JERICHO OIL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

December 31, 2018 and 2017

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of
Jericho Oil Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jericho Oil Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information, which comprises:

- the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and does not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and evaluate whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

April 8, 2019

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

	Note	December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash		$ 3,963,688	$ 5,292,783
Accounts receivable		38,190	53,703
Prepaid expenses and deposits		88,332	154,003
		4,090,210	5,500,489
Non-current assets			
Petroleum properties	6	644,439	666,852
Equity investments	7	39,449,405	36,749,497
		40,093,844	37,416,349
Total assets		$ 44,184,054	$ 42,916,838
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 271,627	$ 244,493
Non-current liabilities			
Decommissioning liabilities	8	153,691	137,346
Total liabilities		425,318	381,839
Shareholders' Equity			
Share capital	10	50,515,981	41,535,190
Subscriptions received	10	-	6,606,464
Treasury shares	10	(55,897)	-
Reserves	10	2,612,057	2,920,352
Accumulated other comprehensive loss		3,047,795	(230,276)
Deficit		(12,361,200)	(8,296,731)
		43,758,736	42,534,999
Total liabilities and shareholders' equity		$ 44,184,054	$ 42,916,838

Approved on behalf of the Board on April 8, 2019

"Brian Williamson" ***"Ben Holman"***

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

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

	Note	Year Ended December 31, 2018	December 31, 2017
Net crude oil revenue		$ 408,773	$ 391,431
Operating expenses			
Production costs		258,265	312,184
Depletion		76,657	99,003
Accretion of decommissioning liabilities	8	4,130	4,020
General and administrative expenses	9	3,071,500	3,469,213
Foreign exchange (gain) loss		(236,282)	93,931
Total operating expenses		3,174,270	3,978,351
Share of loss from equity investments	7	(1,274,696)	(3,233,315)
Operating loss		(4,040,193)	(6,820,235)
Other income (loss)			
Interest income		24	-
Other income (loss)		(21,071)	87,459
		(21,047)	87,459
Loss before income tax		(4,061,240)	(6,732,776)
Income tax			
Income tax expense	16	(3,229)	-
Deferred income tax recovery (expense)	16	-	718,000
Loss for the year		(4,064,469)	(6,014,776)
Other comprehensive income (loss)			
Items may be reclassified subsequently to income/loss			
Foreign currency exchange gain (loss) on translation of foreign subsidiary		3,278,071	(1,646,123)
Comprehensive loss		$ (786,398)	$ (7,660,899)
Loss per common share			
Basic		$ (0.03)	$ (0.07)
Diluted		$ (0.03)	$ (0.07)
Weighted average number of common shares			
Basic and diluted		127,242,261	90,110,700

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

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

	Number of shares (Note 10)	Share Capital (Note 10)	Subscriptions Received (Note 10)	Contributed Surplus	Accumulated Other Comprehensive Income(Loss)	Deficit	Total Equity
December 31, 2016	78,840,404	$ 25,056,898	$ -	$ 2,108,535	$ 1,415,847	$ (2,281,955)	$ 26,299,325
Subscriptions received	-	-	6,606,464	-	-	-	6,606,464
Issue of common shares for cash	34,629,977	16,244,676	-	-	-	-	16,244,676
Issue of common shares under options exercise	400,000	211,182	-	(106,182)	-	-	105,000
Issue of common shares under warrant exercise	75,000	45,000	-	-	-	-	45,000
Share issuance cost	-	(22,566)	-	-	-	-	(22,566)
Share-based payments	-	-	-	917,999	-	-	917,999
Other comprehensive loss	-	-	-	-	(1,646,123)	-	(1,646,123)
Net loss for the year	-	-	-	-	-	(6,014,776)	(6,014,776)
December 31, 2017	113,945,381	$ 41,535,190	$ 6,606,464	$ 2,920,352	$ (230,276)	$ (8,296,731)	$ 42,534,999
December 31, 2017	113,945,381	$ 41,535,190	$ 6,606,464	$ 2,920,352	$ (230,276)	$ (8,296,731)	$ 42,534,999
Subscriptions received	-	-		-	-	-	-
Issue of common shares for cash	3,784,946	2,270,967	(2,193,535)	-	-	-	77,432
Issue of common shares under options exercise	1,666,026	1,080,608	-	272,505	-	-	1,353,113
Issue of common shares under warrant exercise	9,389,289	5,633,574	(4,412,929)	-	-	-	1,220,645
Treasury shares	(116,500)	(55,898)	-	-	-	-	(55,898)
Share issuance cost	-	(4,357)	-	-	-	-	(4,357)
Share-based payments	-	-	-	(580,800)	-	-	(580,800)
Other comprehensive income	-	-	-	-	3,278,071	-	3,278,071
Net loss for the year	-	-	-	-	-	(4,064,469)	(4,064,469)
December 31, 2018	128,669,142	$ 50,460,084	$ -	$ 2,612,057	$ 3,047,795	$ (12,361,200)	$ 43,758,736

