

JERICO OIL CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
September 30, 2017 and 2016

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.

November 29, 2017

Jericho Oil Corporation
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2017	December 31, 2016
Assets			
Current assets			
Cash		\$ 13,355,197	\$ 5,045,170
Accounts receivable	9	52,217	60,890
Prepaid expenses and deposits		70,861	265,410
		13,478,275	5,371,470
Non-current assets			
Petroleum properties	8	661,091	816,101
Investments in joint ventures	6	21,087,552	21,335,449
Investment in Stack vehicle	5	3,744,000	-
		25,492,643	22,151,550
Total assets		\$ 38,970,918	\$ 27,523,020
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 57,879	\$ 362,850
Non-current liabilities			
Decommissioning liabilities	12	142,729	142,845
Deferred income tax liability		718,000	718,000
Total liabilities		\$ 918,608	\$ 1,223,695
Shareholder's Equity			
Share capital	13	41,500,094	25,056,898
Contributed surplus	13	3,104,646	2,108,535
Accumulated other comprehensive loss		1,173,624	1,415,847
Deficit		(7,726,054)	(2,281,955)
		38,052,310	26,299,325
Total liabilities and shareholders' equity		\$ 38,970,918	\$ 27,523,020

Contingent liabilities (Note 17)

Subsequent events (Note 18)

Approved on behalf of the Board on November 29, 2017

"Brian Williamson" Director

"Robin Peterson" Officer

(The accompanying notes are an integral part of the condensed consolidated interim financial statements)

Jericho Oil Corporation
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	Note	Three months ended		Nine Months Ended	
		September 30 2017	September 30 2016	September 30 2017	September 30 2016
Net crude oil revenue	7,15	\$ 87,764	\$ 102,539	\$ 294,503	\$ 300,315
Operating Expenses					
Accounting and auditing fees		73,483	62,678	111,103	88,117
Accretion of decommissioning liabilities		3,335	3,845	10,433	14,541
Consulting fees		208,347	125,801	581,807	370,176
Depletion		31,608	182,445	102,090	590,094
Foreign exchange (gain) loss		1,063,888	(196,659)	1,576,635	(1,485,772)
Income taxes		-	2,296	-	2,296
Insurance		4,260	(60)	15,242	11,690
Investor relations		68,980	72,445	178,842	217,287
Legal fees		89,223	40,375	186,791	162,178
Management Fees		161,894	39,000	347,559	180,000
Office and miscellaneous		19,789	26,291	72,786	76,134
Production costs	8	81,529	112,351	240,839	384,332
Rent		10,438	5,948	31,316	28,448
Stock compensation expense	13	801,124	613,547	1,194,307	613,547
Transfer agency and filing fees		69,033	7,742	89,540	28,703
Travel		25,053	19,608	59,499	51,998
		(2,711,984)	(1,117,653)	(4,798,789)	(1,333,769)
Share of loss from joint ventures	6	(828,041)	(311,400)	(1,003,930)	(560,173)
Income before other items		(3,452,261)	(1,326,514)	(5,508,216)	(1,593,627)
Other items					
Other income		3,900	-	64,117	-
Net income (loss) before income tax		(3,448,361)	(1,326,514)	(5,444,099)	(1,593,627)
Net loss for the period		(3,448,361)	(1,326,514)	(5,444,099)	(1,593,627)
Other comprehensive income (loss)					
Items may be reclassified subsequently to income/loss					
Foreign currency exchange gain (loss)					
on translation of foreign subsidiary		69,375	50,099	(242,223)	(2,435,178)
Comprehensive income (loss) for the year		\$ (3,378,986)	\$ (1,276,415)	\$ (5,686,322)	\$ (4,028,805)
Income (loss) per common share					
Basic		\$ (0.04)	(0.02)	(0.07)	\$ (0.06)
Weighted average number of common shares					
Basic		82,293,884	63,355,179	82,094,983	63,355,179

(The accompanying notes are an integral part of the condensed consolidated interim financial statements)

Jericho Oil Corporation
Condensed Consolidated Interim Statement of Changes in Equity
(Expressed in Canadian dollars)

