) were higher in the current third quarter compared with 2016, as the company was successful in raising equity funding.

#### *Previous quarters*

The net loss for the current quarter ended June 30th, 2017 comprised mainly a foreign exchange loss of \$339,446 (2016 \$1,390,412 gain) and investor relations cost of \$40,761 (2016 \$110,440) and legal fees of \$117,012 (2016 \$74,366). The company recorded stock compensation expense \$34,892 (2016 \$0) for bonus shares vesting. The second quarter also saw more travel costs \$25,875 (2016 \$7,744) as the company increased its marketing scope.

The net loss for the quarter ended March 31, 2017, of \$1,148,028 was higher than the same quarter in the previous year (2016 \$874,974), due substantially to the non-cash cost stock compensation for stock options in the quarter of \$358,291 (2016 - \$0). Also, a foreign exchange loss of \$173,301 compared with \$101,299 contributed to the difference. The company recovered legal costs of \$19,444 currently compared with expenses of \$47,437 in the first 3 months of 2016.

The net gain \$3,135,659 for the current quarter ended December 31, 2016 includes year end adjustments of share of income from joint ventures of \$5,662,629 and impairment of petroleum properties of \$1,125,386. The net loss for the quarter ended December 31, 2015 \$1,357,842 was due to an impairment write-down on Kansas property of \$4,141,504, offset by a share of income from joint ventures of

\$6,788,887. The net loss was also a result of a deferred tax expense recognized in the quarter of \$1,470,000 due to the difference between accounting and tax value of investments in joint ventures.

Contrasting general and administrative costs between the final quarter of 2016 and 2015, many costs were very similar, except management fees increased by \$137,500 (Q4 2016) from \$37,500 (Q4 2015), to adjust additional compensation for the year, earned by the Chief Executive Officer. Marketing costs also were higher in the final quarter of 2016 at \$25,070 compared with \$9,450 for the comparable quarter in 2015, since the company strove to increase its market exposure.

The net loss for the quarter ended September 30, 2016 of \$(1,326,514), compared with the gain in the same quarter in 2015, is substantially due to a foreign exchange gain \$196,658 in the current quarter measured against a \$708,879 foreign exchange gain in 2015. Also, the company issued stock options during the quarter amounting to \$613,547 in stock compensation expense. Professional fees in the current quarter were down \$7,000, (\$55,378 -2016 (\$62,411 – 2015). Marketing and travel were up about \$32,000 in the current 3 months as against a year earlier, as the company undertook a successful marketing campaign to raise funds.

The net gain for the quarter ended June 30th, 2016 comprised mainly a foreign exchange gain of \$1,390,412 (2015 loss of (\$159,708)), offset by expenses for investor relations of \$110,440 (2015 \$47,451), and legal fees \$74,366 (2015 36,694). The Canadian dollar dropped against the US dollar and the increased value in US assets led to a gain on translation.

The net loss for the quarter ended March 31, 2016, of \$874,974 (2015 \$518,541), included \$91,295 (2015 \$175,647 with higher oil prices) in revenues from Kansas, and Oklahoma \$694,577), \$1,001,663 in foreign exchange losses due to Canadian dollar increases, (2015 -\$879,719 foreign exchange gain due to US dollar appreciation), comparable consulting fees of \$117,008 and \$103,881 in 2015 consulting fee, and \$228,242 in depletion cost in 2016 compared with \$61,664 in 2015. The company has more projects in 2016.

## SELECTED ANNUAL INFORMATION

The following table shows selected financial information for the years ended December 31, 2016, December 31, 2015, and December 31, 2014:

	Year ended 31-Dec-16	Year ended 31-Dec-15	Year ended 31-Dec-14
Revenue	410,235	678,711	766,031
Net income (loss)	1,542,032	(1,099,358)	(162,305)
Net income per share	0.02	(0.02)	(0.05)
Cash	5,045,170	1,675,131	4,738,525
Total assets	27,523,020	19,793,963	11,004,060
Total current financial liabilities	362,850	175,275	322,103

## **LIQUIDITY AND CAPITAL RESOURCES**

The activities of the Company, principally the acquisition and development of prospective oil and gas properties, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants, credit financing and cash flow from production.