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

Jericho Oil Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended	
	December 31, 2018	December 31, 2017
Cash flows from (used in) operating activities		
Loss for the year	$ (4,064,469)	$ (6,014,776)
Adjustments for non-cash items:		
Deferred income tax	-	(718,000)
Accretion of decommissioning liabilities	4,130	4,020
Depletion	76,657	99,003
Share-based payments	272,505	1,057,567
Share of loss from equity investments	1,274,695	3,233,315
Cash provided by (used in) operating assets and liabilities:		
Accounts receivable	15,513	7,187
Prepaid expenses and deposits	65,671	(28,160)
Accounts payable and accrued liabilities	27,134	(118,357)
Net cash used in operating activities	(2,328,164)	(2,478,201)
Cash flows from (used in) investing activities		
Contributions to equity investments	(789,387)	(20,243,083)
Net cash used in investing activities	(789,387)	(20,243,083)
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	1,797,885	16,394,676
Treasury shares purchased	(55,898)	-
Share issuance costs	(4,357)	(22,566)
Subscriptions received	-	6,606,464
Net cash from financing activities	1,737,630	22,978,574
Change in cash	(1,379,921)	257,290
Effect of exchange rate changes on cash	50,826	(9,677)
Cash at beginning of year	5,292,783	5,045,170
Cash at end of year	$ 3,963,688	$ 5,292,783

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

1. NATURE OF OPERATIONS

Jericho Oil Corporation ("Jericho" or the "Company") was incorporated on October 21, 2010 under the Laws of British Columbia. The Company trades on the TSX Venture Exchange under the symbol "JCO", and on the 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 (USA). As of December 31, 2018, the Company primarily conducts its operations through its subsidiaries and various joint arrangements in the states of Oklahoma and Kansas. See Notes 6 and 7 for a detailed discussion of the Company's petroleum property and joint arrangements.

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 PRESENTATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 8, 2019.

(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.

(c) 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 and joint arrangements is the U.S. dollar which is determined to be the currency of the primary economic environment in which the subsidiaries and joint arrangements 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

2. BASIS OF PRESENTATION (continued)

(c) Foreign currency translation (continued)

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.

(d) Significant accounting judgments and estimates

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.

(e) Basis of consolidation

The consolidated financial statements include the accounts of Jericho Oil Corporation and its 100% owned subsidiaries, Jericho Oil (Kansas) Corp. and Jericho Oil (Oklahoma) Corp.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. At December 31, 2018, the Company had no cash equivalents.

(b) Exploration and evaluation assets

Pre-license costs are recognized as an expense when incurred. Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses, exploratory drilling and completion costs, and directly

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Exploration and evaluation assets (continued)

attributable general and administrative costs are initially capitalized as either tangible or intangible E&E assets according to the nature of the asset acquired. These costs are accumulated in cost centers by field or exploration area pending determination of technical feasibility and commercial viability. Ongoing carrying costs including the costs of non-producing lease rentals are capitalized to E&E assets. Proceeds received from the sale of E&E assets are recorded as a reduction to the carrying value of the asset. The technical feasibility and commercial viability of extracting a resource is determinable when proved and probable reserves are determined to exist. A review of each exploration license or area is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to petroleum properties. E&E assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties exceeds their recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(c) Petroleum properties

Petroleum properties
Petroleum properties include crude oil development and production assets, including costs incurred in developing oil reserves and maintaining or enhancing production from such reserves and directly attributable general and administrative costs. Properties are measured at cost, less accumulated depletion and depreciation and accumulated impairment losses.

Gains and losses on disposal of petroleum properties, including crude oil interests, are determined by comparing the proceeds from disposal with the net carrying amount of petroleum properties and are recognized within "gain or loss on sale of assets" in the current period on the consolidated statement of loss and comprehensive income (loss).

Subsequent measurement
Costs incurred subsequent to the determination of technical feasibility and commercial viability of petroleum properties are recognized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Capitalized petroleum properties generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis.

The carrying amount of any replaced or sold component is derecognized at the time of replacement or sale. The costs of the day-to-day servicing of properties are recognized in earnings as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Petroleum properties (continued)

Depletion and depreciation
The net carrying value of development or production assets is depleted on a field by field basis using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves. These estimated reserves are reviewed by independent reserve engineers at least annually. Proved and probable reserves are estimated by independent reserve engineers in accordance with Canadian Securities Regulation National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Changes in reserve estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Inventory
Inventory consists of crude oil products. The carrying value of inventory includes all direct expenditures required to bring the inventory to its present location and condition. The Company values its inventory using the weighted average cost method and inventory is held at the lower of cost and net realizable value at each reporting period. If the carrying value exceeds the net realizable value, a write-down is recognized. A change in circumstance could result in a reversal of the write-down for inventory that remains on hand in a subsequent period.

Impairment
The carrying amounts of the Company's petroleum properties are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash-generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal or using a net present value technique. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Petroleum properties (continued)

Impairment (continued)
Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(d) Revenues

Revenues associated with the production and sale of crude oil and gas are recognized when the Company satisfies performance obligations under sales contracts, and the customer obtains control of the goods, which occur at a point in time of delivery of oil, natural gas and natural gas liquids.

Revenue from sale of oil, natural gas and natural gas liquids is measured per consideration specified in contracts with customers. Revenue is measured net of discounts, customs duties, royalties, and taxes. The Company does not have any contracts where the period between the transfer of goods or services to the customer and the receipt of payment from the customer exceed one year. As a result, the Company does not adjust transaction prices for time value of money or have financing components in connection with contracts with customers. Based on the criteria outline in IFRS 15, management concluded that the Company does not have any variable consideration.

(e) Joint arrangements

As of December 31, 2018, the Company has working interests in joint arrangements to conduct oil and gas development and production activities on petroleum properties in Kansas (Note 6) and Oklahoma (Note 7).