	Number of shares (Note 12)	Share Capital	Subscriptions Received	Contributed Surplus	Accumulated Other Comprehensive Income(Loss)	Deficit	Total Equity
December 31, 2015	45,752,402	\$ 11,818,060	\$ 6,929,019	\$ 1,444,455	\$ 1,465,741	\$ (3,823,987)	\$ 17,833,288
Subscriptions received			\$ (6,929,019)				\$ (6,929,019)
Issue of common shares for cash	18,948,611	7,579,019	-	-	-	-	7,579,019
Share issuance cost	-	(36,160)	-	-	-	-	(36,160)
Share-based payments	-	-	-	613,547	-	-	613,547
Other comprehensive loss	-	-	-	-	(2,435,178)	-	(2,435,178)
Gain for the period	-	-	-	-	-	(1,593,627)	(1,593,627)
September 30, 2016	64,701,013	\$ 19,360,919	\$ -	\$ 2,058,002	\$ (969,437)	\$ (5,417,614)	\$ 15,031,870
December 31, 2016	78,840,404	\$ 25,056,898	\$ -	\$ 2,108,535	\$ 1,415,847	\$ (2,281,955)	\$ 26,299,325
Issue of common shares for cash	34,629,977	16,244,676	-	-	-	-	16,244,676
Issue of common shares from options exercise	100,000	52,418	-	-	-	-	52,418
Issue of common shares for services	300,000	146,102	-	-	-	-	146,102
Share-based payments	-	-	-	996,111	-	-	996,111
Other comprehensive loss	-	-	-	-	(242,223)	-	(242,223)
Loss for the period	-	-	-	-	-	(5,444,099)	(5,444,099)
September 30, 2017	113,870,381	\$ 41,500,094	\$ -	\$ 3,104,646	\$ 1,173,624	\$ (7,726,054)	\$ 38,052,310

(The accompanying notes are an integral part of the condensed consolidated interim financial statements)

Jericho Oil Corporation
Condensed Consolidated Interim Statement of Cash Flows
(Expressed in Canadian dollars)

	Nine Months Ended	
	2017	2016
Cash flows from (used in) operating activities		
Income (loss) for the period	\$ (5,444,099)	\$ (1,593,627)
Item not affecting cash		
Accretion of decommissioning liabilities	10,433	29,082
Depletion	102,090	590,094
Share-based payments	996,111	613,547
Share of income from joint ventures	1,003,930	560,173
Changes in non-cash working capital items		
(Increase)/decrease in accounts receivables	8,673	26,278
Decrease in prepaid expenses and deposits	(801,562)	(967)
Decrease in accounts payable and accrued liabilities	(304,971)	(8,940)
Net cash from (used) in operating activities	(4,429,395)	215,640
Cash flows from (used in) investing activities		
Development costs for the year	-	(40,833)
Acquisition of exploration and evaluation assets	-	(11,912)
Exploration costs for the year	-	61,587
Cost of investments in joint ventures	(2,320,635)	(100,564)
Cost of investments in Rstack Walnut, LLC	(3,744,000)	-
Net cash from (used) in investing activities	(6,064,635)	(91,722)
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	17,439,307	7,542,859
Subscriptions received	-	(6,929,019)
Deferred share issuance costs	-	30,000
Net cash from (used) in financing activities	17,439,307	643,840
Change in cash and cash equivalents	6,945,277	767,758
Effect of exchange rate changes on cash and cash equivalents	1,364,750	(1,607,389)
Cash at beginning of period	5,045,170	1,675,131
Cash at end of period	\$ 13,355,197	\$ 835,500

(The accompanying notes are an integral part of the condensed consolidated interim financial statements)

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

1. NATURE OF OPERATIONS

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 Market exchange under the symbol “JROOF”.

The Company’s principal activity is the acquisition, exploration, development and production of oil and natural gas fields in the United States of America.

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.

2. BASIS OF OPERATIONS

(a) Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements but do not contain all of the information required for full annual financial statements.

Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were also prepared in accordance with IFRS as issued by the IASB.

The financial statements were approved and authorized for issue by the Board of Directors on November 29, 2017

(b) Basis of presentation

These consolidated financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements as if the policies have always been in effect.

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

2. BASIS OF OPERATIONS (continued)

(b) Basis of presentation (continued)

Foreign currency translation

Functional currencies

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's US subsidiaries is the U.S. dollar which is determined to be the currency of the primary economic environment in which the subsidiaries operate.

Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Foreign operations

Subsidiaries that have functional currencies other than the Canadian dollar translate their statement of operations items to Canadian dollars at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss). On disposition or partial disposition of a foreign operation, the related cumulative amount of related exchange difference is recognized in the statement of operations.

The preparation of consolidated financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(c) Significant Judgements and Estimates

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

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

2. BASIS OF OPERATIONS (continued)

(c) Significant Judgements and Estimates (continued)

circumstances.

