JERICHO OIL CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
For the quarter ended June 30, 2016
(Expressed in CDN$ unless otherwise indicated)
This document is current in all material respects up to August 29, 2016

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 principal address of the Company is 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.

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and follow the same accounting policies and methods of application as the Company's most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual financial statements and the current consolidated interim statements, which were also prepared in accordance with IFRS, as issued by the IASB.

This Management Discussion and Analysis is expressed in Canadian dollars (unless otherwise stated).

The financial statements were approved and authorized for issue by the Board of Directors on August 29th, 2016.

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 the majority of 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 of the second quarter end, the Company has over 50,000 acres of developed and undeveloped acreage.

Statement of 100% joint venture income expressed in US dollars to June 2016

	Three months ended June 30, 2016	Six months ended June 30, 2016
Oil (Bbl)	30,717	65,328
Natural Gas (Mcf)	57,160	161,798
Total Production (Boe)	40,244	92,295
Average daily production (Boe/d)	442	507
Operating Results per Boe:		
Oil sales ($/Bbl)	$ 42.73	$ 36.71
Natural gas sales ($/Mcf)	$ 2.56	$ 2.23
Oil & natural gas sales ($/Boe)	$ 35.78	$ 29.37
Lease operating expenses ($/Boe)	$ 24.24	$ 20.74
Operating Results		
Oil sales	$ 1,293,820	$ 2,349,253
Natural gas sales	146,104	361,582
Saltwater disposal income, net	29,568	61,362
Administrative overhead income, net	(2,842)	27,507
Equipment service income, net	(5,195)	(10,851)
Realizations on matured derivatives	(25,220)	(25,220)
Operating revenues	1,436,236	2,763,633
Other income	31	6,061
Total income	1,436,267	2,769,694
Lease operating expenses	975,487	1,914,040
Oil and gas production taxes	70,563	124,940
Depreciation, depletion and amortization	521,254	1,080,769
Accretion of discount on asset retirement	35,582	38,570
General and administrative	48,520	69,491
Total operating costs and expenses	1,651,406	3,227,809
Net income (loss) as reported	$ (215,139)	$ (458,116)
Net income (loss)	$ (215,139)	$ (458,116)
Depreciation, depletion and amortization	521,254	1,080,769
Accretion of discount on asset retirement	35,582	38,570
Loss on derivatives, net	25,220	25,220
Adjusted EBITDA	$ 366,917	$ 686,443

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 starting at page 5.)

Current Quarter

During the 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, consisting of clean-outs, re-fracs, and up hole recompletions. As a part of this process wells must be temporarily taken out of production negatively impacting second quarter production. Wells, representing approximately 15 percent of Company production, were taken off-line to perform the services resulting in increased LOE / BOE statistics. We view these efforts as long term value accretive for Jericho and will continue to make good 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 to hopefully maximize well uptime in a higher price environment.

Commodity prices showed some signs of stabilization and recovery in the second quarter of 2016, but still remain volatile and unpredictable due to domestic and global supply and demand factors. In light of 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.)

Subsequent to the quarter end

The Company announced that, in conjunction with its private family partner, it has 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 initial borrowing base has been set at $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 (currently 3.50%) plus 75 basis points and will be payable monthly. The interest rate is 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 of the Company's assets.

In conjunction with the aforementioned Facility, the Company entered into new oil and natural gas derivative 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).

The company also announced its affiliate Eagle Road Oil, LLC (a JV with its private family partner, owned 50% by Jericho) has 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 cash consideration of CDN $5,158 million, USD$3.951 million (CDN$ 2.579 million, US$1.975 million net to Jericho), subject to customary post-closing adjustments. 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, and includes 35,000 acres and a 70-mile water and gas pipeline system 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

Previous quarter

During the quarter ending March 31, 2016, the joint ventures were profitable at the field level in spite of 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.

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

The first Q4 2015 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 second Q4 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 into a joint venture in which it has a 50% interest in a jointly controlled entity, Eagle Road Oil, LLC ("Eagle Road"). The Company paid $992,225 ($US 812,500) for its interest. The Company later advanced an additional US$235,000 to bring the total investment to $1,449,740 ($US 1,047,500).

In March 2015, the Company acquired a 50% working interest in 1,850 acres in northeastern Oklahoma for US$48,163. The property is in exploration stage. Details of the joint ventures' net assets and net income are shown below along with the Company's share of the investment and income/loss.