There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. The Company has increasing, but limited operating revenues and therefore must utilize its current cash reserves, funds obtained from the exercise of warrants and other financing equity or credit financing to maintain its capacity to meet ongoing operating activities.

Liquidity requirements are managed based upon forecast cash flows to ensure that there is sufficient working capital to meet the Company's obligations. The Company's liquidity as at the date of the MD&A is sufficient to meet the Company's corporate, administrative and commitments for the next twelve months, notwithstanding any unexpected events. The Company's main funding requirements are for its development of its Oklahoma oil interests and corporate overheads. While the Company has been successful in raising such financing in the past, its ability to raise additional equity financing may be affected by numerous factors beyond the Company's control, including, but not limited to, adverse market conditions and/or commodity price changes and economic downturn. There can be no assurance that the Company will be successful in obtaining any additional financing required to continue its business operations.

The following section details the capital raises the company has achieved in 2017 to date.

On August 14, 2017 the company closed the first tranche of a non-brokered private placement of 10,499,984 units at a price of \$0.45 per unit for gross proceeds of \$4,724,993. Each unit is comprised of one common share and one-half warrant with each full warrant entitling the holder to purchase one common share of the Company at a price of \$0.60 per share for a period of 36 months from closing.

On August 23, 2017 the company closed the second tranche of a non-brokered private placement of 2,096,436 units at a price of \$0.45 per unit for gross proceeds of \$943,396. Each unit is comprised of one common share and one-half warrant with each full warrant entitling the holder to purchase one common share of the Company at a price of \$0.60 per share for a period of 36 months from closing.

On September 6, 2017 the Company closed a non-brokered private placement of 22,033,557 units at a price of \$0.48 per unit for gross proceeds of \$10,576,287. Each unit is comprised of one common share and one-half warrant with each full warrant entitling the holder to purchase one common share of the Company at a price of \$0.60 per share for a period of 36 months from closing.

During the third quarter, a former director exercised incentive stock options in the amount of 100,000 common shares at \$0.30 per share for a cash contribution of \$30,000. That amount plus \$22,418 which was transferred from contributed surplus added \$52,418 to share capital.

In relation to the October 5, 2016 issuance of 600,000 common shares to employees and consultants of the Company, the fair value of the common shares was estimated at \$276,000 based on the closing price

on the grant date. A total of 300,000 shares vested on each of January 1, April 1, 2017 and July 1, 2017, with the remaining balance vesting on October 1, 2017. For the third quarter, \$34,892 was charged to stock compensation expense. The remaining will occur in the final quarter of 2017.

On May 23, 2017, a director and a former director of the company exercised 150,000 stock options each for a total of 300,000 shares, all of which were exercised at a price of \$0.25 cents for proceeds of \$75,000. An amount of \$71,102 was charged to stock compensation expense and credited to capital reserves, at the time the shares were granted. The proceeds of \$75,000 plus \$71,102 transferred from contributed surplus to share capital, and a total of \$146,102 was added to share capital.

### **TRANSACTIONS WITH RELATED PARTIES**

Key management are the officers and directors of the Company. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Management fees	\$ 338,559	\$ 175,500
Directors' fees	9,000	4,500
Legal fees paid or accrued to company owned by director	-	30,795
	<b>\$ 347,559</b>	<b>\$ 210,795</b>

Officer's Fees were re-classified into the Management fees account for 2017 and 2016 to date, and fees due to appointment of a new Chief Executive Officer as of August 21, 2017

A director exercised 150,000 stock options during the quarter.

Included in accounts payable and accrued liabilities is \$Nil in amounts payable to directors (September 20, 2016 - \$500). These types of amounts are due on demand and have no specific terms of repayment.