The company has followed the same accounting polices in these interim financial statements as compared with the last annual financial statements, specifically Note 5 CRITICAL ACCOUNTING POLICIES AND ESTIMATES of those statements.

(d) Basis of consolidation

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the financial statements of Jericho Oil Corporation and its 100% owned subsidiaries, Jericho Oil (Kansas) Corp. and Jericho Oil (Oklahoma) Corp. from the date of incorporation on January 27, 2014, and February 18, 2015, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company has followed the same accounting polices in these interim financial statements as compared with the last annual financial statements, specifically Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES of those statements.

4. NEW ACCOUNTING STANDARDS

New accounting standards adopted effective January 1, 2016

The following standards were adopted for quarter ended September 30, 2017:

- (a) Amendments to IAS 1 – Presentation of Financial Statements
- (b) Amendments to IAS 16 – Property, Plant and Equipment
- (c) IFRS 10 – Consolidated Financial Statements.
- (d) IAS 7 – Statement of Cash Flows

Accounting standards and amendments issued but not yet effective

Other 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.

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

4. NEW ACCOUNTING STANDARDS (continued)

Accounting standards and amendments issued but not yet effective (continued)

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 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 Programs, 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.

5. INVESTMENT IN STACK INVESTMENT VEHICLE

On September 1, 2017 the Company purchased 77.5529 Class A Preferred Units of STACK investment vehicle ("STACK") a Delaware limited liability company for CDN \$3,744,000 or USD \$3,000,000 at an exercise price of \$38,683.28 per Unit, pursuant to signing an option agreement with STACK on August 21, 2017 to purchase up to a total of 232.6586 Units up to December 29, 2017. The investment in STACK has been recorded at cost since STACK does not have a quoted price in an active market and whose fair value cannot be reliably measured.

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

5. INVESTMENT IN STACK INVESTMENT VEHICLE (continued)

STACK 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. The Company will own approximately 31% interest in the STACK JV upon fully exercising its option for an additional US\$6 million.

6. INVESTMENTS IN JOINT VENTURES

During the year ended December 31, 2015, the Company entered into various joint venture arrangements for producing oil and gas wells in Oklahoma, USA as described below.

On May 15, 2015, the Company entered into 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).

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

On December 10, 2015, the Company entered into 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.

Details of the joint ventures' net assets and net income are shown below along with the Company's share of the investment and income/loss.

Carrying amounts of interest in joint ventures as at September 30, 2017:

	Eagle Road	Lurgan	Buckmanville	Total
Balance, December 31, 2016	\$ 9,369,962	\$ 4,558,884	\$ 7,406,603	\$ 21,335,449.420
Share of income/(loss)	(534,548)	(132,053)	(337,330)	(1,003,930)
Additional advances	2,320,635	-	-	2,320,635
Movement in foreign exchange	(759,635)	(315,536)	(489,431)	(1,564,602)
Balance, September 30, 2017	\$ 10,396,414	4,111,295	6,579,842	21,087,552

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

6. INVESTMENTS IN JOINT VENTURES (continued)

	Eagle Road	Lurgan	Buckmanville	Total
Revenue	\$ 3,954,306	\$ 447,924	\$ 4,183,689	\$ 8,585,918
Depletion and depreciation (1)	(1,356,607)	(323,992)	(1,840,978)	(3,521,577)
Interest expense	(79,641)	(33,342)	(174,302)	(287,285)
Accretion of decommissioning provision	(88,406)	(3,102)	(85,590)	(177,099)
Other income (loss)	(3,498,747)	(351,592)	(3,432,138)	(7,282,478)
Net Income (loss)	\$(1,069,095)	\$ (264,106)	\$ (1,349,319)	\$ (2,682,519)

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

Summary of financial information of the joint ventures for the 9 months ended at September 30, 2017:

As at September 30, 2017	Eagle Road	Lurgan	Buckmanville	Total
Assets				
Cash and cash equivalents	\$ 180,238	\$ 42,810	\$ 11,277	\$ 234,325
Current assets (excluding cash)	3,649,787	1,025,820	453,301	5,128,908
Non-current assets	38,457,478	11,130,059	41,458,476	91,046,013
Total assets	42,287,502	12,198,689	41,923,055	96,409,245
Liabilities				
Current liabilities	2,810,258	177,220	2,034,885	5,022,363
Non-current liabilities	18,618,011	3,798,878	13,639,308	36,056,198
Total liabilities	21,428,269	3,976,099	15,674,193	41,078,561
Equity	20,859,234	8,222,590	26,248,861	55,330,685
Total Liabilities and Equity	\$ 42,287,502	\$12,198,689	\$ 41,923,055	\$ 96,409,245

On June 27, 2016, Eagle Road entered into an agreement with EnerVest Energy Institutional Fund XIII-A, L.P. ("EnerVest") to acquire 100% working interest in certain petroleum and natural gas leases located in Oklahoma ("Morrison Property"). Total cash consideration for acquisition was US\$4,500,000, and it was financed through a loan facility with East West Bank. The Company's main reason for this acquisition is to increase its portfolio of petroleum and natural gas properties in Oklahoma.

