JERICHO OIL CORPORATION

(formerly Dakar Resource Corp.)

Condensed Consolidated Interim Financial Statements

September 30, 2014

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 28, 2014

Jericho Oil Corporation

(formerly Dakar Resources Corp.)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

	Note	As at Sep. 30, 2014	As at Dec. 31, 2013
		(Unaudited)	
Assets			
Current			
Cash and cash equivalents		$ 1,799,314	$ 354,520
Receivables	7	145,614	37,862
Prepaid expenses		2,665	1,365
Total current assets		1,947,593	393,747
Non-current			
Deferred cost		-	60,866
Exploration and evaluation asset	8	4,739,519	-
Provision for decommissioning cost	10	185,019	-
Total non-current assets		4,924,538	60,866
Total assets		$ 6,872,131	$ 454,613
Liabilities			
Current			
Accounts payable and accrued liabilities	9	$ 165,066	$ 95,129
Other liabilities			
Decommissioning liabilities	10	185,019	-
Total liabilities		$ 350,085	$ 95,129
Equity			
Share capital	11	7,585,020	1,133,553
Contributed surplus	11	1,020,479	258,255
Accumulated other comprehensive income		561,075	-
Deficit		(2,644,528)	(1,032,324)
Total equity		6,522,046	359,484
Total liabilities and equity		$ 6,872,131	$ 454,613

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved by the Board:

"Allen Wilson"	***"Steve Kenwood"***
Director	Director

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

Jericho Oil Corporation

(formerly Dakar Resources Corp.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	3 months ended		9 months ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Expenses					
Accounting and auditing fees		$ 13,700	$ 39,627	$ 65,969	$ 69,978
Legal fee		4,510	-	75,281	-
Management fee		30,000	-	90,000	-
Consulting fee		81,117	-	163,663	-
Exploration (recoveries)/expenses	8	-	(1,687.00)	-	(1,687)
General and administrative		45,884	12,817.00	133,218	18,531
Investor Relations		100,779	5,000.00	242,942	5,000
Rent		12,756	3,900.00	30,431	11,500
Transaction costs		-	-	-	92,664
Transfer agent and filing fees		-	3,458.00	50,184	10,658
Stock compensation expense		-	-	762,224	-
Foreign exchange gain and loss		(543)	-	3,923	-
		(288,203)	(63,115)	(1,617,835)	206,644
Other income		-	(56,196)	-	(102,208)
Interest income		1,152	1,597	5,631	(2,741)
Net loss for the period		(287,051)	(117,714)	(1,612,204)	101,695
Other comprehensive income (loss)					
Foreign currency exchange differences on translation of foreign subsidiary		(230,301)	-	(561,075)	-
Comprehensive loss for the period		$ (517,352)	$ -	$ (2,173,279)	$ 101,695
Basic and diluted loss per common share		$ (0.05)	$ 0.01	$ (0.05)	$ 0.01
Weighted average number of common shares outstanding		29,936,752	15,225,000	29,936,752	15,225,000

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

Jericho Oil Corporation

(formerly Dakar Resources Corp.)

Condensed Consolidated Interim Statement of Changes in Equity

(Expressed in Canadian dollars)

	Number of shares	Share Capital	Contributed Surplus	AOCI	Deficit	Total Equity
December 31, 2012	15,225,000	$ 1,133,553	$ 258,255	-	$ (815,436)	$ 576,372
Loss for the period	-	-	-	-	(101,695)	(101,695)
September 30, 2013	15,225,000	$ 1,133,553	$ 258,255	$ -	$ (917,131)	$ 474,677
December 31, 2013	15,225,000	$ 1,133,553	$ 258,255	-	$ (1,032,324)	$ 359,484
Issue of common shares for cash	21,826,366	$ 6,547,910	$ -	$ -	$ -	$ 6,547,910
Share issuance cost	-	(97,317)	-	-	-	(97,317)
Share issued under warrant exercise	3,500	875	-	-	-	875
Stock compensation expense	-	-	762,224	-	-	762,224
Other comprehensive gain/loss	-	-	-	561,075	-	561,075
Loss for the period	-	-	-	-	(1,612,204)	(1,612,204)
September 30, 2014	37,054,866	$ 7,585,020	$ 1,020,479	$ 561,075	$ (2,644,528)	$ 6,522,046