The company's carrying amounts of interest in joint ventures in Canadian dollars as at June 30, 2016:

		Eagle Road	Lurgan	Buckmanville	Total
Balance, December 31, 2015	$	2,475,623	4,668,101	7,780,398	14,924,121
Share of income/(loss) for the period		(101,629)	(85,824)	(54,210)	(241,663)
Additional advances		90,419	1,960,004	473,624	2,524,047
Movement in foreign exchange		(165,101)	(2,206,738)	(874,098)	(3,245,937)
Balance, June 30, 2016	$	2,299,312	4,335,542	7,325,714	13,960,568

The company's share of joint venture investment income in Canadian dollars as at June 30, 2016:

Period ended June 30, 2016		Eagle Road	Lurgan	Buckmanville	Total
Operating revenues	$	366,796	268,377	601,114	1,236,287
Operating expenses		(280,101)	(167,946)	(476,885)	(924,932)
Depletion and depreciation		(191,523)	(187,303)	(169,862)	(548,687)
Accretion		(3,820)	(1,477)	(10,173)	(15,470)
Other income (loss)		4,029	-	-	4,029
Income/ loss for the period	$	(104,618)	(88,349)	(55,805)	(248,773)

The Company's joint venture balance sheet in Canadian dollars as at June 30, 2016:

As at June 30, 2016		Eagle Road	Lurgan	Buckmanville
Assets				
Cash and cash equivalents	$	154,770	70,257	41,166
Current assets (excluding cash)		221,318	119,984	361,531
Non-current assets		3,466,972	5,926,425	9,637,811
Total assets		3,843,060	6,116,666	10,040,508
Liabilities				
Current liabilities		642,650	533	42,895
Non-current liabilities		901,124	1,798,208	2,732,279
Total liabilities		1,543,773	1,798,741	2,775,174

Reconciliation of total Joint Venture income table on page 2 to the company's share of Joint Venture income to June 30, 2016:

Period ended June 30, 2016	Eagle Road	Lurgan	Buckmanville	Total
100% Net income (loss) in US$	(157,356)	(132,886)	(167,873)	(458,116)
Jericho's ownership	50%	50%	25%	
Jericho's share of net income (loss) in US$	(78,678)	(66,443)	(41,968)	(187,089)
Jericho's share of net income (loss) in CDN$	(104,618)	(88,349)	(55,805)	(248,773)

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 operations (see Note 9 in the consolidated financial statements for the quarter ended June 30, 2016).

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	06/30/2016	03/31/2016	12/31/2015	09/30/2015	06/30/2015	03/31/2015	12/31/2014	09/30/2014
Net (Loss) for the period	$607,861	($874,974)	($1,357,842)	$237,209	($497,266)	$518,541	($80,101)	($287,051)
Basic and diluted loss per share	$0.01	($0.02)	($0.01)	$0.01	($0.01)	$0.01	($0.00)	($0.05)

QUARTERLY ANALYSIS

Jericho Oil Corporation

- The net gain for the second quarter of 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.
- The net loss for the quarter ended December 31, 2014, of $80,101 was due to a stock compensation expense of $430,500, $136,644 in depletion costs, offset by a $496,990 foreign exchanges gain.

- The net loss for the quarter ended September 30, 2014 of $287,051 was due to higher investor relation fees of $100,779.

SELECTED ANNUAL INFORMATION

The following table shows selected financial information for the periods ended June 30, 2016, December 31, 2015, and December 31, 2014:

	Six Months ended 30-Jun-16	Year ended 31-Dec-15	Year ended 31-Dec-14
Revenue	197,776	678,711	766,031
Net income (loss)	(267,113)	(1,099,358)	(162,305)
Net income per share	(0.01)	(0.02)	(0.05)
Cash	986,329	1,675,131	4,738,525
Total assets	17,630,864	19,793,963	11,004,060
Total non-current financial liabilities	-	-	-

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 June, 2016, the Company had cash of $986,329 (December 31, 2015 -$1,675,131), total assets of $17,600,864 (December 31, 2015 - $19,793,963), and working capital of $1,361,563 (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 as yet, 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 June 30, 2016, the Company had 64,701,013 common shares issued and outstanding (December 31, 2015 - 45,752,402). On April 8, 2016, the Company closed a non-brokered private placement of 1,625,000 units at $0.40 per unit for gross proceeds of $650,000. Each unit is comprised of one common share and one half of a warrant. Each whole warrant is exercisable into one additional share at $0.60 per share for two years from closing. The shares and warrants are subject to a four-month hold period from the date of closing. The Company paid finders' fees of $6,160 and issued 15,400 warrants to the finders. Related filing and other fees amounted to $7,122. Please refer to Note 13 of the company's financial statements for the period to June 30, 2016 for complete detail of the company's share capital.

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 & 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:

	Six months ended June 30 2016	Six months ended June 30 2015
Management fees	$ 117,000	$ 132,000
Directors' fees	3,000	3,000
Legal fees paid or accrued to company owned by director	13,140	8,697
	$ 133,140	$ 143,697

Included in accounts payable and accrued liabilities is $500 in amounts payable to directors (June 30, 2015 - $44,000). This amount is due on demand and has no specific terms of repayment. At June 30, 2016, the Company had $314,912 in advances to joint ventures described in Note 11 that has been included in accounts receivable as other receivables (Note 11).