The Company classifies its interests in joint arrangements as either joint operations (if the Company has rights to the assets and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Company has rights only to the net assets of an arrangement). When making this assessment, the Company considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances.

In the case of a joint operation, the Company includes its share of the assets, liabilities, revenues and expenses of the joint operation. The Company combines its share of such joint operations' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's consolidated financial statements. Income taxes are recorded based on the Company's share of the operation's activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Joint arrangements (continued)

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date less distributions received and any impairment in the fair value of investment. The statement of comprehensive income (loss) reflects the Company's share of the results of operations of the joint venture.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as "share of income (loss) from a joint venture" in the statement of comprehensive income (loss).

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in income (loss).

The financial statements of the joint venture are prepared for the same reporting period as the Company. Accounting policies of the joint venture and the Company are consistent.

(f) Provisions

I. Legal matters

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Provisions (continued)

II. Decommissioning provisions

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provisions are made for the estimated cost of site restoration and are capitalized in the relevant asset category.

Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the consolidated statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

(g) Share-based payments

The Company grants options to purchase common shares to directors, officers, employees, consultants and certain service providers under its stock option plan. Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. The amount recognized as share-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is contributed surplus. The fair value of employee stock options is measured using the Black-Scholes Option Pricing Model.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on short-term government bonds). A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably, in which case the Company will measure their value by reference to the fair value of the equity instruments granted.

When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Earnings/loss per share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury method in which the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained from the exercise of options, warrants, and similar instruments. It assumes the proceeds would be used to purchase common shares at the average market price during the year. Diluted loss per shares excludes all dilutive potential common shares if their effect is anti-dilutive.

(i) Other comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

(j) Income taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the assets may be realized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Warrants issued in equity financing transactions (continued)

Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share issuance costs.

(l) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

(m) Financial instruments

I. Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

II. Classification – financial assets

Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest rate method.

The Company financial assets at amortized costs include its amounts receivable.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings upon derecognition. The Company currently has no financial assets designated as FVTOCI.

Fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL, which includes cash and equity investments.

III. Classification – financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective interest rate method, except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments (continued)

III. Classification – financial liabilities (continued)

Financial liabilities at amortized cost include accounts payable and accounts payable to related parties. Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of operations and comprehensive income (loss).

The Company has no hedging arrangements and does not apply hedge accounting.

IV. Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments. The Company did not recognize impairment losses during the year ended December 31, 2018.

(n) Business Combinations

The Company uses the acquisition method to account for business acquisitions. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Deferred taxes are recognized for any differences between the fair value and the tax basis of net assets acquired. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in profit and loss. Associated transaction costs are expensed when incurred.

(o) Borrowing costs

Borrowing costs incurred that are attributable to qualifying assets are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use, which would generally occur upon the advancement of the project past the exploration and evaluation and development stages to production at levels intended by management. Borrowing costs are capitalized as incurred while activities and expenditures necessary to prepare the qualifying assets for intended use are in progress. All other borrowing costs are expensed in the period in which they are incurred. In the case of funds borrowed that are directly attributable to qualifying assets, the amount capitalized represents the actual borrowing costs incurred on the specific borrowings.

4. NEW ACCOUNTING STANDARDS

New accounting standards adopted effective January 1, 2018:

(a) IFRS 15 Revenue from Contracts with Customers
(b) IFRS 2 Share-based payments
(c) IFRS 9 Financial Instruments

a) Adoption of IFRS 15 'Revenue from Contracts with Customers':

The Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") on January 1, 2018. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company used the retrospective adoption approach to adopt the new standard. In conjunction with the adoption of IFRS 15, the Company reviewed its revenue streams and major contracts with customers, including those held within its joint arrangements. As a result of this review, the Company changed the way it records other revenues and production costs. See Note 7 for discussion of the impact on the disclosure of summary financial information for the Company's Joint Ventures.

(b) and (c) The adoption of IFRS 2, Share-based payments, and IFRS 9 did not have a material impact on the Company's consolidated financial statements.

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 year ended December 31, 2018, 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, 2019:

IFRS 16, "Leases" will be effective for accounting periods beginning on or after January 1, 2019. This standard sets out a new model for lease accounting, bringing off-balance sheet leasing arrangements onto the balance sheet. The Company will adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company estimates to recognize approximately $65,000 as a right-of-use asset and a corresponding lease liability in connection with its lease of the Vancouver office. The Company estimates Eagle Road Oil, LLC, its joint venture in Oklahoma, to recognize approximately $570,000 (USD$418,000) as a right-of-use asset and a corresponding lease liability in connection with its office lease in Tulsa, Oklahoma.

5. 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 it does 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Joint arrangements (continued)

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 6). 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 6) form one CGU, and the Company's four 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 consolidated financial statement areas that require significant estimates are set out in the following paragraphs:

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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.