### **NEW ACCOUNTING STANDARDS**

*New accounting standards adopted effective January 1, 2016*

The following standards were adopted for quarter ended March 31, 2017:

Amendments to IAS 1 – Presentation of Financial Statements

Amendments to IAS 16 – Property, Plant and Equipment

IFRS 10 – Consolidated Financial Statements.

IAS 7 – Statement of Cash Flows

Accounting standards and amendments issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended September 30, 2017, and have not been applied in preparing these consolidated financial statements.

The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements and are not expected to have a material effect on the Company's future results and financial position:

*The following standards will be adopted by the Company effective January 1, 2018:*

**IFRS 2 'Share-based payments':** In June 2016, the IASB issued the final amendments to IFRS 2 Share-based payments that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

**IFRS 15 'Revenue from Contracts with Customers':** In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

**IFRS 9 'Financial Instruments':** The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments.

*The following standard will be adopted by the Company effective January 1, 2019:*

**IFRS 16 'Leases':** IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts within the consolidated financial statements. Judgments, estimates and underlying assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the consolidated financial statements, management makes judgments regarding the application of IFRS for the Company's accounting policies. Significant judgments relate to the following areas:

*Joint arrangements*

The Company may be a party to an arrangement in which they do not have control. Judgment is required in determining whether joint control over such arrangements exists and if so, which parties have joint control and whether each arrangement is a joint venture or joint operation.

In assessing whether the Company has joint control, management analyzes the activities of each arrangement and determines which activities most significantly affect the returns of the arrangement. These activities are determined to be the relevant activities of the arrangement. If unanimous consent is required over the decisions about the relevant activities, the parties whose consent is required would have joint control over the arrangement. The judgments around which activities are considered the relevant activities of the arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently. When performing this assessment, the Company considers decisions about activities such as managing the asset during its life, acquisition, expansion and dispositions of assets, financing, operating and capital decisions.

Management may also consider activities including the approval of budgets, appointment of key management personnel, representation on the board of directors and other factors. If management concludes that the Company has joint control over the arrangement, an assessment of whether the arrangement is a joint venture or joint operation is required. This assessment is based on whether the Company has rights to the assets and obligations for the liabilities relating to the arrangement or whether it has rights to the net assets of the arrangement. In making this determination, management reviews the legal form of the arrangement, the terms of the contractual arrangement, and other facts and circumstances. In a situation where the legal form and the terms of the contractual arrangement do not give the Company rights to the assets and obligations for the liabilities, an assessment of other facts and circumstances is required, including whether the activities of the arrangement are primarily designed for the provision of output to the parties and whether the parties are substantially the only source of cash flows contributing to the arrangement. In such circumstances management may consider the application of other facts and circumstances to conclude that a joint arrangement is a joint operation is appropriate. This conclusion requires judgment and is specific to each arrangement.

Management has applied the use of other facts and circumstances to conclude that the extraction of petroleum in Eastern Kansas is a joint operation for the purposes of the consolidated financial statements (see Note 9). The other facts and circumstances considered are the provisions for output to the parties of the joint arrangement. The Company will take its share of the output from the assets directly over the life of the arrangement. Management has concluded that this, combined with other factors, gives the Company direct rights to the assets and obligations for the liabilities of these arrangements, proportionate to the Company's ownership interest.

### *Business combinations*

The measurement of acquired assets and assumed liabilities are based on information available to the Company on the acquisition date. The estimate of fair value of acquired assets and assumed liabilities requires significant judgment which is largely based on projected cash flows, discount rates and other market conditions that are present on the date of acquisition. The acquired assets and assumed liabilities are recognized at fair value on the date the Company obtains control in a business combination.

### *Cash generating unit (CGU)*

The Company's assets are aggregated into cash-generating units ("CGUs"), based on the unit's ability to generate independent cash inflows. The determination of the Company's CGUs is based on management's judgments regarding shared infrastructure, geographical proximity, resource type and materiality. Based on management's assessment, the Company's properties in Eastern Kansas (Note 9) form one CGU, and the Company's 3 properties in Oklahoma each form separate CGUs.