The acquisition was accounted for as a business combination, and Eagle Road recognized a gain on bargain purchase of \$13,534,084 (US\$10,218,259) (2015 – Eagle Road, Buckmanville and Lurgan realized a total gain on bargain purchases of \$20,809,964 (US\$15,255,011)). The bargain purchase gain arose due to the difference between purchase price paid for the acquisition and the fair values of the net assets acquired. The fair value of the petroleum property purchased was determined using a reserve report prepared by an independent engineer.

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

6. INVESTMENTS IN JOINT VENTURES (continued)

Included in the net assets was a pipeline. The fair value of the pipeline acquired was calculated using discounted cash flow model using the discount rate of 10%, inflation rate of 2.1% and useful life of 19 years. Fair values of decommissioning liabilities with respect to the Morrison property and the pipeline assumed in the acquisition were calculated using the discount rate of 10%, inflation rate of 2.1% and useful lives of 20 years and 19 years respectively. The undiscounted value of the obligation acquired was approximately US\$3,615,000.

During the year ended December 31, 2016, the Company's joint ventures entered into a USD\$30 million Senior Secured Revolving Credit Facility (the "Facility") with East West Bancorp, Inc. with the initial borrowing of USD\$10 million. The facility is available for working capital requirements, capital expenditures, acquisitions, general corporate purposes, and to support letters of credit, and was utilized for the purchase of an oil and gas project in Oklahoma. The interest rate is Wall Street Journal Prime Rate plus 0.75% thereafter.

The loan is subject to customary covenants and matures on July 19, 2018. Outstanding balance of the loan is secured by a first lien on the mineral interests and mortgaged properties of the joint ventures. 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 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 than scheduled maintenance in 2016 with no overhead power costs.

During the first 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.

As a part of the security for the Facility, joint ventures entered into a series of oil price put and swap contracts with Cargill, Incorporated ("Cargill"). Under the put option, joint ventures secured sales of a portion of its petroleum production at prices between US\$43-US\$44.25 per barrel to July 2018. Under the swap contract joint ventures sales of 3,500 barrels per month at a price of US\$45 per barrel until December 31, 2017. The Company also bought two sets of costless collar contracts, one commencing in August 2017 running until March 2019 with the company buying puts at \$45 per barrel and selling calls at \$53.75-\$54.10. The second set starts August 2018 until September 2019 with the company buying puts at \$43 per barrel and selling calls at \$53.18 per barrel. The company also bought calls from Aug 2018 to March 2019 at \$60 per barrel. These contracts were not designated as hedges, and derivative accounting was applied.

In the second quarter, 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

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

6. INVESTMENTS IN JOINT VENTURES (continued)

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 process of implementing both programs and are evaluating their results.

During the current quarter, 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.

7. EXPLORATION AND EVALUATION ASSETS

With the disposal of the New Western interests in 2016, the company has no exploration and evaluation assets.

In March 2015, the Company acquired a 50% working interest in 1,850 acres in northeastern Oklahoma for \$66,658 (US\$48,163) and the assumption of the related decommissioning liability estimated to be \$75,923. On August 30, 2016, the Company disposed of its exploration and evaluation assets for gross proceeds of US\$7,500. The Company recognized a loss of US\$206,926 in connection with the disposition.