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

Jericho Oil Corporation

(formerly Dakar Resources Corp.)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	9 months ended September 30, 2014	9 months ended September 30, 2013
Cash flows from operating activities		
Loss for the period	$ (1,612,204)	$ (101,695)
Item not affecting cash		
Stock compensation expense	762,224	-
Unrealized foreign exchange gain/ loss	561,075	-
(Decrease)/increase in decommissioning liabilities	185,019	-
Changes in non-cash working capital items		
(Increase)/decrease in receivables	(107,752)	10,096
(Increase)/decrease in prepaid expenses	(1,300)	(2,740)
(Decrease)/increase in accounts payable and accrued liabilities	69,937	6,854
Net cash used in operating activities	(143,001)	(87,484)
Cash flows from investing activities		
Deferred cost	60,866	(28,214)
Acquisition of exploration and evaluation asset	(4,739,519)	-
Provision for decommissioning cost	(185,019)	-
Net cash used in investing activities	(4,863,672)	(28,214)
Cash flows from financing activities		
Proceeds from issuance of common shares	6,548,784	-
Reclamation Bond	-	5,007
Share issuance cost	(97,317)	-
Net cash from (used in) financing activities	6,451,467	5,007
Net increase (decrease) in cash	1,444,794	(110,690)
Cash at beginning of period	354,520	560,517
Cash at end of period	$ 1,799,314	$ 449,827

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

1. CORPORATE INFORMATION

The company's name, formerly Dakar Resource Corp, was changed to Jericho Oil Corporation ("The Company") on February 27th 2014, and resumed trading on March 25, 2014 on the TSX Venture Exchange under the symbol "JCO". The address of the Company is Suite 1100-888 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 3K4.

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 incorporated Jericho Oil (Kansas) Corp, in the State of Delaware, United States on January 27, 2014.

The Company is engaged in the acquisition, exploration, development, and production of oil properties. The recoverability of the exploration and evaluation costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of its properties, the selling prices at the time, government policies and regulations, and future profitable production or proceeds from the disposition of such properties.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business, as noted above. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

On January 8, 2014 the Company filed a notice with the British Columbia Securities Commission to change the year end of the Company from September 30 to December 31. As a result, the annual financial statements include the results of the Company for the fifteen month period ending December 31, 2013 with comparatives for the twelve month period ending September 30, 2012.

These financial statements should be read in conjunction with the annual financial statements as discussed in the preceding paragraph and with the Management Discussion and Analysis for the period ended September 30, 2014.

2. BASIS OF PRESENTATION

(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

2. BASIS OF PRESENTATION (continued)

(a) Statement of Compliance (continued)

Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements 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 interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

(b) Basis of Presentation and Measurement

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.

The functional currency of the Company is the Canadian dollar for Jericho Oil Corporations and the U.S. for Jericho Oil (Kansas) Corp. The company presents its financial statements in Canadian dollars, being the currency in which its stock trades.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Exploration and Evaluation Assets (continued)

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 considered to be determinable when proved reserves are determined to exist. A review of each exploration license or area is carried out, at least annually, to ascertain whether proved reserves have been discovered. Upon determination of proved reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment.

E&E assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its 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) 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.

II. Decommissioning Provisions

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provisions are made for the estimated cost of site restoration and 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 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Provisions (continued)

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.

(d) Impairment

The carrying amounts of the Company's property and equipment 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 is determined as the amount that would be obtained from the sale of the asset in arm's length transaction between knowledgeable and willing parties, less the costs of disposal. 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.

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.

(e) Share-based Compensation

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 a share-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to this recorded cost is to Contributed Surplus. The fair value of employee

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Share-based Compensation (continued)

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.

(f) Income/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.

(g) 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.

(h) 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 the asset will be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Taxes (continued)

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.

(i) Foreign Currency Translation

The functional currency of the Company, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Management has determined that the functional currency of the Company's US subsidiary, Jericho Oil (Kansas) Corp, is the United States dollar. The Company's financial statements are presented in the Canadian dollar.

Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the period-end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Entities that have functional currencies other than the Canadian dollars are translated from their functional currencies into Canadian dollars on consolidation. Items in the statement of loss and comprehensive loss are translated using the weighted average exchange rates that reasonably approximate the exchange rate the transaction date. Items in the statement of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the CAD dollar, are recognized in a separate component of equity through other comprehensive income.

(j) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available-for-sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash, accounts receivable, and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

I. Financial Assets

Held-to-maturity

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments are not quoted in an active market and are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of accounts receivable.

Available-For-Sale Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any assets classified as available-for sale.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has classified its cash and cash equivalents at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

I. Financial Assets (continued)

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

II. Financial Liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company does not have any liabilities classified as fair value through profit or loss.

Other Financial Liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Company has classified its accounts payable as other financial liabilities.

The Company may issue compound financial instruments with embedded derivatives. An embedded derivative is separated from its host contract and accounted for as a derivative only when three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

II. Financial Liabilities (continued)

- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of comprehensive income (loss).

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. Subsequent to initial recognition, the host contract liability is measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or accretion expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability on initial recognition.

The embedded derivative is fair valued each reporting period using the Black-Scholes valuation model with changes in the fair value being recognized immediately in earnings.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

(k) Royalty income

From time to time, the Company earns royalties from projects in which it has an interest. These royalties are credited against E&E assets, until the property reaches commercial production, at which time they are included in interest and other income.

(l) Revenues

Revenues associated with the production and sale of crude oil owned by the Company are recognized when title to the product passes to the purchaser, the amount of revenue can be measured reliably, the risks and rewards of ownership of the product have been transferred to the purchaser, and the Company no longer retains control over the product sold. Proceeds from sale of crude oil prior to the commencement of commercial production are not considered revenue and are offset against capitalized costs until economic and technical feasibility is determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Joint Arrangements

As at September 30, 2014, the Company has acquired a 50% working interest in a joint arrangement to conduct oil and gas exploration and development activities on the properties in Eastern Kansas.

The Company has determined that these joint arrangements represent joint operations (IFRS 11). The consolidated financial statements include the Company's share of the assets, liabilities and cash flows of the joint arrangements. The Company combines its share of the joint arrangements' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. Income taxes are recorded based on the Company's share of the joint arrangement's activities.

4. NEW ACCOUNTING STANDARDS

Adoption of new accounting standards

The Company has reviewed recently issued, but not yet adopted, accounting standards in order to determine their impact, if any, on the consolidated financial position, results of operations and cash flows of the Company. Based on the review, the Company does not believe that any of the proposed accounting standards will have a significant impact on its financial position, results of operations or cash flows.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(a) Decommissioning Provisions

These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

(b) Expenditures on Exploration and Evaluation Assets

The application of the Company's accounting policy for expenditures on exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss, in the period the new information becomes available.

(c) Title to Exploration and Evaluation Assets

Although the Company has taken steps to verify title to its properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(d) Income Taxes (continued)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same table entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(e) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility of historical share price, and an appropriate interest rate.

6. 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, 2014, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares, or dispose of assets to adjust the amount of cash.

In order 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, in order 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.

6. MANAGEMENT OF CAPITAL (continued)

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

7. ACCOUNTS RECEIVABLE

	September 30, 2014	December 31, 2013
Amount due from a government agency	$ 4,345	$ 5,334
Receivable from regulator	-	30,000
Receivable from oil purchaser	138,740	-
Other	2,529	2,529
	$145,614	$ 37,862

8. EXPLORATION AND EVALUATION ASSETS

- The Company officially changed its name to reflect its transformation into a growth oriented oil and gas company engaged in the acquisition, exploration, development and production of overlooked and undervalued oil properties.

- The Company received final approval on its National Instrument 51-101 report, on its Kansas Properties. This led to the approval of the closing of the private placement and the purchase of oil land interests, both discussed below.

- The Company raised CDN $6.547 million by way of a non-brokered private placement of 21,826,366 units at $0.30 per unit (the “Offering”), exceeding the Company’s original target of CDN $5.0 million announced in the fourth quarter of 2013.

- Subsequent to the Offering, the Company announced an acquisition of a 50% interest in two, shallow, low-decline oil-producing lease packages located in Kansas, USA (“Kansas Properties”) comprised of 2,688 acres and 51 barrels of oil per day (“bopd”) for approximately CDN$2.716 million (U.S. $2.457 million). Crude oil production has been increasing in Kansas the last 7 years. The governmental environment is supportive of oil production in the state.