(Expressed in Canadian dollars)

6. PETROLEUM PROPERTIES

The Company's joint operations recorded as petroleum properties are comprised of three groups of leases in the state of Kansas. The following is a summary of cost and related accumulated depletion for the Kansas properties for the years presented:

		December 31, 2018		December 31, 2017
Cost:				
Balance, beginning of year	$	1,527,293	$	1,634,672
Movement in foreign exchange rates		144,411		(107,379)
Balance, end of year		1,671,704		1,527,293
Accumulated depletion:				
Balance, beginning of year		860,441		818,571
Depletion		76,657		99,003
Movement in foreign exchange rates		90,167		(57,133)
Balance, end of year		1,027,265		860,441
Carrying value	$	644,439	$	666,852

7. EQUITY INVESTMENTS

As of December 31, 2018, the majority of the Company's oil and gas operations were held in Oklahoma, with operations conducted through participation in various joint ventures. As discussed in Note 5, the Company's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date less distributions received and any impairment in the fair value of investment. At December 31, 2018 and 2017, the Company holds the following joint ventures and associates:

	December 31, 2018	December 31, 2017
Eagle Road Oil, LLC ("Eagle Road")	50%	50%
Lurgan Oil LLC ("Lurgan")	50%	50%
Jericho Buckmanville Oil LLC ("Buckmanville")	50%	50%
RSTACK Walnut, LLC ("Walnut")	26.5%	31%
Cherry Rancher LLC, ("Cherry Rancher")	31%	–

(Expressed in Canadian dollars)

7. EQUITY INVESTMENTS (continued)

Walnut holds an interest in approximately 13,800 net surface acres in the oil window of the Anadarko Basin "STACK" play in highly contiguous blocks located in Blaine and Major Counties, Oklahoma. In first quarter of fiscal 2018, Walnut entered two agreements for non-operated positions to participate in the drilling of multiple horizontal wells in the play. The first agreement consisted of an acreage swap and the participation in drilling two wells during 2018 with working interests of 47% and 23.5%. The second agreement is a farm-in agreement to participate in the drilling of between two and five horizontal wells in Major County to earn a 50% interest in approximately 6,000 net leasehold acres. In connection with the above transactions and in anticipation of the capital needs of Walnut, the other associate member increased its capital commitment in January 2018. Post commitment, Jericho's interest in the Walnut associate was reduced from 31% to 26.5%.

Carrying amounts of the Company's interests in equity investments for the periods presented are as follows:

	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Balance, December 31, 2017	$ 9,387,347	$ 2,588,321	$ 13,483,329	$ 11,290,500	$ -	$ 36,749,497
Share of income/(loss)	(398,158)	(154,193)	35,946	(771,714)	13,424	(1,274,695)
Advances	64,810	544,404	180,172	-	1	789,387
Movement in foreign exchange	802,668	246,570	1,189,299	945,975	703	3,185,215
Balance, December 31, 2018	$ 9,856,667	$ 3,225,102	$ 14,888,746	$ 11,464,761	$ 14,128	$ 39,449,405

	Eagle Road	Lurgan	Buckmanville	Walnut	Cherry Rancher	Total
Balance, December 31, 2016	$ 9,369,962	$ 4,558,884	$ 7,406,603	$ -	$ -	$ 21,335,449
Share of income/(loss)	(2,330,178)	(1,790,315)	887,178	-	-	(3,233,315)
Investment in interests	-	-	4,573,054	11,290,500	-	15,863,554
Advances	2,985,310	60,474	1,333,745		-	4,379,529
Movement in foreign exchange	(637,747)	(240,722)	(717,251)	-	-	(1,595,720)
Balance, December 31, 2017	$ 9,387,347	$ 2,588,321	$ 13,483,329	$ 11,290,500	$ -	$ 36,749,497

(Expressed in Canadian dollars)

7. EQUITY INVESTMENTS (continued)

Summary financial position information and results of operations of the joint ventures and the Company's share of the income or (loss) for 2018 is as follows:

100%

Year Ended December 31, 2018	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Revenue	$ 3,647,792	$ 897,990	$ 7,495,450	$ 4,693,160	$ 56,973	$ 16,791,365
Production cost	(1,057,350)	(716,065)	(5,017,560)	(1,558,495)	(13,225)	(8,362,695)
Depletion and depreciation	(1,800,193)	(451,029)	(1,851,364)	(2,464,383)	-	(6,566,969)
Impairment	-	-	-	(2,137,435)	-	(2,137,435)
Accretion of decommissioning provision	(61,067)	(5,802)	(72,233)	(21,465)	-	(160,567)
Realized (loss) gain on derivatives	(316,074)	(60,663)	(577,878)	-	-	(954,615)
Unrealized (loss) gain on derivatives	300,828	95,941	617,102	-	-	1,013,871
G&A and other operating	(1,358,741)	(37,223)	(236,854)	(1,429,319)	(389)	(3,062,526)
Interest expense	(151,512)	(31,537)	(284,771)	-	-	(467,820)
100% Net income (loss)	**$ (796,317)**	**$ (308,388)**	**$ 71,892**	**$ (2,917,937)**	**$ 43,359**	**$ (3,907,391)**
100% Net income (loss) in US$	$ (614,347)	$ (237,916)	$ 55,464	$ (2,251,146)	$ 33,451	$ (3,014,494)
Jericho's ownership	50%	50%	50%	26%	31%	
Jericho's share of net income (loss)	**$ (398,159)**	**$ (154,194)**	**$ 35,946**	**$ (771,714)**	**$ 13,424**	**$ (1,274,696)**
Jericho's share of net income (loss) in US$	$ (307,174)	$ (118,958)	$ 27,732	$ (595,366)	$ 10,356	$ (983,409)

RStack, LLC,the other associate member of Walnut, is controlled by a Board of Managers of which the CEO of Jericho Oil Corporation has one of the five board seats. During 2018, in exchange for geological and operational consulting services, RStack, LLC received $1,241,027 (US $958,434) in consulting fees. In 2017, consulting fees to Rstack, Inc. were $442,613 (US $340,838).

