JERICHO OIL CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
For The Period Ended March 31, 2015
(Expressed in CDN$ unless otherwise indicated)
This document is current in all material respects up to May 29, 2015

Formerly known as Dakar Resource Corp., the company's name became 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", and on the OTCQX exchange in December 2014 under the symbol "JROOF". 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 its 100% owned subsidiary Jericho Oil (Kansas) Corp, in the State of Delaware, United States on January 27, 2014, and also incorporated its 100% owned subsidiary Jericho Oil (Oklahoma) Corp in the State of Delaware on February 18, 2015.

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and follow the same accounting policies and methods of application as the Company's most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company for the three month period ended March 31, 2015, and with the audited annual financial statements for the year ended December 31, 2014.

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. The audited annual financial statements ending December 31, 2013 include the results of the Company for the fifteen month period. The audited annual financial statements ending December 31, 2014 include the results of the Company for the twelve month period.

The Company is engaged in the acquisition, exploration, and development of oil and gas 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.

FORWARD-LOOKING STATEMENTS

This MD&A contains or incorporates by reference forward-looking statements. All statements other than statements of historical fact included or incorporated by reference and that address activities, events or developments that we expect or anticipate may or will occur in the future are forward-looking statements. While any forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business; actual results may vary, sometimes materially, from any estimates, predictions, projections, assumptions or other suggestions of future performance herein. Undue reliance should not be placed on these forward-

looking statements, which are based upon our assumptions and are subject to known and unknown risks and uncertainties and other factors, some of which are beyond our control, which may cause actual results, levels of activity and achievements to differ materially from those estimated or projected and expressed in or implied by such statements. We undertake no obligation to update publicly or revise any forward-looking statements contained herein, and such statements are expressly qualified by this cautionary statement.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Key to the Company's growth is the successful build out of its business model of purchasing and developing overlooked and undervalued oil properties across North America within legacy producing, shallow, low-risk, low-decline oil-based reservoirs. Successful implementation of Jericho's model generates high-margin, oil production from low-risk drilling opportunities. The Company partners with on-the-ground operators with deep and extensive knowledge of local basin geologies and long, successful drilling histories in each respective region. The Company's targeted regions are generally located in fragmented areas, with high ratios of operators-to-production with no one producer dominating the production landscape in the region.

Moreover, the operators within the targeted regions, by and large, continue to be smaller with limited access to sufficient capital and institutional development knowledge. As a result, the Company brings a three-phase systematic asset development plan to revitalize, exploit and expand older oil fields and basins that have been underserved from both a capital and modern technological perspective. The Company believes these underserved basins exist in many areas across the United States and has identified east Kansas and northeast Oklahoma as its core revitalization platforms.

Most recently, due to the precipitous drop in the price of oil, Jericho has been afforded the opportunity to acquire production, reserves and cash flow, at appreciable discounts to the long-term intrinsic value of oil and gas assets. While many companies "manage" through the historical oil price downturn, Jericho has shifted its focus from drilling and development to creating shareholder value through acquisitions. In an environment when prices are generally falling, fear of loss causes investors to focus solely on the possibility of continued price declines to the exclusion of investment fundamentals. Accordingly, acquisition pricing for production and reserves have fallen considerably with the price of oil. As larger, leveraged companies increasingly went after more expensive and costly reserves, their business models were heavily impacted because of the price drop. Because of this, these companies are now looking to shore up balance sheets by selling their assets. As such, Jericho is actively looking but remains patiently aggressive on the acquisition front.

Kansas Platform

The Company's build out strategy in Kansas includes assets across several counties in Kansas including, but not limited to Johnson, Douglas, Miami, Linn, Allen, and Franklin, which bear consistent geologic attributes and are located in areas of prior and/or ongoing oil production. The Company has targeted sub -1,000 ft. producing zones, including the Bartlesville, Cattleman, Peru, Wayside, Weiser and Squirrel Sandstones within the Cherokee geologic grouping. The Company typically utilizes primary and secondary recovery techniques, particularly water flooding when appropriate, to develop new production and/or increase production and estimated ultimate recoveries.