- The Company entered into a joint operating agreement with Kansas Resource Exploration & Development LLC (“KRED”), a local, highly-experienced team, as exclusive operator for the exploration and further development of the Kansas Properties.

8. EXPLORATION AND EVALUATION ASSETS (continued)

- In the second quarter, the Company acquired approximately 415 additional acres, "Ekan-3," located within 5 miles of its existing Kansas Properties. Total acreage in Jericho's land bank increased to 3100 acres during the quarter. (See also note 16 Subsequent events).

- During the third quarter, gross daily production from its Kansas oil producing acreage increased to 118 barrels of oil per day, an approximate 130% increase since the Company recommenced trading. (See MD and A to Sept 30, 2014 for more information)

The following table shows acquisition development and decommissioning costs to September 30, 2014:

		September 30, 2014
Acquisition Cost		
Opening balance	$	-
Acquisition Costs		2,692,480
Ending Balance	$	2,692,480
Exploration Costs		
Opening balance	$	-
Development and operating costs		2,537,768
Proceeds from sale of oil		(490,729)
Ending balance		2,047,039
Total exploration and evaluation asset		4,739,519
Decommissioning Costs		
Opening balance	$	-
Provision for decommissioning cost		185,019
Ending balance		185,019
Total E&E and Decommissioning cost	$	4,924,538

The provision for decommissioning costs is the net present value for the cost of rehabilitating the property at the end of its economic life. Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Please refer to note 10 for a breakdown of assumptions used in the calculation of the decommissioning provision.

As at December 31, 2013, the Company had decided not to pursue its prior exploration and evaluation assets, and wrote off all costs related to those interests to $nil.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities

	September 30, 2014	December 31, 2013
Accounts payable	$ 139,848	$ 81,629
Accrued liabilities	25,218	13,500
	$ 165,066	$ 95,129

10. DECOMMISSIONING LIABILITIES

The Company has calculated a decommissioning provision with respect to its Kansas interests of $185,019. The estimate of the decommissioning provision is based on the following assumptions:

Cost of well reclamation	$ 185,019
Discount rate	5%
Reserve life	20 years

Accretion of the decommissioning provision begins when the Company reaches an economic stage of production.

11. SHARE CAPITAL AND EQUITY RESERVES

(a) Authorized share capital

Unlimited common shares without par value

(b) Escrowed shares

As at September 30, 2014, 1,176,032 common shares were held in escrow. All escrowed shares will be have been released by May 28, 2015.

(c) Issued share capital

On February 28, 2014, the Company received regulatory approval to close a non-brokered private placement of 21,826,366 units at $0.30 per unit for gross proceeds in the amount of $6,547,910 in conjunction with the purchase of oil interests in Kansas State, USA (Note 8). Each unit is comprised of one common share and one half warrants with each whole warrant being exercisable into one common share of $0.50 per share for a two year period. Finders' fees in the amount of $91,000 were paid in relation to the private placement. During the second quarter, 3,500 share purchase warrants were exercised at $0.25 per share, increasing the share capital by 3,500 shares with proceeds of $875.

11. SHARE CAPITAL AND EQUITY RESERVES (continued)

(d) 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 ten 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.

On May 31, 2012, the Company granted 450,000 incentive stock options to acquire shares at $0.25 per share until May 31, 2017 to 3 directors and all the stock options are vested immediately. The fair value of these stock options was $106,653 or $0.24 per option.

There were no stock options granted during the year ended December 31, 2013.

On April 1, 2014, the Company granted 3,400,000 stock options at an exercise price of $0.30 for a term of 5 years. The stock compensation associated with the stock options grants was $762,224 or 22 cents per option. 125,000 stock options were forfeited during the quarter.