100%

As at December 31, 2018	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Assets						
Cash and cash equivalents	$ 797,069	$ 52,307	$ 40,580	$ 3,492,107	$ -	$ 4,382,063
Current assets (excluding cash)	$ 1,839,145	$ 74,949	$ 425,863	$ 949,999	40,717	3,330,673
Non-current assets	$ 33,001,875	$ 7,943,904	$ 45,252,797	$ 40,208,000	-	126,406,576
Total assets	35,638,090	8,071,160	45,719,240	44,650,106	40,717	134,119,312
Liabilities						
Current liabilities	2,304,462	199,088	51,862	738,177	(5)	3,293,584
Intercompany	2,944,483	66,926	(2,936,643)	(69,852)	(4,914)	-
Non-current liabilities	10,675,864	1,354,941	13,659,153	1,094,417	-	26,784,376
Total liabilities	15,924,809	1,620,955	10,774,372	1,762,743	(4,919)	30,077,960
Equity	19,713,280	6,450,205	34,944,868	42,887,363	45,636	104,041,352
Total Liabilities and Equity	$ 35,638,090	$ 8,071,160	$ 45,719,240	$ 44,650,106	$ 40,717	$ 134,119,312

During 2018, the Company determined that the carrying amount of certain exploration and evaluation assets related to exploration drilling in Walnut were unlikely to be recovered at the time of transition to production stage. The impairment was largely caused by increased project costs compared to the future net cash flows expected to be recovered from the project. The recoverable amount of approximately $2,400,000 (US $1,800,000) was determined using a value in use approach based on the 2018 year-end reserves report prepared by an independent engineer and a pre-tax discount rate of 10% for proved reserves. The Company used an inflation rate of 2% and estimated life of

(Expressed in Canadian dollars)

7. EQUITY INVESTMENTS (continued)

reserves of 22 years in its value in use calculations. An impairment expense of $2,100,000 (US $1,600,000) is reflected in the results of operations of Walnut for 2018.

The Company's joint arrangements have decommissioning liabilities in connection with their oil and gas projects. At December 31, 2018, present value of the obligation was estimated to be approximately $10,200,000 (US$7,500,000).

Summary financial position information and results of operations of the joint ventures and the Company's share of the income or (loss) for 2017 is presented in the tables below. Certain prior year amounts have been reclassified to provide comparable information for current year presentation due to adoption of IFRS 15. Revenues reflect only amounts recorded for sales of oil, gas and natural gas products. The change resulted in a reduction of approximately $421,000 in revenues and a corresponding reduction in production costs during 2017.

100%

December 31, 2017	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Total**
Revenue	$ 4,258,865	$ 727,885	$ 6,283,404	$ -	$ 11,270,154
Production cost	(2,547,346)	(477,668)	(5,027,502)	-	(8,052,516)
Depletion and depreciation	(2,308,542)	(592,720)	(1,984,027)	-	(4,885,289)
Impairment	(7,766,086)	(5,646,053)	-	-	(13,412,139)
Accretion of decommissioning provision	(75,069)	(4,109)	(78,482)	-	(157,660)
Realized (loss) gain on derivatives	(151,706)	(64,230)	(335,774)	-	(551,710)
Unrealized (loss) gain on derivatives	(30,425)	(12,894)	(67,366)	-	(110,685)
G&A and other operating	(967,315)	(8,636)	45,739	-	(930,212)
Interest and loan costs	(123,481)	(46,002)	(269,944)	-	(439,427)
Deferred income tax recovery	5,050,750	2,543,797	2,946,992	-	10,541,539
100% Net income (loss)	**$ (4,660,355)**	**$ (3,580,630)**	**$ 1,513,040**	**$ -**	**$ (6,727,945)**
100% Net income (loss) in US$	$ (3,588,753)	$ (2,757,299)	$ 1,165,132	$ -	$ (5,180,920)
Jericho's ownership	50%	50%	50%	31%	
Jericho's share of net income (loss)	**$ (2,330,178)**	**$ (1,790,315)**	**$ 887,178**	**$ -**	**$ (3,233,315)**
Jericho's share of net income (loss) in US$	$ (1,794,377)	$ (1,378,650)	$ 683,180	$ -	$ (2,489,847)

* The Company's interest in Buckmanville was increased from 25% to 50% on October 1, 2017.

In September 2017, the Company acquired an 11% equity interest in Walnut and recorded its investment at cost. At the end of December 2017, the Company exercised an option to increase its interest to 31% for $7,546,500 (US $6,000,000). As a result of the increase to 31%, the Company concluded that it can exercise significant influence over Walnut, and thus management considers the Investment in Walnut as an investment in associate and the Company began to account for its investment using the equity method from the date of the exercise of the option.

(Expressed in Canadian dollars)

7. EQUITY INVESTMENTS (continued)

During 2017, the Company's Eagle Road and Lurgan joint ventures recorded significant impairment charges on their oil and gas property assets. A combination of decreased forward oil prices and lower proved undeveloped and probable reserves led to the impairment losses in Eagle Road and Lurgan. The recoverable amounts of the CGU were determined using a value in use approach based on 2017 year-end reserves report prepared by an independent engineer and a pre-tax discount rate of 10 percent for proved and probable reserves. These impairment losses effectively reverse a significant portion of the increased oil and gas property values from bargain purchase gains recorded on business combinations during 2016 and 2015. Impairment losses were partially offset by the deferred tax recovery benefit.