Wells have been drilled on a leasehold basis following 2.5-acre spacing (330 feet) intervals and 5-spot water flood patterns to optimize well productivity without interrupting the reservoir pressure required

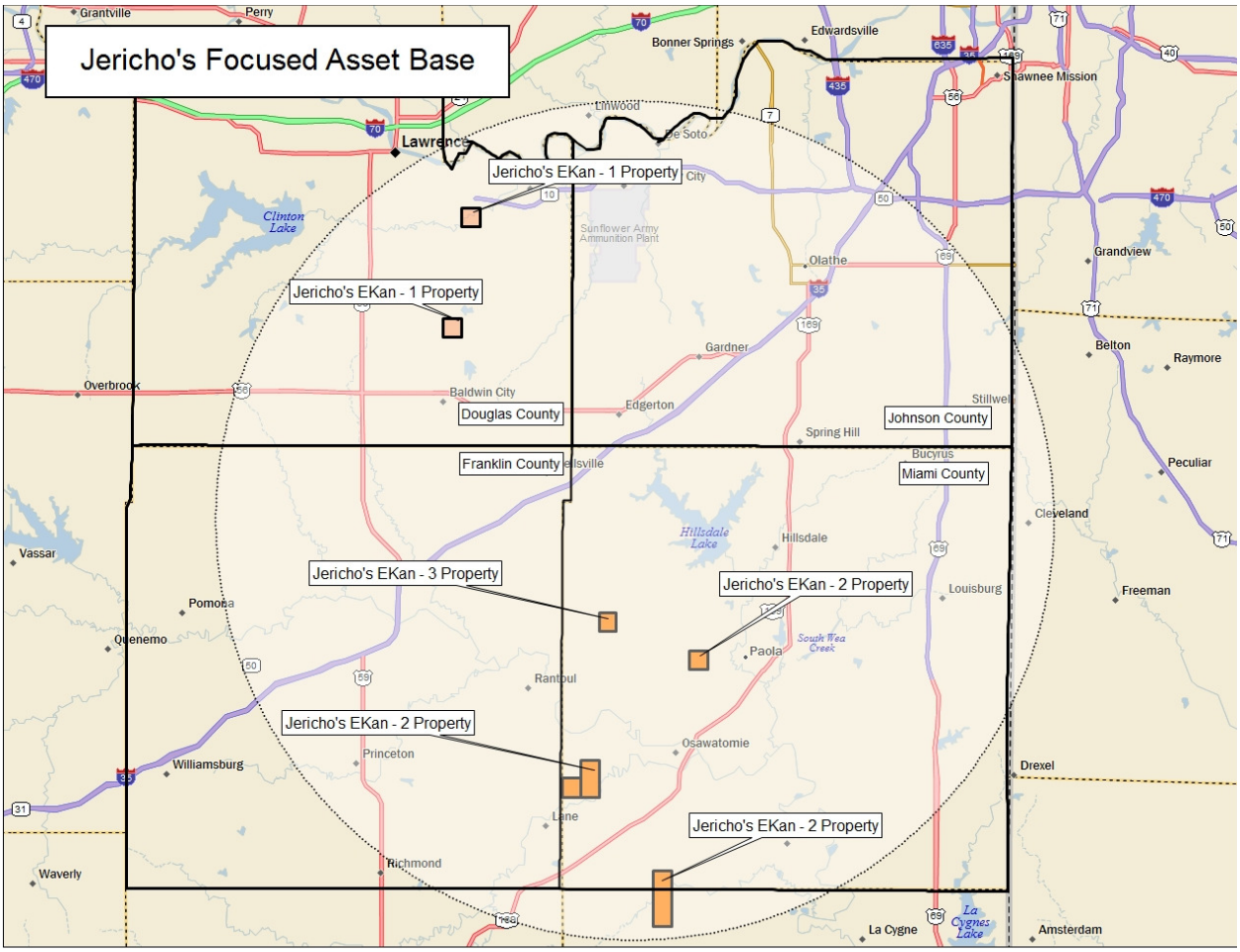
to successfully produce an asset's recoverable reserves. Water flooding is used to re-pressurize oil reservoirs and push oil from water injection points towards producing wells. The technique is well established as a cost-effective and reliable method for increasing the recoverable reserves and the productive lives of oil fields in Jericho's targeted regions.