### *Income taxes*

Judgments are made by management at the end of the reporting period to determine the likelihood that deferred income tax assets will be realized from future taxable earnings. Assessing the recoverability of deferred income tax assets requires the Company to make judgments related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in profit or loss in the period in which the change occurs.

The areas in the consolidated financial statement that require significant estimates are set out in the following paragraphs:

### *Oil and gas — reserves*

The process of estimating reserves is complex. It requires significant estimates based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable crude oil reserves and related future net cash flows, management incorporates many factors and assumptions including the expected reservoir characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized petroleum properties and for impairment purposes as described in Note 3(c).

### *Petroleum properties*

The Company evaluates exploration and evaluation assets and petroleum properties for impairment if indicators exist. Cash flow estimates for impairment assessments require assumptions and estimates about the following primary elements—future prices, future operating and development costs, remaining recoverable reserves and discount rates. In assessing the carrying values of unproved properties, management makes assumptions about future plans for those properties, the remaining terms of the leases and any other factors that may be indicators of potential impairment.

### *Impairment testing*

Impairment testing is based on discounted cash flow models prepared by experts with assistance from third-party advisors when required. The inputs used are based on management's best estimates of what an independent market participant would consider appropriate and are reviewed by senior management. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statement of comprehensive income (loss) and the resulting carrying values of assets.

### *Decommissioning provisions*

In estimating the Company's future asset retirement obligations, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as asset removal and remediation techniques and costs are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at amounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

### *Share-based payments*

Management uses judgment when applying the Black-Scholes Option Pricing Model to determine the fair value of the options granted during the period and forfeiture rates. Volatility is calculated using historical trading data of the Company. The zero-coupon bond yield per the bank of Canada is used as the risk-free rate.

## **MANAGEMENT OF CAPITAL**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company does not have any externally imposed capital requirements to which it is subject. As at September 30, 2017, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares, or dispose of assets to increase the amount of cash on hand.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company's development, to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing instruments with maturities of 90 days or less from the original date of acquisition.

The Company expects its current capital resources to be sufficient to carry its exploration and development plans and operations through the next 12 months. Cost control measures have been implemented and best efforts will be made to raise additional capital.

## FINANCIAL INSTRUMENTS AND RISK

As at September 30, 2017 and December 31, 2016, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable.

	September 30, 2017	December 31, 2016
	\$	\$
<b>Financial Assets:</b>		
Fair value through profit or loss	13,355,197	5,045,170
Loans and receivables	52,217	60,890
<b>Financial Liabilities:</b>		
Other financial liabilities	57,879	248,720

IFRS 7 Financial Instruments – Disclosures, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities. The Company considers its cash to be at fair value using Level 1 inputs.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's consolidated statement of financial position as of September 30, 2017 as follows:

	Balance as at September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
<i>Financial Assets:</i>				
Cash and cash equivalents	13,355,197	13,355,197	-	-

The Company believes that the recorded value of accounts receivable and accounts payable approximate their current fair values because of their nature and relatively short maturity dates or durations and current market rates for similar instruments.

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risks exposures is described below:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's accounts receivable consists mainly of oil sales and purchase taxes remitted from the Government of Canada. The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because all its oil sales are with one counterparty. However, the Company has not recorded any allowance against its trade receivables because to-date all balances owed have been settled in full when due (typically within 60 days of submission).

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its management of capital as outlined in Note 6 to the consolidated financial statements. The Company had cash at September 30, 2017 in the amount of \$13,355,197 (December 31, 2016 - \$5,045,170) to meet short-term business requirements, and strategic investments.