100%

As at December 31, 2017	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Total**
Assets					
Cash and cash equivalents	$ 404,474	$ 43,027	$ 147,840	$ 8,195,545	$ 8,790,886
Current assets (excluding cash)	2,973,452	304,904	137,682	1,627,183	5,043,221
Non-current assets	30,195,764	5,629,754	38,865,723	27,177,055	101,868,296
Total assets	33,573,690	5,977,685	39,151,245	36,999,783	115,702,403
Liabilities					
Current liabilities	4,347,934	692,149	4,991,783	184,967	10,216,833
Intercompany	4,339,793	(491,903)	(3,922,130)	74,240	-
Non-current liabilities	6,111,318	600,797	6,362,735	747,481	13,822,331
Total liabilities	14,799,045	801,043	7,432,388	1,006,688	24,039,164
Equity	18,774,645	5,176,642	31,718,857	35,993,095	91,663,239
Total Liabilities and Equity	$ 33,573,690	$ 5,977,685	$ 39,151,245	$ 36,999,783	$ 115,702,403

During 2016, the Company's three joint ventures in Oklahoma entered a USD$30 million Senior Secured Revolving Credit Facility (the "Facility") with East West Bancorp, Inc. The facility is available for working capital requirements, capital expenditures, acquisitions, general corporate purposes, and to support letters of credit. During 2017 the borrowing base of the Facility was lowered to $10 million to reduce unnecessary fees associated with unused borrowing commitments. The borrowing base of the Facility was further lowered to $7.5 million during 2018 to reduce unnecessary fees associated with unused borrowing commitments.

The interest rate for the Facility is Wall Street Journal Prime Rate plus 0.75%. The Facility is subject to customary covenants, and the balance at December 31, 2018, of $8.2 million (US $6.0 million) matures on August 20, 2020. The outstanding balance of the Facility is secured by a first lien on the oil and gas interests and mortgaged properties of the Eagle Road, Lurgan, and Buckmanville joint ventures.

(Expressed in Canadian dollars)

7. EQUITY INVESTMENTS (continued)

As a part of the security for the Facility, the joint ventures entered into a series of oil price put and swap contracts with Cargill, Incorporated ("Cargill"). Under the put option, the joint ventures secured sales of a portion of their petroleum production at prices between US$43-US$44.25 per barrel to July 2018. Under the swap contract, the joint ventures sold 3,500 barrels per month at a price of US$45 per barrel until December 31, 2017.

The joint ventures also bought two sets of costless collar contracts, one commencing in August 2017 and ending in March 2019 with the Company buying puts at $45 per barrel and selling calls at $53.75-$54.10. The second set starts in August 2018 and ends in September 2019 with the Company buying puts at $43 per barrel and selling calls at $55.18 per barrel. In addition, the Company bought calls from August 2018 to March 2019 at $60 per barrel. In September 2018, the Company entered into a costless collar contract with East West Bancorp, Inc., commencing in October 2019 and ending in March 2020. The Company is buying puts at $50 per barrel and selling calls at $80 per barrel. In November 2018, the Company unwound the $43 puts and $55.18 call contracts and purchased puts at $44 per barrel from East West Bancorp, Inc. These contracts were not designated as hedges, and derivative accounting was applied.

8. DECOMMISSIONING LIABILITIES

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provisions associated with the petroleum properties (Note 6):

	December 31, 2018	December 31, 2017
Balance, beginning of year	$ 137,346	$ 142,845
Accretion expense	4,130	4,020
Movement in foreign exchange rates	12,215	(9,519)
Balance, end of period	$ 153,691	$ 137,346

The present value of the obligation relating to the properties in Kansas (Note 6) of $153,691 (2017 - $137,346) was calculated using an average risk-free interest rate of 2.87% (2017 – 2.29%) and an inflation rate of 1.92% (2017 – 2%). The weighted-average life of the wells has been estimated at 10 years (2017 - 10 years). The undiscounted value of the obligation is $162,383 (2017 - $149,336).

(Expressed in Canadian dollars)

9. GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the general and administrative expenses incurred during the years ended December 31, 2018 and 2017.

	Year Ended	
	December 31, 2018	**December 31, 2017**
General and administrative expense		
Management fees	$ 669,784	$ 495,725
Share-based payments	272,505	1,057,567
Consulting fees	494,081	715,712
Accounting and auditing fees	258,676	283,598
Investor relations	883,913	324,400
Transfer agency and filing fees	35,646	104,385
Legal fees	125,842	230,354
Travel	131,744	96,384
Rent	57,336	43,036
Insurance	21,624	19,502
Office and miscellaneous	120,349	98,550
General and administrative expense	$ 3,071,500	$ 3,469,213

10. SHARE CAPITAL AND EQUITY RESERVES

(a) Authorized share capital

Unlimited common shares without par value.

(b) Issued share capital

For the year ended December 31, 2018

During fourth quarter of 2018, 791,026 stock options were exercised at an average price of $0.30 for gross proceeds of $ 237,308. The Company also initiated a share buy-back program, and in the fourth quarter, and 116,500 shares were purchased at an average price of $0.48.

During third quarter of 2018, 500,000 stock options were exercised at an average price of $0.30 for gross proceeds of $150,000.

10. SHARE CAPITAL AND EQUITY RESERVES (continued)

During second quarter 2018, 365,729 warrants were exercised at $0.60 per share for proceeds of $219,437, and 375,000 stock options were exercised at an average price of $0.30 per share for gross proceeds of $112,500.