SIGNIFICANT ACCOUNTING POLICIES

Refer to the company's most recent annual financial statements prepared in accordance with IFRS as issued by the IASB, except for the additional policy regarding derivatives in Note 4 below.

NEW ACCOUNTING STANDARDS

New accounting standard adopted effective April 1, 2016

Financial Derivatives

The Company uses derivative financial instruments to manage its exposure to oil prices and foreign exchange rates. Derivative financial instruments are measured at fair value and reflected on the comprehensive statement of financial position. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative financial instrument are included in income or loss.

Future changes in accounting standards, which are not yet effective at June 30, 2016

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") but not yet effective as of June 30, 2016. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

IAS 17 "Leases" and IFRS 16 "Leases"

On January 13, 2016, IAS 17 "Leases" was superseded by IFRS 16 and will be withdrawn. IFRS 16 is applicable for annual reporting periods beginning on or after January 1, 2019. IAS 17 prescribed the accounting policies and disclosures applicable to leases, both for lessees and lessors. Leases were required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and gave rise to asset and liability recognition by the lessee and a receivable by the lessor) or operating leases (which result in expense recognition by the lessee, with the asset remaining recognized by the lessor).

Future changes in accounting standards, which are not yet effective at June 30, 2016 (continued)

On January 13, 2016, IFRS 16 "Leases" was published. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IFRS 16 is applicable for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, if IFRS 15 "Revenue from Contracts with Customers" has also been applied. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IAS 7 "Statement of Cash Flows"

On January 31, 2016, certain narrow scope amendments to IAS 7 "Statement of Cash Flows" were issued. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 15 "Revenue from Contracts with Customers"

On April 12, 2016, final amendments to IFRS 15 "Revenue from Contracts with Customers" were issued. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 2 "Share-based Payment"

On June 20, 2016, final amendments to IFRS 2 "Share-based Payment" were issued. IFRS 2 requires an entity to recognize share-based payment transactions (such as granted shares, share options, or share appreciation rights) in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. Specific requirements are included for equity-settled and cash-settled share-based payment transactions, as well as those where the entity or supplier has a choice of cash or equity instruments.

The amendments provide requirements on the accounting for the effects 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 effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

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 properties in Eastern Kansas (Note 9) form one CGU, and the Company's 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 June 30th, 2016. The Company considered capital to consist of all components of shareholders' equity until June 30th 2016. 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 on hand.

It should be noted that the company has entered into a USD$30 million Senior Secured Revolving Credit Facility in July 2016. Please refer to the subsequent events note.

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.

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. The suit alleges that the Company through its operator on the property, Kansas Resource and Development LLC, has caused damage to the Kitchen property, and is seeking damages in the range of $73,000 (USD$50,000) accordingly. Jericho Oil (Kansas) Corp is denying the claims. The operator of the property who is also named in the action, is defending the action.

FINANCIAL INSTRUMENTS AND RISK

As at June 30, 2016, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable.

	June 30, 2016 $	December 31, 2015 $
Financial Assets:		
Fair value through profit or loss	986,329	1,675,131
Loans and receivables	370,002	404,797
Financial Liabilities:		
Other financial liabilities	130,314	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 statements of financial position as at June 30, 2016 as follows:

	Balance as at June 30, 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	986,329	986,329	-	-

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 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 June 30, 2016 in the amount of $986,329 (Dec 2015 - $1,675,131) in order to meet short-term business requirements. At June 30, 2016, the Company had current liabilities of $131,314 (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 June 30, 2016 are as follows:

	<1 month $	1-3 months $	4 month - <1 year $	2-4 years $	Total $
Accounts payable and accrued liabilities	131,314	-	-	-	131,314
	131,314	-	-	-	131,314

(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 June 30,

2016. 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, 2016.

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.

During the period ended June 30, 2016, Jericho Buckmanville Oil, LLC entered into a commodity forward contract as described in Note 10 Management of Capital in the accompanying financial statements. The determination of the fair value of this contract and derivative instruments can be complex and relies on judgments and estimates concerning future prices, volatility, and liquidity, among other factors. These fair value estimates may not necessarily be indicative of the amounts that could be realized or settled, and changes in these assumptions could affect the reported fair value of financial instruments. Fair values can fluctuate significantly and can be favourable or unfavourable depending on current market conditions.

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 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 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 UPDATE

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

Share Capital	$ 64,701,013
Common shares issued	64,701,013
Stock options outstanding	3,675,000
Warrants outstanding	13,720,223
Total share capital outstanding	82,096,236

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		

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

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 mailing has been authorized by the Board of Directors of the Company.

On Behalf Of the Board of Directors

/s/ Allen Wilson

Allen Wilson