At September 30, 2017, the Company had current liabilities of \$76,901 (December 31, 2016 - 362,850). Accounts payable and accrued liabilities are due within the current operating period. Contractual undiscounted cash flow requirements for financial liabilities as at June 30, 2017, are as follows:

	<1 month	1-3 months	4 month - <1 year	2-4 years	Total
Accounts payable and accrued liabilities	\$ 57,879	-	-	-	\$ 57,879
	\$ 57,879	-	-	-	\$ 57,879

*Market risk*

Market risk consists of interest rate risk, foreign currency risk and price risk. These are discussed further below.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing obligations at September 30, 2017. The risk that the Company will realize a loss because of a decline in the fair value of the cash equivalents included in cash and cash equivalents because of lower interest rates is insignificant.

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars at September 2017:

Cash and cash equivalents	USD\$	9,373,051
Receivables		24,350
Accounts payable and accrued liabilities		(28,249)
Net exposure	USD\$	9,369,152
Canadian dollar equivalents	CDN\$	11,692,702

The result of sensitivity analysis shows an increase or decrease of 10% in US\$ exchange rate, with all other variables held constant, could have increased or decreased the net loss and comprehensive loss by approximately CDN\$116,927 or US\$93,691.

#### *Price risk*

The Company's profitability and ability to raise capital to fund development of oil properties is subject to risks associated with fluctuations in oil prices. Management closely monitors oil prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### *Exploration, Development, and Production Risks*

The acquisition of leasehold interests and the selection of prospects for oil and natural gas drilling, the drilling, ownership and operation of oil and natural gas wells, and the ownership of non-operating interests in oil and natural gas properties is highly speculative. There is no certainty that prospects will produce oil or natural gas or commercial quantities of oil or natural gas. Additionally, the amount of time it will take to recover any oil or gas is unpredictable. Oil and natural gas operations involve many risks that even experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop, and commercially produce oil and natural gas reserves.

Without the continual addition of new reserves, any existing reserves the Company may have at any time, and the production there from, will decline over time as such existing reserves are exploited. A future

increase in the Company's reserves will depend not only on its ability to explore and develop properties it may have from time to time, but also on its ability to select and acquire suitable producing properties and prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Company may determine that current markets, terms of acquisitions and participation or pricing conditions make such acquisitions or participations uneconomic.

There is no assurance commercial quantities of oil and natural gas will be discovered or acquired by the Company. Further, completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Delays and added expenses may also be caused by poor weather conditions affecting, among other things, the ability to lay pipelines or otherwise transport or market hydrocarbons. In addition, ground water, impenetrable substances, various clays and lack of porosity and permeability may hinder or restrict production or even make production impractical or impossible. While diligent field operations and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

#### *Operational Dependence*

An unrelated party operates all the producing wells in Kansas. Because of the Company's lack of exclusive control over the operation of the assets or their associated costs, the Company's financial performance could be adversely affected. The Company's return on assets operated by others therefore depends upon several factors that may be outside of the Company's control, including the timing and amount of capital expenditures, the operator's expertise, the approval of other participants, and the selection of technology and risk management practices.

#### *Regulatory*

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Company's costs, any of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. To conduct oil and gas operations, the Company will require licenses from various government authorities. There can be no assurance that the Company will be able to obtain all the licenses and permits that may be required to conduct operations that it may wish to undertake.

#### *Environmental*

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal laws, local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions

of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material adverse effect on the Company's business, financial condition, results of operations and prospects. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition.

#### **CONTINGENT LIABILITIES**

On October 21, 2015 the Company's subsidiary Jericho Oil (Kansas) Corp. was served along with two other parties, with a legal action by the owners of the Kitchen properties, situated in the Company's oil rights in eastern Kansas. During the year ended December 31, 2016, the parties settled the litigation for \$99,337 (US\$75,000), and Kitchen properties were transferred to original owners in January 2017.