On January 9, 2018 the Company closed a non-brokered private placement of 3,784,946 units at a price of $0.60 per unit for gross proceeds of $2,270,968. 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 $0.90 per share for a period of 24 months from closing. The Company received $2,193,535 in connection with this private placement during the year ended December 31, 2017.

During first quarter 2018, 9,023,560 warrants were exercised at $0.60 per share for proceeds of $5,414,136. The Company received $4,412,929 in connection with these warrant exercises during the year ended December 31, 2017.

For the year ended December 31, 2017

In August, 2017 the Company closed a non-brokered private placement of 12,596,420 units at a price of $0.45 per unit for gross proceeds of $5,668,389. 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 year ended December 31, 2017, 400,000 stock options were exercised at an average price of $0.26 for gross proceeds of $105,000.

On September 30, 2017, 75,000 warrants were exercised at $0.60 per share for proceeds of $45,000.

During the year ended December 31, 2017, a total of 300,000 bonus shares vested, and the Company recorded a share-based payment expense in the amount of $139,568.

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND EQUITY RESERVES (continued)

(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 directors 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 twelve months from the date of such cessation. At December 31, 2018, 6,289,940 options are available for issuance under the plan.

The following is a continuity table of stock options outstanding as at December 31, 2018:

	Number of Options		Weighted Average Exercise Price
Outstanding, December 31, 2016	5,325,000	$	0.35
Granted	2,783,000		0.52
Exercised	(400,000)		0.26
Outstanding, December 31, 2017	7,708,000	$	0.42
Granted	535,000		0.71
Exercised	(1,666,026)		0.30
Forefeited	(100,000)		0.50
Outstanding December 31, 2018	6,476,974	$	0.47

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND EQUITY RESERVES (continued)

(c) Stock options (continued)

As at December 31, 2018, the following incentive stock options were outstanding:

Expiration date	Options outstanding and exercisable	Unvested options	Exercise price
1-Apr-19	1,433,974	-	$ 0.30
21-Oct-20	100,000	-	0.40
25-Aug-21	1,725,000	-	0.45
16-Jan-22	725,000	-	0.44
4-Jul-22	1,400,000	-	0.50
1-Sep-22	458,000	-	0.65
4-Oct-22	100,000	-	0.75
4-Apr-23	237,500	137,500	0.80
23-Aug-23	160,000	-	0.50
	6,339,474	137,500	$ 0.47

As at December 31, 2018, the weighted-average remaining contractual life of stock options outstanding was 2.53 years (2017 - 2.95 years).

The fair value of the options granted during the years ended December 31, 2018 and 2017 were calculated using the Black-Scholes model with the following weighted average assumptions:

	2018	2017
Weighted average assumptions:		
Risk-free interest rate	2.08%	1.41%
Expected dividend yield	0%	0%
Expected option life (years)	5.00	5.00
Expected stock price volatility	80%	80%
Weighted average fair value at grant date	$0.50	$0.27

The Company uses expected stock price volatility based on the volatility observed in historical periods.

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND EQUITY RESERVES (continued)

(d) Share purchase warrants

The number and weighted average exercise prices of warrants outstanding as at December 31, 2018 and 2017, were as follows:

	Number of Warrants	Weighted-Average Exercise Price	
Outstanding, December 31, 2016	20,452,419	$	0.63
Granted	17,314,989		0.60
Exercised	(75,000)		0.60
Expired	(4,230,518)		0.75
Outstanding, December 31, 2017	33,461,890	$	0.60
Granted	1,892,473		0.90
Exercised	(9,389,289)		0.60
Expired	(260,416)		0.60
Outstanding, December 31, 2018	25,704,658	$	0.62

The following table summarizes the warrants outstanding and exercisable at December 31, 2018:

Expiration Date	Warrants Outstanding and Exercisable	Weighted-Average Exercise Price	
November 28, 2019	4,733,007	$	0.60
December 18, 2019	1,764,189		0.60
August 14, 2020	5,241,090		0.60
August 21, 2020	1,057,120		0.60
September 6, 2020	11,016,779		0.60
January 9, 2020	1,892,473		0.90
Outstanding, December 31, 2018	25,704,658	$	0.63

As at December 31, 2018, the weighted-average remaining contractual life of warrants outstanding was 1.43 years (2017 - 1.78 years).

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

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:

	Year Ended December 31, 2018		Year Ended December 31, 2017	
Management fees	$	619,784	$	373,260
Salaries		252,693		108,465
Directors' fees		50,000		14,000
Share-based payments		73,434		456,434
	$	995,911	$	952,159

At December 31, 2018, included in accounts payable and accrued liabilities is an amount of $12,186 payable to a director of the Company (2017 - $8,370).

At December 31, 2018, included in accounts payable and accrued liabilities is an amount of $9,000 payable to a company controlled by the Chief Executive Officer ("CEO") of the Company (2017 - $1,000).

At December 31, 2018, the Company had $8,772 in advances and $33,698 in accounts payable to equity investments as described in Note 7 (2017 - $Nil and $33,968).

Accounts payable and accrued liabilities to related parties are non-interest bearing, due on demand and with no specific terms of repayment.

12. FINANCIAL INSTRUMENTS AND RISK

As of December 31, 2018, and 2017, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable.