Once producing, wells in the region typically enjoy productive lives of 15-30 years subject to relatively modest decline rates of 7% to 10% per year.

During the fourth quarter, the Company successfully completed drilling of its Phase II development program, which saw gross daily production from its Kansas oil producing acreage average approximately 128 barrels of oil per day in December 2014 with cumulative monthly production exceeding 3,850 barrels (for 100% working interest). The increase in gross production represents an approximately 150% increase since Jericho recommenced trading on the TSX Venture on March 25, 2014. The development program called for 25 vertically producing wells and 25 water injection wells to be drilled, equipped and completed into known producing formations during the fourth quarter. The Company exceeded its original estimates by drilling and completing approximately 70 producing and water injection wells during the fourth quarter. Since the acquisition of its core properties in east Kansas in March, 2014, Jericho has successfully drilled and completed over 174 producing and water injection wells.

The close proximity of the Company's properties should contribute to lower overhead and operating costs at the operator level (See Map of Jericho's Focused Asset Base Below). As the Company increases its oil production on the acquired properties, the Company expects its "per barrel" cost structure will benefit from economies of scale, particularly through greater utilization of its existing infrastructure over a large number of wells.

Current drilling operations are funded by cash on hand and current cash flow from existing production on the Kansas Properties.



Current Quarter Activity

On March 6, 2015, Jericho announced that it closed on the US$42,750 acquisition of a 50% working interest in 1,850 acres in northeastern Oklahoma. The acquired acreage has both oil and gas production of approximately 7 BOE per day. The acquisition was funded by cash on hand.

Oklahoma, Jericho's second platform, is a natural extension of the Company's strategy to acquire shallow, vertical, long-lived, stripper oil wells within historically producing, mature oil and gas fields which have been either neglected or abandoned. The Cherokee basin, a 15-county region where the leases are located, runs from southeast Kansas down through northeast Oklahoma and bears the same shallow (400 – 900 feet) geological formations as Jericho currently operates within Kansas. The basin is a mature producing area with known oil reservoirs such as the Bartlesville and other Pennsylvanian age sandstones, which were initially discovered and developed beginning in the early 1900's. The region is also known for its extensive blanket-like deposit of Coal Bed Methane ("CBM") seams. Jericho has targeted Oklahoma as a growth platform as it ranks second in terms of the Company's addressable market with regards to the amount of stripper oil wells and it's historically, highly productive secondary recovery application. Moreover, Oklahoma ranks fifth in crude oil production and fourth in natural gas production and continues to be an industry friendly state.

Subsequent Activity

Jericho sees growth opportunities in the current environment of lower oil prices and is focused on acquisition opportunities to bring high-quality productive assets into its portfolio throughout the commodity price cycle.

On May 27, 2015, Jericho announced that it had signed a purchase and sale agreement to acquire a 50% working interest in producing wells and leaseholds in northeastern Oklahoma for a total cash consideration of $762,500 from Chaparral Energy. The asset, which produces approximately 80 gross barrels of oil equivalent per day (to the 100% WI), is in areas complementary to Jericho's existing operations in northeast Oklahoma and allows Jericho to purchase production (97% Oil, 3% Gas), reserves, cash flow and equipment at an appreciable discount from the underlying value of the asset**.**

The following table represents the development activity to March 31, 2015 for the Company's interests in Canadian Dollars.

