JERICHO OIL CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
For the year ended December 31, 2016
(Expressed in CDN$ unless otherwise indicated)
This document is current in all material respects up to May 1st, 2017

INTRODUCTION

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

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

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

We are an independent crude oil and natural gas company engaged in the exploration, development and production of crude oil and natural gas. We derive most our revenue, operating income, and cash flows from the sale of crude oil and natural gas and expect this to continue in the future. Our operations are primarily focused on exploration and development activities in the Mississippi Lime, Woodford Shale and Hunton formations in Central and Northeast Oklahoma. As at the third quarter end, the Company had over 75,000 acres of developed and undeveloped acreage.

Statement of 100% joint venture partners’ income expressed in US dollars to December 31, 2016

	Year Ended December 31, 2016
Oil (BBL)	147,074
NGL (BBL)	16,677
Natural Gas (MCF)	356,552
Total Production (BOE)	223,176
Average daily production (BOE/d)	610
Operating Results per BOE:	US$
Oil sales ($/BBL)	$39.73
NGL sales ($/BBL)	18.28
Natural gas sales ($/MCF)	1.92
Total sales ($/BOE)	$30.62

Statement of 100% joint venture partners' income expressed in US dollars to December 31, 2016 (continued)

Lease operating expenses ($/BOE)	$20.85
Operating Results	
Oil sales	$5,843,685
NGL sales	304,807
Natural gas sales	686,254
Salt water disposal income, net	116,270
Administrative overhead income, net	54,097
Equipment service income, net	278
Equipment rental income, net	122
Operating revenues	7,005,513
DIT Recovery	1,367,910
Gain on purchase	10,218,259
Interest income	914
Other income	3,162
Total income	18,595,758
Lease operating expenses	4,652,571
Oil and gas production taxes	452,558
Depreciation, depletion, and amortization	3,293,013
Accretion of discount on asset retirement	247,195
General and administrative	774,744
Total operating costs and expenses	9,420,080
Loan interest expenses	97,253
Fair value adjustment on derivatives	1,095,813
Net income (loss) as reported	$7,982,612

Statement of 100% joint venture partners' income expressed in US dollars to December 31, 2016 (continued)

Net income (loss) as reported	$7,982,612
Loss on derivatives, plus	1,095,813
Interest expense, plus	97,253
Income taxes, plus	-
Depreciation, plus	3,293,013
Accretion, plus	247,195
Non-cash and extraordinary items, plus	(11,586,169)
Total Adjusted Income	$1,129,716

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

Reconciliation of 100% Joint Venture partner's income table to the company's share of Joint Venture income to December 31, 2016, based on IFRS.

Year ended December 31, 2016	Eagle Road	Lurgan	Buckmanville	Total
100% Net income (loss) in US$	9,379,406	(260,837)	(1,135,957)	7,982,612
100% Net income (loss) in CDN$	12,423,023	(345,480)	(1,504,574)	10,572,969

Year ended December 31, 2016	Eagle Road	Lurgan	Buckmanville	Total
100% Net income (loss) in US$	9,379,406	(260,837)	(1,135,957)	7,982,612
Jericho's ownership	50%	50%	25%	
Jericho's share of net income (loss) in US$	4,689,703	(130,418)	(283,989)	4,275,296
Jericho's share of net income (loss) in CDN$	6,211,512	(172,739)	(376,144)	5,662,629

Fourth Quarter results

During the Quarter ending December 31, 2016, the Company began the evaluation process for workover and re-stimulation opportunities at its recent acquisition from Enervest. The acquisition included 62 horizontal wellbores many of which were not producing at acquisition due to capital constraints of the previous owner of the project and some of which were not fully stimulated when initially completed. A large portion of the fourth quarter was spent on delineating the various Mississippian Lime benches and

which were contributing to the current production. This effort was led by the Company's new head of Engineering, Dennis Webb. Dennis joined Jericho's joint venture operating entity Eagle Road Oil, LLC in the fourth quarter. He brings with him 30+ years of engineering experience with his most recent efforts being in the design, development and production of Mississippi Lime and Woodford horizontal wells in Oklahoma.

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

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

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

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

Subsequent to the year end, the senior revolving credit facility described in Note 10 was increased to USD $12,000,000. There were no material changes to the terms that are described in Note 10 of the annual financial statements as a result of the increase.

Third Quarter Results

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

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

During the quarter, Jericho and its Joint Venture partners` monthly gross production increased 28% from the second quarter of 2016. The increase is attributed to both the Enervest acquisition and continued operating improvements being implemented throughout the various assets. It is worth noting that July production did not include the Enervest acquisition which closed on August 1st. The operating team continues to add best in the basin technical experts, welcoming experienced geologist Shane Matson to its geology team. These recent acquisitions strengthen the foundation from which Jericho will seek to grow its production through future acquisitions and development.