		December 31, 2018		December 31, 2018
Financial Assets:				
Fair value through profit or loss	$	3,963,688	$	5,292,783
Amortized cost		38,190		52,703
Financial Liabilities:				
Fair value through profit or loss	$	130,703	$	134,493

See Note 3(m) for classifications.

12. FINANCIAL INSTRUMENTS AND RISK (continued)

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.

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 December 31, 2018 as follows:

	Balance as at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash and cash equivalents	$ 3,963,688	$ 3,963,688	-	-

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 risk exposures are described below:

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK (continued)

(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 consist 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 of its oil sales are with one counterparty. However, the Company has not recorded any allowance against its trade receivables because historically all balances owed have been settled in full when due (typically within sixty days of submission).

(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 13 to the consolidated financial statements. The Company held cash at December 31, 2018 in the amount of $3,963,688 (2017 - $5,292,783) in order to meet short-term business requirements.

At December 31, 2018, the Company had current liabilities of $271,627 (2017 - $244,493). Accounts payable and accrued liabilities are due within the current operating period. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2018 are as follows:

	<1 month	1-3 months	4 month - <1 year	2-4 years	Total
Accounts payable and accrued liabilities	271,627	-	-	-	271,627
	271,627	-	-	-	271,627

(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 December 31, 2018. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents included in cash and cash equivalents as a result of lower interest rates is insignificant.

12. FINANCIAL INSTRUMENTS AND RISK (continued)

(c) Market risk (continued)

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 December 31, 2018:

Cash and cash equivalents	USD$	2,257,428
Receivables		19,626
Accounts payable and accrued liabilities		(102,003)
Net exposure	USD$	2,175,051
Canadian dollar equivalents	CDN$	2,966,987

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 $296,699 (2017 - $171,216).

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.

13. 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 December 31, 2018, 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.

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

(Expressed in Canadian dollars)

13. MANAGEMENT OF CAPITAL (continued)

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 twelve months. Cost control measures have been implemented and best efforts will be made to raise additional capital.

14. SEGMENTED INFORMATION, MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

At December 31, 2018, all of the Company's non-current assets (other than financial instruments) are located in Kansas and Oklahoma, USA. Geographical information relating to the Company's non-current assets (other than financial instruments) is presented in Notes 6, 7, and 8.

The Company's revenues of $408,773 (2017 - $391,431) are all attributable to the Company's Kansas properties where sales are recorded from shipments of crude oil and gas. All the Company's revenues are derived from two major customers in Kansas (2017 – one). As of December 31, 2018, 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.

The loss from equity investments of $1,274,696 (2017 – $3,233,315 the income from equity investments) is attributable to the Company's share of loss from its equity investments in Oklahoma (Note 7).

15. GUARANTEES

The Company's subsidiary, Jericho Oklahoma, is one of the guarantors on the Facility with East West Bancorp, Inc. disclosed in Note 7.

16. INCOME TAXES

(a) Income tax expense

Income tax expense included in the consolidated statements of operations and comprehensive income is as follows:

		2018		**2017**
Current income tax expense	$	3,229	$	–
Deferred income tax recovery		–		(718,000)
Total income tax expense (recovery)	$	3,229	$	(718,000)

(Expressed in Canadian dollars)

16. INCOME TAXES (continued)

The reconciliation of income taxes calculated at the Canadian statutory tax rate to the income tax expense is as follows:

		2018		2017
Net income (loss) before income taxes	$	4,061,240	$	6,372,776
Canadian statutory income tax rate		27%		26%
Expected income tax recovery at statutory rate		1,097,000		1,750,000
Tax effect of:				
Permanent differences and other		591,000		130,000
Tax rate changes		26,000		(206,000)
Change in unrecognized deferred income tax assets		(1,714,000)		(956,000)
Deferred income tax recovery	$	–	$	(718,000)

(b) Deferred income tax assets and liabilities

The approximate tax effects of each type of temporary difference that gives rise to potential deferred income tax assets and liabilities are as follows:

		2018		2017
Non-capital losses carried forward	$	3,330,000	$	1,663,000
Petroleum properties		269,000		202,000
Decommissioning provisions		41,000		37,000
Equity investments		(1,920,000)		(1,396,000)
Unrecognized deferred income tax assets		(1,720,000)		(506,000)
Net deferred income tax assets (liabilities)	$	–	$	–

(c) Unrecognized deductible temporary differences:

Temporary differences and tax losses arising in Canada have not been recognized as deferred income tax assets because management has determined it is not probable that sufficient future taxable profits will be earned in Canada to recover such assets. Unrecognized deductible temporary differences are summarized as follows:

		2018		2017
Non-capital losses carried forward	$	1,853,000	$	1,340,000
Share issuance costs		9,000		22,000
Cumulative eligible capital		34,000		34,000
Exploration and evaluation assets		47,000		47,000
Unrecognized deductible temporary differences	$	1,943,000	$	1,443,000

The Company has Canadian noncapital losses for income tax purposes of $6,862,000 (2017 - $4,961,000) which may be carried forward and offset against taxable income.

(Expressed in Canadian dollars)

16. INCOME TAXES (continued)

(c) Unrecognized deductible temporary differences (continued):

The Canadian non-capital losses expire as follows:

Year		Amount
2032	$	110,000
2034		291,000
2035		671,000
2036		1,156,000
2037		1,158,000
2038		1,653,000
2039		1,823,000
	$	6,862,000

The Company has United States net operating losses of $12,146,000 (2017 - $6,412,000) which can be applied against future operating income in the United States, which will begin to expire starting 2035.