	March 31, 2015	**December 31, 2014**
Cost:		
Balance, December 31, 2014	6,257,478	-
Acquisition costs	100,732	3,087,076
Development costs	266,524	3,109,946
Decommissioning costs	-	224,088
Proceeds from sale of property	-	(163,632)
Movement in foreign exchange rates	583,621	-
Balance, March 31, 2015	7,208,355	6,257,478
Accumulated depletion:		
Balance, December 31, 2014	143,523	-
Depletion	61,664	136,644
Accretion	3,330	-
Movement in foreign exchange rates	14,805	6,879
Balance, March 31, 2015	223,322	143,523
Net Carrying value (per financial statements):	6,985,033	6,113,955

The provision for decommissioning costs is the net present value for the cost of rehabilitating the property at the end of its economic life. Please refer to note 10 of the Company's Financial Statements for a breakdown of assumptions used in the calculation of the decommissioning provision. The Company committed to making a cash payment of $150,000 in 2015.

Breakdown of oil reserves from independent NI 51-101 reserve report as at December 31, 2014:

	L&M Crude Oil	
	Gross	Net
Reserve Category	(Mbbl)	(Mbbl)
Proved Producing	210	180
Proved Non-Prod.	35	30
Proved Undeveloped	252	215
Total Proved	**497**	**424**
Total Probable	**300**	**257**
Proved + Probable	**797**	**681**

The NI 51-101 oil reserve report as at December 31, 2014 indicated a net present value of US$13,613,000 using a discount rate of 10% over the life of the Kansas properties.

ENVIRONMENTAL LIABILITIES

The Company is not aware of any environmental liabilities or obligations associated with its acquired property interests, the Company having conducted its operations in a manner that is consistent with governing environmental legislation.

OFF-BALANCE-SHEET ARRANGEMENTS

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

SELECTED FINANCIAL INFORMATION

SUMMARY OF QUARTERLY RESULTS (CDN$)

Quarter Ended	03/31/2015	12/31/2014	09/30/2014	06/30/2014	03/31/2014	12/31/2013	09/30/2013	06/30/2013
Gain/(Loss) for the period	$518,541	($80,101)	($287,051)	($1,141,659)	($183,494)	($85,097)	($64,803)	($21,096)
Basic and diluted loss per share	$0.01	($0.00)	($0.05)	($0.04)	($0.01)	($0.01)	$0.00	$0.00

QUARTERLY ANALYSIS

The following quarterly analysis should be read in the context that the Company transformed from a mineral resource company to an oil and gas company one during 2014. Quarterly comparisons at this stage do not match activities based on the same corporate or operational circumstances.

Jericho Oil Corporation

- The net gain for the quarter ended March 31, 2015, of $518,541, included $175,647 in revenues, $879,719 foreign exchange gain due to US dollar appreciation, $103,881 consulting fee, $61,664 depletion costs, and $43,699 investor relations fee. Operating production costs of $157,115 include $17,288 spent in Oklahoma. Therefore Kansas production costs were actually $139,827, representing $35,820 operating profit for the quarter from Kansas.
- The net loss for the quarter ended December 31, 2014, of $80,101, included $430,500 stock compensation expenses, $136,644 depletion costs, $496,990 foreign exchanges gain, $103,926 consulting fee, and $160,678 gross operating profit.
- The net loss for the quarter ended September 30, 2014, of $287,051 included Legal fees of $4,510, Accounting fees $13,700, Management fee $30,000, Consulting fee $81,117, Investor relation fee $100,779.
- The net loss for the quarter ended June 30, 2014, of $1,141,659 included Legal fees of $22,479, Accounting fees $20,500 (including $16,269 audit costs), Management fee $36,000, Consulting fee $82,546, Stock compensation expense $762,224, and Investor relations fee $138,566.
- The net loss for the quarter ended March 31, 2014, of $183,494 consisted primarily of legal fees of $48,292, accounting $31,769 (including $13,260 audit costs), Management fee $24,000, Transfer agent, and Filing fees $41,868.

Dakar Resource Corp.

- December 31, 2013 - $85,097 accounting and professional fees of $7,848, consulting fees of $61,898, transaction cost of $29,138
- September 30, 2013- $38,547 Accounting and professional fees, consulting fees $1,080
- June 30, 2013 – Accounting and professional fees of $8,884, consulting fees of $1,800

SELECTED ANNUAL INFORMATION

The following table shows selected financial information for the three month ended March 31, 2015, and 2014 fiscal years. It should be noted that for 2012 and 2013 the company was engaged in exploration and evaluation activities, and in 2014 it was active in development of oil production. As such there is limited comparative value of the current year compared with prior years.