Second Quarter results

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

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

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

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

First quarter results

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

Prior Year

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

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

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

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

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

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

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

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

ENVIRONMENTAL LIABILITIES

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

OFF-BALANCE-SHEET ARRANGEMENTS

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

SELECTED FINANCIAL INFORMATION

SUMMARY OF QUARTERLY RESULTS (CDN$)

Quarter Ended	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/30/2015	9/30/2015	6/30/2015	3/31/2015
Gain/(Loss) for the period	3,135,659	(1,326,514)	607,861	(874,974)	(1,357,842)	237,209	(497,266)	518,541
Basic and diluted loss per share	0.07	(0.02)	0.01	(0.04)	(0.01)	(0.01)	(0.01)	0.01

QUARTERLY ANALYSIS

Jericho Oil Corporation

- The net gain $3,135,659 for the current quarter ended December 31, 2016 includes year end adjustments of share of income from joint ventures of $5,662,629 and impairment of petroleum properties of $1,125,386 The net loss for the quarter ended December 31, 2015 $1,357,842 was due to an impairment write-down on Kansas property of $4,141,504, offset by a share of income from joint ventures of $6,788,887. The net loss was also a result of a deferred tax expense recognized in the quarter of $1,470,000 due to the difference between accounting and tax value of investments in joint ventures.

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

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

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

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

- The net loss for the quarter ended December 31, 2015 of $1,357,842 was due to an impairment write-down on Kansas property of $4,141,504, offset by a share of income from joint ventures of $6,788,887. The net loss was also a result of a deferred tax expense recognized in the quarter of $1,470,000 due to the difference between accounting and tax value of investments in joint ventures.

- The net income for the quarter ended September 30, 2015, of $237,209 was due to a foreign exchange gain of $708,879 recognized in the quarter.

- The net loss for the quarter ended June 30, 2015 of $476,266 was due to a foreign exchange loss for the quarter of $72,973.

- The net income for the quarter ended March 31, 2015, of $518,541 was due to a foreign exchange gain due to US dollar appreciation of $879,719.

SELECTED ANNUAL INFORMATION

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

	Year ended 31-Dec-16	Year ended 31-Dec-15	Year ended 31-Dec-14
Revenue	410,235	678,711	766,031
Net income (loss)	1,542,032	(1,099,358)	(1,692,305)
Net income per share	0.02	(0.02)	(0.05)
Cash	5,045,170	1,675,131	4,738,525
Total assets	27,523,020	19,793,963	11,004,060
Total current financial liabilities	362,850	175,275	322,103

LIQUIDITY AND CAPITAL RESOURCES

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

As at December 31, 2016, the Company had cash of $5,045,170 (December 31, 2015 -$1,675,131), total assets of $27,523,020 (December 31, 2015 - $19,793,963), and working capital of $5,008,620 (December 31, 2015 - $1,967,071).

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

The Company has increasing, but limited operating revenues and therefore must utilize its current cash reserves, funds obtained from the exercise of warrants and other financing equity or credit financing to maintain its capacity to meet ongoing operating activities.

As at December 31, 2016, the Company had 78,840,404 common shares issued and outstanding (December 31, 2015 - 45,752,402).

On December 28, 2016, the Company closed a non-brokered private placement of 3,653,378 units at $0.40 per unit for gross proceeds of $1,461,351. Each unit consisted of one common share and one-half of purchase warrant, with each full warrant being exercisable into one common share of the Company at $0.60 for a period of 3 years from closing.

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

On November 28, 2016, the Company closed a non-brokered private placement of 9,811,014 units at a price of C$0.40 per Unit for gross proceeds of CDN$3,924,405. Each Unit is comprised of one common

share and one half warrant with each full warrant being exercisable into one additional common share at a price of $0.60 per share for a period of 36 months from closing.

On April 13, 2016, the Company closed a non-brokered private placement of 1,625,000 units at $0.40 per unit for gross proceeds of $650,000. Each unit is comprised of one common share and one half warrant with each full warrant being exercisable into one additional common share at $0.60 per share for a period of two years from closing. Please refer to Note 14 SHARE CAPITAL of the company's annual financial statements for complete detail of the company's share structure.

On January 12, 2016, the Company closed a non-brokered private placement of 17,323,610 units at a price of $0.40 per unit for gross proceeds of $6,929,019. Each unit consisted of one common share and one-half of purchase warrant, each full purchase warrant entitling the holder to purchase one common share of the Company at $0.60 until January 12, 2018.

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

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:

		Year Ended at December 31, 2016		Year Ended at December 31, 2015
Management fees	$	334,586	$	249,000
Directors' fees		6,000		6,000
Legal fees paid or accrued to company owned by director		13,140		33,839
	$	353,726	$	288,839

During the year ended December 31, 2016, directors and officers of the Company were granted stock options with a related share-based payment expense of $231,192 (2015 - $15,578).

Included in accounts payable and accrued liabilities is $Nil in amounts payable to directors (2015 - $1,500). This amount is due on demand and has no specific terms of repayment.