On January 4, 2017, a settlement agreement in the Matter of Kitchen vs. Kansas Resource & Energy Development (KRED) was filed in Miami County Kansas. The settlement agreement was the results of a September 2016 mediation conference. It provides for the payment of \$75,000 to the Kitchens by KRED, the operator of the Kitchen and North Kitchen lease, and the assignment of the North Kitchen lease to the Kitchens. The payment relates the Kitchens claims for damages to their real and personal property in the development of the leases. As part of the settlement, Jericho Kansas Corp. assigned its ~45% Working Interest in the North Kitchen lease to the Kitchens. The North Kitchen lease did not produce in 2016.

The Company also reports that in November 2016, Eagle Road Oil, LLC (Eagle Road), a joint venture entity in which its U.S subsidiary Jericho Oil Oklahoma Corp, owns a 50% interest, was named as one of 27 defendants in a class action petition filed in the district court of Pawnee County Oklahoma. The petition alleges that the named oil and gas companies caused man-made earthquakes through the disposal of fracking wastewater. No specific damage amount is alleged in the action. Eagle Road carries industry standard insurance for operational, general and environmental liabilities. Eagle Road conducts its operations in accordance with industry standard practices and adheres to state guidelines and regulations.

Eagle Road filed a Motion to Dismiss the case. The motion was heard on July 7, 2017. The motion was sustained in part and denied in part. The claim for ultra-hazardous activity was dismissed and the motion was denied as to the remaining claims. The court required the plaintiffs amend the petition with the photographs removed.

## **OUTLOOK**

The Company's long-term goal is to evaluate and develop oil properties, to seek partners for some of its properties as market conditions permit, and to continue to seek out new opportunities. There is no guarantee that the Company will discover or successfully develop such properties.

## **PROPOSED TRANSACTIONS**

None.

## SHARE CAPITAL UPDATE

As at the date of this report, the Company had the following share capital outstanding:

Share Capital	\$ 41,515,094
Common Shares Issued	113,895,381
Stock Options Outstanding	7,758,000
Warrants Outstanding	33,511,890
Total Share Capital Outstanding	155,165,271

Subsequent to the end of the third quarter, 100,000 common stock options and 25,000 share purchase warrants were exercised, and 4,230,518 share purchase warrants expired unexercised.

## DIRECTORS AND OFFICERS

The Company's directors and officers as at the date of this report are:

Directors	Officers	Officer Title
Brian Williamson	Brian Williamson	Chief Executive Officer
Allen Wilson	Allen Wilson	President
Nicholas Baxter	Robin Peterson	Chief Financial Officer
Gerald Tuskey		
Markus Seywerd		

On January 17, 2017, the company appointed Markus Seywerd to the Board of Directors. Mr. Seywerd is Chief Investment Officer and Co-Founder of Park Lane Capital SIVAC plc., a London based investment management firm. On May 24, 2017, at the Company's Annual General Meeting, the Company appointed Brian Williamson, President of Jericho Oil (Oklahoma) Corp. to its Board of Directors. On August 21, 2017 Brian Williamson became Chief Executive Officer of the Company, and Allen Wilson remained as President.

## FORWARD-LOOKING STATEMENTS

This MD&A contains or incorporates, by reference, forward-looking statements. All statements other than statements of historical fact included or incorporated by reference and that address activities, events or developments that we expect or anticipate may or will occur in the future are forward-looking statements. While any forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business; actual results may vary, sometimes materially, from any estimates, predictions, projections, assumptions or other suggestions of future performance herein. Undue reliance should not be placed on these forward-looking statements, which are based upon our assumptions and are subject to known and unknown risks and uncertainties and other factors, some of which are beyond our control, which may cause actual results, levels of activity and achievements to differ materially from those estimated or projected and expressed in or implied by such statements. We undertake no obligation to update publicly or revise any forward-

looking statements contained herein, and such statements are expressly qualified by this cautionary statement.

**ADDITIONAL INFORMATION**

Additional information relating the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)

Board Approval

The contents of this management's discussion and analysis have been approved and its filing has been authorized by the Board of Directors of the Company.

On Behalf of the Board of Directors

/s/ Brian Williamson

Brian Williamson