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

7. EXPLORATION AND EVALUATION ASSETS (continued)

The following table summarizes property acquisition and exploration costs:

	September 30, 2017	December 31, 2016
Balance	\$ -	\$ 300,407.00
Exploration costs	-	80,297
Decommissioning costs	-	(81,306)
Sales of petroleum	-	(14,312)
Movement in foreign exchange rates	-	534
	-	285,620
Sale of exploration and evaluation assets	-	(285,620)
	\$ -	\$ -

8. PETROLEUM PROPERTIES

The Company's petroleum properties discussed in the following note are in the state of Kansas. These properties are comprised of the three groups of leases – EKan-1, EKan-2, EKan-3. During the year ended December 31, 2015, the parties amended the agreement with Petroleum Production Corporation ("PPC") with respect to EKan – 3 property. Under the amended agreement, the Company must pay half of the amount of 300 barrels multiplied by the average monthly price per barrel received from its Kansas oil purchaser, in order to maintain its interest in the Hollinger and Loomer leases. This amendment was effective March 1, 2015 to December 31, 2015. On January 1, 2016, the amendment extended the Company's commitment to December 31, 2016.

On June 21, 2016, the Company assigned its 7.5% working interest in Hollinger and Loomer to PPC pursuant to the original acquisition agreement. No consideration was received on this transfer and the Company recorded a loss on disposal of these leases in the amount of \$110,370.

During the year ended December 31, 2015, the Company incurred \$12,193 (US \$9,081) (2015 - \$168,851 (US \$122,002)) in acquisition costs to acquire additional interests in the same area in Eastern Kansas.

At December 31, 2016, the Company recorded an impairment write-down of petroleum properties located in Kansas in the amount of \$1,125,386 (2015 - \$4,141,504) to write-down the property costs to the estimated recoverable amount of \$816,101 at December 31, 2016 (2015 - \$2,937,088). The impairment resulted from a material decline in market prices for crude oil and gas during the year. The recoverable amount of the CGU was determined using a value in use approach based on 2016 year-end reserves report prepared by an independent engineer and a pre-tax discount rate of 10% for proved and probable reserves. The Company used the inflation rate of 2% and estimated life of the project of 10 years in its value in use calculation.

JERICO OIL CORPORATION

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8. PETROLEUM PROPERTIES (continued)

During the year ended December 31, 2016, the Company disposed of several properties EKan –2 leases for total cash consideration of \$49,680 (US\$37,500). These leases had no carrying value, and the amount of \$49,680 was recognized as a gain on disposal of properties in the consolidated statement of comprehensive income. Additionally, the Company has transferred one EKan –2 lease to original lease owners as a part of a lawsuit settlement. The book value of these leases was \$Nil at the time of transfer, and no gain or loss on transfer was recognized.

In the first quarter of 2017, the company having retained its most lucrative oil interests, continued its program of cost restraint with respect to its production operations in Kansas.

During the second quarter 2017 production for Jericho's Kansas production grew approximately 6% sequentially from first quarter 2017. The second quarter 2017 production versus the same quarter of 2016 production declined approximately 3%. The Company continues to lower its cost structure in Kansas to improve profitability. While the Kansas assets were not allocated capital in the 2017 budget, production continues to remain resilient year over year through previous capital investments in waterflooding the shallow fields.

In the third quarter of 2017, the Kansas assets continue to produce operationally at break even or slightly better, and the company is examining ways to minimize ongoing operating costs further. The following is the summary of the Kansas properties as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Cost:		
Balance, beginning of year	\$ 1,634,672	\$ 2,955,092
Acquisition costs	-	12,193
Development costs	-	2,605
Change in estimate of decommissioning liability	-	4,185
Disposal of leases	-	(110,370)
Impairment write-down	-	(1,125,386)
Movement in foreign exchange rates	(115,293)	(103,647)
Balance, end of period	1,519,379	1,634,672
Accumulated depletion:		
Balance, beginning of year	818,571	558,003
Depletion	102,090	273,525
Movement in foreign exchange rates	(62,373)	(12,957)
Balance, end of period	858,288	818,571
Carrying value	\$ 661,091	\$ 816,101

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9. ACCOUNTS RECEIVABLE

The following table shows accounts receivable as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Trade receivable	\$ 44,948	\$ 45,365
Other (Note 14)	7,269	15,525
	<u>\$ 52,217</u>	<u>\$ 60,890</u>

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table shows accounts payable and accrued liabilities as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Trade payables	\$ 57,879	\$ 248,720
Accrued liabilities	-	114,130
	<u>\$ 57,879</u>	<u>\$ 362,850</u>

11. 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 based on 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, draw on its credit facility 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.