	3 Months ended 31-Mar-15	12 Months ended* 31-Dec-14
Revenue	175,647	766,031
Net income (loss)	518,541	(162,305)
Net income per share	0.01	(0.05)
Cash	4,238,355	4,738,525
Total assets	11,372,793	11,004,660

* March - December 2014

Net income gain for the first quarter of 2015 include $879,719 foreign exchange gain due to US dollar appreciation. Net Income (loss) for 2014 includes $1,192,724 in non-cash stock compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

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

As at March 31, 2015, the Company had cash of $4,238,355 (Dec. 31, 2014 $4,738,525), total assets of $11,372,793 (Dec. 31, 2014 $11,004,660), and working capital of $4,128,219 (Dec. 31, 2014 $4,524,945).

There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all.

The Company has increasing, but as yet, limited operating revenues and therefore must utilize its current cash reserves, funds obtained from the exercise of warrants and other financing transactions to maintain its capacity to meet ongoing operating activities. As at March 31, 2015, the Company had 45,542,402 common shares issued and outstanding (December 31, 2014 - 45,515,902).

On October 20, 2014, the Company announced it closed on its non-brokered private placement financing by issuing 8,461,036 units at $0.50 per Unit for proceeds of $4,230,517. All subscribers of the Offering were existing shareholders of Jericho. The new financing was used primarily to advance the development of the Company's oil leases in Kansas and was also be used to acquire additional lease acreage.

On October 29, 2014, the Company added an additional 150 acres to its core area of development. The acquired acreage is contiguous to a 320 acre block Jericho targeted during its Phase I development with better than expected results. The acquisition brought Jericho's total lease acreage position to over 3,750 acres.

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

TRANSACTIONS WITH RELATED PARTIES

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

	3 months ended March 31, 2015	3 months ended March 31, 2014
Management fees paid or accrued to CEO	$ 30,000	$ 24,000
Management fees paid or accrued to CFO	21,000	12,000
Legal fees paid or accrued to company owned by director	2,391	44,871
	$ 53,391	$ 80,871

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 $624,000 in total.

SIGNIFICANT ACCOUNTING POLICIES

For Summary of Significant Accounting Policies, please refer to the note 3 in the condensed consolidated interim financial statements for the Company for the period ended March 31, 2015.

NEW ACCOUNTING STANDARDS AND INITIAL ADOPTION

New accounting standards adopted effective January 1, 2014

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2014 had no significant impact on the Company's consolidated financial statements for the periods presented:

IAS 36 – Impairment of Assets

In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Future changes in accounting standards, which are not yet effective at March 31, 2015

IFRS 15 – Revenue from Contracts with Customers

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

recognition. The standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRS 9 – Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of 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 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 our accounting policies. Significant judgments relate to the determination of the recovery of accounts receivable, amortization, depreciation, depletion and impairment of petroleum properties, petroleum and natural gas reserves, decommissioning provisions, deferred income tax assets and liabilities, and assumptions used in valuing options in share-based payments calculations. The financial statement areas that require significant estimates and judgments are set out in the following paragraphs:

Oil and Gas Accounting—Reserves Determination

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 and natural gas reserves and related future net cash flows, we incorporate 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 oil properties and for impairment purposes as described in Note 3(c).

Petroleum Properties

The Company evaluates long-lived assets (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 internal 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 statement of income and the resulting carrying values of assets.

Joint Arrangements

The Company may be a party to an arrangement in which they do not have control. Judgment is required in determining whether joint control over such arrangements exists and if so, which parties have joint control and whether each arrangement is a joint venture or joint operation. In assessing whether the Company has joint control, management analyzes the activities of each arrangement and determines which activities most significantly affect the returns of the arrangement. These activities are determined to be the relevant activities of the arrangement. If unanimous consent is required over the decisions about the relevant activities, the parties whose consent is required would have joint control over the arrangement. The judgments around which activities are considered the relevant activities of the arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently.