At December 31, 2016, the Company had $15,525 (2015 - $362,954) in advances to joint ventures described in Note 10 that has been included in accounts receivable as other receivables (Note 7).

At December 31, 2016, the Company had $114,130 (2015 - $Nil) in accounts payable to joint ventures described in Note 10.

NEW ACCOUNTING STANDARDS

New accounting standards adopted effective January 1, 2016

The following standards were adopted for year ended December 31, 2016:

Amendments to IAS 1 – Presentation of Financial Statements

Amendments to IAS 16 – Property, Plant and Equipment

IFRS 10 – Consolidated Financial Statements.

Accounting standards and amendments issued but not yet effective

Several new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

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

The following standards will be adopted by the Company effective January 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 Statement of Cash Flows. The amendment to IAS 7 requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the company's disclosures.

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

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

application permitted. The Company is currently assessing the impact of this standard.

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Joint arrangements

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

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

arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently. When performing this assessment, the Company considers decisions about activities such as managing the asset during its life, acquisition, expansion and dispositions of assets, financing, operating and capital decisions.

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

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

Business combinations

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

Cash generating unit (CGU)

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

Income taxes

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

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

Oil and gas — reserves

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

Petroleum properties

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

Impairment testing

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

Decommissioning provisions

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

ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political and safety environments.

Share-based payments

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

MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company does not have any externally imposed capital requirements to which it is subject. As at December 31, 2016, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and adjusts 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 on hand.

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

At this stage of the Company's development, 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 12 months. Cost control measures have been implemented and best efforts will be made to raise additional capital.

FINANCIAL INSTRUMENTS AND RISK

As at December 31, 2016 and 2015, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable.

		2016		2015
Financial Assets:				
Fair value through profit or loss	$	5,045,170	$	1,675,131
Loans and receivables	$	60,890	$	404,797
Financial Liabilities:				
Other financial liabilities	$	248,720	$	111,620

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

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

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

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

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's consolidated statement of financial position as of December 31, 2016 as follows:

	Balance at December 31, 2016	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	$ 5,045,170	$ 5,045,170	-	-

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

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

(a) Credit risk

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

The Company's cash and cash equivalents are held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's accounts receivable consists mainly of oil sales and purchase taxes remitted from the Government of Canada. The Company is exposed to a significant concentration of credit risk with respect to its trade

accounts receivable balance because all its oil sales are with one counterparty. However, the Company has not recorded any allowance against its trade receivables because to-date all balances owed have been settled in full when due (typically within 60 days of submission).

(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 consolidated financial statements. The Company had cash at December 31, 2016 in the amount of $5,045,170 (2015 - $1,675,131) to meet short-term business requirements.

At December 31, 2016, the Company had current liabilities of $362,850 (2015 - $175,275). Accounts payable and accrued liabilities are due within the current operating period. Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2016 are as follows:

	<1 month	**1-3 months**	**4 month - <1 year**	**2-4 years**	**Total**
Accounts payable and accrued liabilities	$ 362,850	-	-	-	$ 362,850
	$ 362,850	-	-	-	$ 362,850

(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, 2016. The risk that the Company will realize a loss because of a decline in the fair value of the cash equivalents included in cash and cash equivalents 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 December 31, 2016:

Cash and cash equivalents	USD$	2,384,853
Receivables		24,454
Accounts payable and accrued liabilities		(119,846)
Net exposure	USD$	2,289,461
Canadian dollar equivalents	CDN$	3,074,059

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 $307,406.

Price risk

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

Exploration, Development, and Production Risks

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

Without the continual addition of new reserves, any existing reserves the Company may have at any time, and the production there from, will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on its ability to explore and develop properties it may have from time to time, but also on its ability to select and acquire suitable producing properties and prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Company may determine that current markets, terms of acquisitions and participation or pricing conditions make such acquisitions or participations uneconomic.

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

rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Operational Dependence

An unrelated party operates all the producing wells in Kansas. 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 several factors that may be outside of the Company's control, including the timing and amount of capital expenditures, the operator's expertise, the approval of other participants, and the selection of technology and risk management practices.

Regulatory

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

Environmental

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

CONTINGENT LIABILITIES

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

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

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

OUTLOOK

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

PROPOSED TRANSACTIONS

None.

SHARE CAPITAL UPDATE

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

Share Capital	$ 25,056,897
Common shares Issued	78,840,404
Stock Options Outstanding	5,950,000
Warrants outstanding	20,452,419
Total Share Capital Outstanding	105,242,823

DIRECTORS AND OFFICERS

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

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

On January 2017, the company appointed Markus Seywerd to the Board of Directors. Mr. Seywerd is Chief Investment Officer and Co-Founder of Park Lane Capital SIVAC plc., a London based investment management firm.

FORWARD-LOOKING STATEMENTS

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

ADDITIONAL INFORMATION

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

Board Approval

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

On Behalf of the Board of Directors

/s/ Allen Wilson

Allen Wilson