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12. DECOMMISSIONING LIABILITIES

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provisions associated with petroleum properties (Note 8):

	September 30, 2017	December 31, 2016
Balance, beginning of year	\$ 142,845	\$ 315,400
Accretion expense	10,433	30,476
Change in estimation	-	(16,247)
Disposal of properties	-	(194,030)
Movement in foreign exchange rates	(10,549)	7,247
Balance, end of period	\$ 142,729	\$ 142,846

The present value of the obligation relating to the properties in Kansas (Note 7) of \$145,020 (2015 - \$228,840) was calculated using an average risk-free interest rate of 2.91% (2015 - 2.2%) and an inflation rate of 1.76% (2015 - 1.95%). The weighted-average life of the wells has been estimated at 10 years (2015 - 10 years). The undiscounted value of the obligation is \$316,338 (2015 - \$392,776).

During the year ended December 31, 2016, the Company disposed of its property in Oklahoma (Note 6). As a part of the disposition, the Company derecognized the value of decommissioning liabilities in Oklahoma in the amount of \$81,305. The present value of the obligation relating to the properties in Oklahoma at December 31, 2015 was \$86,560 and was calculated using an average risk-free interest rate of 1.9% and an inflation rate of 2.08%. The weighted-average life of the wells has been estimated at 11 years. The undiscounted value of the obligation at December 31, 2015 was \$104,477.

13. SHARE CAPITAL AND EQUITY RESERVES

- (a) Authorized share capital

Unlimited common shares without par value.

- (b) Issued share capital

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.

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13. SHARE CAPITAL AND EQUITY RESERVES (continued)

(b) Issued share capital (continued)

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 were 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.

During the year ended December 31, 2016

On January 12, 2016, the Company closed a non-brokered private placement of 17,323,610 units at a price of \$0.40 per unit for gross proceeds of \$6,929,019. 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 \$0.60 until January 12, 2018. In connection with the transaction, the Company paid \$30,000 in related filing and other fees.

On April 13, 2016, the Company closed a non-brokered private placement of 1,625,000 units at \$0.40 per unit for gross proceeds of \$650,000. Each unit is comprised of one common share and one-half of warrant with each full warrant entitling the holder to purchase one common share of the Company at \$0.60 until April 13, 2018. The Company incurred \$13,160 as related filing and other fees and issued 15,400 agent warrants. The fair value of the agent warrants was estimated at \$7,000 based on the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.56%; expected life of 2 years; expected volatility of 220%; and expected dividends of \$Nil.

On October 5, 2016, the Company approved the 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

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13. SHARE CAPITAL AND EQUITY RESERVES (continued)

(b) Issued share capital (continued)

based on the closing price on the grant date, 300,000 bonus shares were vested on January 1, 2017, and the remaining 300,000 bonus shares vested 25% every 3-month period commencing on April 1, 2017. For the year ended December 31, 2016, the Company recorded \$136,432 as share-based payments, and the remaining balance of \$133,567 was recorded as prepaid expenses.

On November 28, 2016, the Company closed a non-brokered private placement of 9,811,014 units at \$0.40 per unit for gross proceeds of \$3,924,404. 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 \$0.60 until November 28, 2019.

On December 16, 2016, the Company issued 75,000 common shares for options exercised for cash proceeds of \$22,500. The estimated fair value of the options when granted was \$26,030 and the amount was transferred from contributed surplus to common shares.

On December 28, 2016, the Company closed a non-brokered private placement of 3,653,378 units at \$0.40 per unit for gross proceeds of \$1,461,351. Each unit consisted of one common share and one-half warrant with each whole warrant entitling the holder to purchase one common share of the Company at \$0.60 until December 28, 2019. The Company incurred \$7,307 in related filing and other fees

During the year ended December 31, 2015

As at December 31, 2015, the Company received \$6,929,019 in gross proceeds toward a non-brokered private placement consisting of 17,323,610 units that closed in January 2016 (Note 19). The Company also paid \$30,000 in related filing and other fees recorded as deferred share issuance costs at December 31, 2015.

During the year ended December 31, 2015, 236,500 share purchase warrants were exercised at \$0.25 per share for total proceeds of \$97,164.

(c) Stock options

The Company has a stock options plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options vest on a date set by the director and expire at a time set by the directors, being not more than 10 years from the date of grant, provided that any outstanding options will expire on a date to be determined by the directors following the date that the holder ceases to be a senior officer, director, employee or consultant of the Company, such period not being more than 12 months from the date of such cessation. The Company reserved 2,821,540 shares for issuance under the plan.