When performing this assessment, the Company considers decisions about activities such as managing the asset during its life, acquisition, expansion and dispositions of assets, financing, operating and capital decisions. Management may also consider activities including the approval of budgets, appointment of key management personnel, representation on the board of directors and other items. If management concludes that we have 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 we have rights to the assets, and obligations for the liabilities, relating to the arrangement or whether we have 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 us 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 we may consider the application of other facts and circumstances to conclude that a joint arrangement is a joint operation is appropriate. This conclusion requires judgment and is specific to each arrangement.

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

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 in regards to shared infrastructure, geographical proximity, resource type and materiality. Based on management's assessment, the Company's the properties in Eastern Kansas (Note 8) form one CGU.

Decommissioning Provisions

In estimating our future asset retirement obligations, we make 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 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.

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.

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 March 31, 2015, 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 increase 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.

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

FINANCIAL INSTRUMENTS AND RISK

As at March 31, 2015, the Company's financial instruments consist of cash, accounts receivable, and accounts payable.

	March 31, 2015	December 31, 2014
	$	$
Financial Assets:		
Fair value through profit or loss	4,238,355	4,738,525
Loans and receivables	82,107	108,213
Financial Liabilities:		
Other financial liabilities	221,974	323,103

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

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

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

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

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's consolidated statements of financial position as at March 31, 2015 as follows:

	Balance at March 31, 2015	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	4,238,355	4,238,355	-	-

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

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

(a) Credit risk

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

The Company's cash and cash equivalents are held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's accounts receivable 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 to-date all balances owed have been settled in full when due (typically within 60 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 6 to the condensed consolidated interim financial statements. The Company had cash and cash equivalents at March 31, 2015 in the amount of $4,238,355 (2014 - $4,738,525) in order to meet short-term business requirements. At March 31, 2015, the Company had current liabilities of $259,541 (2014 - $365,760). Accounts payable and accrued liabilities are due within the current operating period. Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2015 are as follows:

	<1 month	1-3 months	4 month - <1 year	2-4 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	259,541	-	-	-	259,541
Office lease	3,750	7,500	33,750	135,000	180,000
	263,291	7,500	33,750	135,000	439,541

(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, 2014. 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.

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 March 31, 2015:

Cash and cash equivalents	USD$	2,128,279
Receivables		54,849
Accounts payable and accrued		(165,700)
Net exposure	USD$	2,017,428
Canadian dollar equivalents	CDN$	2,558,704

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 $880,000, since there significant fluctuations between the US and Canadian dollar during the period.

Price risk

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

Exploration, Development and Production Risks

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

Without the continual addition of new reserves, any existing reserves the Company may have at any particular time, and the production there from, will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on its ability to explore and develop properties it may have from time to time, but also on its ability to select and acquire suitable

producing properties and prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Company may determine that current markets, terms of acquisitions and participation or pricing conditions make such acquisitions or participations uneconomic.

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

Operational Dependence

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

Regulatory

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

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal laws, local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the

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

OUTLOOK

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

PROPOSED TRANSACTIONS

None.

SHARE CAPITAL

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

Share Capital	$	11,727,096
Common shares issued		45,553,567
Stock options outstanding		3,575,000
Warrants outstanding		15,342,551
Total share capital outstanding		64,471,118

DIRECTORS AND OFFICERS

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

Directors:	**Officers:**	**Title**
Allen Wilson	Allen Wilson	Chief Executive Officer
Steve Kenwood	Robin Peterson	Chief Financial Officer
Nicholas W. Baxter		
Gerald R. Tuskey		

There were no resignations or appointments of Directors or Officers during the quarter.

ADDITIONAL INFORMATION

Additional information relating the Company is available on SEDAR at www.sedar.com

Board Approval

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

On Behalf Of the Board of Directors

/s/ Allen Wilson

Allen Wilson