The grant date fair value of share-based payment plans for the May 31, 2012 and the April 1, 2014 option grants were measured based on the Black-Scholes formula. The inputs used in the measurement of the fair values at grant date of the stock option grants were as follows:

	September, 30 2014	September 30, 2013
Fair value of share options and assumptions		
Expected volatility	100%	105%
Expected life	5 years	5 years
Expected dividends	-	-
Risk-free interest rate	1.67%	1.38%

The number and weighted average exercise prices of the stock options are as follows:

	Number of shares	Exercise price per share
Balance, June 30, 2014	3,850,000	$ 0.29
Granted during the quarter	-	-
Forefieted during the quarter	(125,000)	$ 0.30
Outstanding and exercisable, September 30, 2014	3,725,000	$ 0.29

11. SHARE CAPITAL AND EQUITY RESERVES (continued)

(d) Stock options (continued)

Expiration Date	Number of warrants outstanding and exercisable	Exercise price	Weighted Average exercise price	Remaining Life (years)	Weighted average remaining life (yrs)
31-May-17	450,000	$ 0.25	$ 0.03	2.67	0.37
1-Apr-19	3,275,000	0.30	0.26	4.50	4.50
	3,725,000		$ 0.29		4.87

(e) Share purchase warrants

On February 28, 2014, the Company received regulatory approval to close a non-brokered private placement of 21,826,366 units at $0.30 per unit for proceeds in the amount of $6,547,910 in conjunction with the purchase of oil interests in Kansas State, USA (Note 8). Each unit is comprised of one common share and one half warrant with each whole warrant being exercisable into one common share of $0.50 per share for a two year period.

During the second quarter, 3,500 share purchase warrants were exercised at $0.25 per share. The following table summarizes the warrants outstanding as at September 30, 2014:

Expiration Date	**Number of warrants**	**Exercise price**	**Weighted Average exercise price**	**Remaining Life (years)**	**Weighted average remaining life (years)**
29-May-15	236,500	$ 0.25	0.25	0.66	0.01
28-Feb-16	10,913,183	$ 0.50	0.49	1.41	1.38
	11,149,683		0.49		1.40

No warrants were issued or exercised during the quarter.

12. RELATED PARTIES

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

12. RELATED PARTIES (continued)

	September 30, 2014	September 30, 2013
CEO	$ 90,000	$ 8,000
Fomer CFO	-	5,875
Current CFO	36,000	-
Company of Director of the Company	71,524	66,659
	$ 197,524	$ 80,534

The company owed $60,000 in management fees for CEO, and $21,000 for the current CFO and Corporate Secretary for administration services to the Company during the nine months ended of September 30, 2014. A current director's company received $71,524 for legal work for the nine month period to September 30, 2014. On April 1, 2014, all directors and officers of the Company combined were granted 1,800,000 stock options with a related stock based compensation expense of $403,200 in total.

13. FINANCIAL INSTRUMENTS AND RISK

As at September 30, 2014, the Company's financial instruments consist of cash, accounts receivable, and accounts payable.

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

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

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

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

13. FINANCIAL INSTRUMENTS AND RISK (continued)

The Company believes that the recorded value of 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) Currency risk

As at September 30, 2014, the Company's expenditures are predominantly in Canadian and US dollars, and any future equity raised is expected to be predominantly in Canadian dollars. Future project exploration and development expenditures are expected to be paid primarily in US dollars. A significant change in the relative currency exchange rates between the Canadian dollar and the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. As such, the Company is subject to risk due to fluctuations in the exchange rates for the US and Canadian dollar.

(b) 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.

(c) Liquidity risk

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

The Company manages liquidity risk through its management of capital as outlined in note 6 to the consolidated financial statements. Accounts payable relating to oil and gas interests and other accounts payable and accrued liabilities are due within the current operating period.

13. FINANCIAL INSTRUMENTS AND RISK (continued)

(d) 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 risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly as it moves toward production. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

14. SEGMENTED INFORMATION

The Company operates in two business segments being the acquisition of oil exploration and evaluation assets in the United States and Canada. The Company has oil interests in Kansas, United States.

15. COMMITMENTS

The Company is responsible for making its share of contributions as required by the partners for the development plan for its Kansas interests.

The Company must also pay about $3,500 for monthly rent for its Vancouver office.

16. SUBSEQUENT EVENTS

In October 2014, the Company raised $4,230,517 by way of a non-brokered private placement of 8,461,036 units comprising one common share and one half share purchase warrant exercisable at $0.75 for 2 years from closing. The funds are to be dedicated to finance ongoing drilling, exploration and development of Jericho's producing lease acreage in Kansas.