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13. SHARE CAPITAL AND EQUITY RESERVES (continued)

(c) Stock options (continued)

On Sept 1, 2017 the company granted a total of 458,000 incentive stock options to consultants of the Company. All the Options are exercisable at a price of \$0.65 per share for a period of 5 years and have been granted under, and are governed by, the terms of the Company's incentive stock option plan. On the same date the company granted 150,000 incentive stock options at an exercise price of \$0.60 per share to a consultant of the company. The fair value of the options granted was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 145%; an expected life of 5 years; a dividend yield rate and forfeiture rate of 0%; and a risk-free interest rate of 0.68%. The estimated fair value associated with the stock options grants was \$253,410.

On July 4, 2017 the company granted a total of 1,500,000 incentive stock options to directors, officers, employees and consultants of the Company. All the Options are exercisable at a price of \$0.50 per share for a period of 5 years and have been granted under, and are governed by, the terms of the Company's incentive stock option plan. The fair value of the options granted was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 145%; an expected life of 5 years; a dividend yield rate and forfeiture rate of 0%; and a risk-free interest rate of 0.68%. The estimated fair value associated with the stock options grants was \$497,253.

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. Also during the current quarter, stock compensation in the amount of \$34,892 was charged relating to 300,000 bonus shares which vested on January 1, 2017, with the remaining 300,000 bonus shares vested 25% every 3-month period commencing on April 1, 2017, July 1, and October 1, 2017

During the current quarter, the Company charged the final portion of the consultants 350,00 options to stock compensation expense.

On May 23, 2017, a director and a former director of the company exercised 150,000 stock options each for 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 the 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 capital reserves to share capital, equaling a total of \$146,102 transferred to share capital.

On January 16, 2017, the company granted 725,000 common stock options to a director, an officer, and consultants at an exercise price of \$0.45 for a term of 5 years, all of which vested immediately. The estimated fair value associated with the stock options grants was \$300,932. The fair value of the options granted was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 147%; an expected life of 5 years; a dividend yield rate and forfeiture rate of 0%; and a risk-free interest rate of 0.68%.

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13. SHARE CAPITAL AND EQUITY RESERVES (continued)

(c) Stock options (continued)

On August 25, 2016, the Company granted 1,725,000 stock options to employees, officers, directors and consultants at an exercise price of \$0.45 for a term of 5 years, of which 1,375,000 options vested immediately and the remaining 350,000 options granted to consultants vested over 12 months' period at a rate of 25% every quarter. The estimated fair value associated with the stock options grants was \$683,110. The fair value of the options granted was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 147%; an expected life of 5 years; a dividend yield rate and forfeiture rate of 0%; and a risk-free interest rate of 0.68%.

On October 19, 2015, the Company granted 100,000 stock options in total to an employee and an officer exercisable at \$0.40 for a period of 5 years, with an associated share-based payment expense of \$31,515. The fair value of the options granted was determined with the following assumptions: an annualized volatility of 100%; an expected life of 5 years; a dividend yield rate and forfeiture rate of 0%; and a risk-free interest rate of 1.23%.

The following is a continuity table of stock options outstanding as at September 30, 2017:

	Number of options	Weighted Average
Outstanding, December 31, 2013	450,000	\$ 0.25
Granted	3,400,000	0.30
Forfeited	(275,000)	0.30
Outstanding, December 31, 2014	3,575,000	\$ 0.29
Granted	100,000	0.40
Outstanding, December 31, 2015	3,675,000	\$ 0.30
Exercised	(75,000)	0.30
Granted	1,725,000	0.45
Outstanding, December 31, 2016	5,325,000	\$ 0.35
Granted	2,833,000	0.45
Exercised	(400,000)	0.30
Outstanding September 30, 2017	7,758,000	\$ 0.42

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13. SHARE CAPITAL AND EQUITY RESERVES (continued)

(c) Stock options (continued)

As at September 30, 2017, the following incentive stock options were outstanding:

Expiration date	Options outstanding and exercisable	Unvested options	Exercise price
1-Apr-19	3,100,000	-	0.30
21-Oct-20	100,000	-	0.40
25-Aug-21	1,725,000	-	0.45
16-Jan-22	725,000	-	0.45
4-Jul-22	1,500,000	-	0.50
1-Sep-22	458,000	-	0.65
1-Sep-22	150,000	-	0.60
Outstanding September 30, 2017	7,758,000	-	0.42

(d) Share purchase warrants

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 C\$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 being exercisable into one additional Share at a price of \$0.60 per Share for a period of 36 months from closing.

On August 23, 2017 the company closed a private placement of 2,096,436 units of the company at a price of CDN\$0.45 per Unit for total consideration of CDN\$ 943,396 or US\$750,000. Each unit consists of one common share of the Company and one half Common Share purchase warrant. Each whole Warrant entitles the holder to purchase one Common Share at a price of CDN\$0.60 per Common Share during the thirty-six (36) month period from the date of closing.

On September 6, 2017 the Company closed a non-brokered private placement of C\$10,576,107 consisting of 22,033,567 units at a price of C\$0.48 per Unit. Each unit is comprised of one common share and one-half with each full warrant being exercisable into one additional share at a price of C\$0.60 per share for a period of 36 months from closing.

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13. SHARE CAPITAL AND EQUITY RESERVES (continued)

(d) Share purchase warrants (continued)

The number and weighted average exercise prices of warrants outstanding as at September 30, 2017:

	Number of Warrants	Weighted-Average
Outstanding, December 31, 2013	240,000	\$ 0.25
Granted	15,143,716	0.57
Exercised	(3,500)	0.25
Outstanding, December 31, 2014	15,380,216	\$ 0.56
Exercised	(236,500)	0.25
Outstanding, December 31, 2015	15,143,716	\$ 0.57
Granted	16,221,901	0.60
Expired	(10,913,198)	0.50
Outstanding, December 31, 2016	20,452,419	\$ 0.63
Granted	17,314,989	0.60
Outstanding, September 30, 2017	37,767,408	0.62

The following table summarizes the warrants outstanding and exercisable at September 30, 2017:

Expiration Date	Warrants Outstanding and Exercisable	Exercise price
October 16, 2017	4,230,518	\$ 0.75
January 12, 2018	8,661,805	0.60
April 18, 2018	827,900	0.60
November 24, 2018	4,905,507	0.60
December 23, 2019	1,826,689	0.60
August 14, 2020	5,249,992	0.60
August 23, 2020	1,048,218	0.60
September 17, 2020	11,016,779	0.60
	37,767,408	\$ 0.62

During the year ended December 31, 2016, the Company extended the expiry date of 4,230,518 warrants by one year.

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14. RELATED PARTY TRANSACTIONS

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
	<u>\$ 347,559</u>	<u>\$ 210,795</u>

A former director exercised 100,000 stock options during the quarter. Please refer to note 13 (c) for a detailed description. Management Fees include a reclassification of an officer's fees into Management fees for 2017 and 2016 to date, and fees for the chief executive officer taking over from August 21, 2017. Included in accounts payable and accrued liabilities is \$Nil in amounts payable to directors (September 30, 2016 - \$500). These types of amounts are due on demand and have no specific terms of repayment.

15. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable.

	September 30, 2017	December 31, 2016
	\$	\$
Financial Assets:		
Fair value through profit or loss	13,355,197	5,045,170
Loans and receivables	52,217	60,890
Financial Liabilities:		
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 and cash equivalents to be at fair value using Level 1 inputs.

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15. FINANCIAL INSTRUMENTS AND RISK (continued)

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:

(a) 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).

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15. FINANCIAL INSTRUMENTS AND RISK (continued)

(b) 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 11 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.

At September 30, 2017, the Company had current liabilities of \$57,879 (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 September 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

(c) 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 as at September 30, 2017:

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15. FINANCIAL INSTRUMENTS AND RISK (continued)

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.

16. SEGMENTED INFORMATION, MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

At September 30, 2017, all the Company's non-current assets (other than financial instruments) are in Kansas and Oklahoma, USA. Geographical information relating to the Company's non-current assets (other than financial instruments) is presented in Notes 6, and 8.

The Company's revenues of \$87,764 (September 30, 2016 – \$102,539) are all attributable to Kansas where sales are recorded from shipments of crude oil concentrate and gas, produced at the Kansas properties. The investment loss of \$828,041 (September 30, 2016 - \$311,400) relates to a share of income of the Company's joint ventures in Oklahoma.

For derivative related income or losses from Oklahoma projects please see Note 6 Investment in Joint Ventures.

All the Company's revenues are derived from one customer in Kansas. As at September 30, 2017, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions.

17. 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.

JERICO OIL CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

9 months ended September 30, 2017 and 2016

18. SUBSEQUENT EVENTS

On October 1, 2017 the company purchased an additional 25% of Jericho Buckmanville LLC ("Buckmanville") for CDN\$ 4,403,681 or US \$3,521,536. With this purchase the company now holds a 50% interest in Buckmanville.

During the third quarter, the borrowing based under its joint Senior Secured Revolving Credit Facility (the "Facility") had been 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 of the Facility from US\$12 million to \$10 million to reduce unnecessary fees associated with unused borrowing commitments.