JERICHO OIL CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

June 30, 2020 and 2019

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying un-audited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Vancouver, B.C.

August 31, 2020

Condensed Consolidated Interim Statements of Financial Position
(unaudited)
(Expressed in Canadian dollars)

	Note	June 30, 2020	December 31, 2019
Assets			
Current assets			
Cash		$ 5,187,873	$ 1,579,451
Accounts receivable		10,737	23,182
Prepaid expenses and deposits		25,908	11,617
		5,224,518	1,614,250
Non-current assets			
Petroleum properties	4	132,462	528,103
Other assets		6,375	15,876
Equity investments	5	24,422,326	31,943,969
		24,561,163	32,487,948
Total assets		$ 29,785,681	$ 34,102,198
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 511,387	$ 520,371
Non-current liabilities			
Decommissioning liabilities	6	159,597	150,578
Loans		65,879	—
Total liabilities		$ 736,863	$ 670,949
Shareholders' Equity			
Share capital		55,380,169	50,440,274
Contributed surplus		2,661,140	2,630,908
Accumulated other comprehensive income		2,653,276	1,250,786
Deficit		(31,645,767)	(20,890,719)
		29,048,818	33,431,249
Total liabilities and shareholders' equity		$ 29,785,681	$ 34,102,198

Approved on behalf of the Board on August 31, 2020

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

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

Jericho Oil Corporation
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(unaudited)
(Expressed in Canadian dollars)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note	**2020**	**2019**	**2020**	**2019**
Net crude oil revenue		**$ 13,146**	$ 63,786	**$ 49,727**	$ 120,276
Operating expenses					
Production costs		**23,156**	61,437	**61,775**	124,586
Depletion, depreciation and amortization		**2,226**	23,881	**23,358**	57,913
Accretion of decommissioning liabilities	6	**1,136**	1,096	**2,237**	2,186
General and administrative expenses	7	**415,875**	391,385	**856,174**	954,105
Foreign exchange (gain) loss		**200,160**	55,895	**144,051**	113,951
Total operating expenses		**642,553**	533,694	**1,087,595**	1,252,741
Share of loss from equity investments	5	**(652,377)**	(511,199)	**(9,329,372)**	(1,229,097)
Operating loss		**(1,281,784)**	(981,107)	**(10,367,240)**	(2,361,562)
Other income (loss)					
Interest income		**—**	52	**—**	104
Other income (loss)		**12,691**	(751)	**12,614**	(1,374)
Impairment of petroleum properties		**—**	—	**(400,422)**	—
		12,691	(699)	**(387,808)**	(1,270)
Loss before income tax		**(1,269,093)**	(981,806)	**(10,755,048)**	(2,362,832)
Loss for the period		**$ (1,269,093)**	$ (981,806)	**$ (10,755,048)**	$ (2,362,832)
Other comprehensive income (loss)					
Items may be reclassified subsequently to income/loss					
Foreign currency exchange gain (loss) on translation of foreign subsidiary		**(866,940)**	(716,974)	**1,402,490**	(1,580,021)
Comprehensive loss		**$ (2,136,033)**	$ (1,698,780)	**$ (9,352,558)**	$ (3,942,853)
Loss per common share					
Basic		**$ (0.01)**	(0.01)	**$ (0.08)**	$ (0.02)
Diluted					
Weighted average number of common shares					
Basic and diluted		**134,102,647**	128,666,656	**134,102,647**	128,666,656

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

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

	Number of shares (Note 8)	Share Capital (Note 8)	Contributed Surplus	Accumulated Other Comprehensive Income(Loss)	Deficit	Total Equity
December 31, 2018	128,669,142	$ 50,460,084	$ 2,612,057	$ 3,047,795	$ (12,361,199)	$ 43,758,737
Treasury shares	(45,000)	(14,350)	—	—	—	(14,350)
Share issuance cost	—	(720)	—	—	—	(720)
Share-based payments	—	—	8,263	—	—	8,263
Other comprehensive income	—	—	—	(1,580,021)	—	(1,580,021)
Net loss for the year	—	—	—	—	(2,362,832)	(2,362,832)
June 30, 2019	128,624,142	$ 50,445,014	$ 2,620,320	$ 1,467,774	$ (14,724,031)	$ 39,809,077
December 31, 2019	128,608,142	$ 50,440,274	$ 2,630,908	$ 1,250,786	$ (20,890,719)	$ 33,431,249
Issue of common shares for cash	50,000,000	5,000,000	—	—	—	5,000,000
Share issuance cost	—	(60,105)	—	—	—	(60,105)
Share-based payments	—	—	30,232	—	—	30,232
Other comprehensive loss	—	—	—	1,402,490	—	1,402,490
Net loss for the year	—	—	—	—	(10,755,048)	(10,755,048)
June 30, 2020	178,608,142	$ 55,380,169	$ 2,661,140	$ 2,653,276	$ (31,645,767)	$ 29,048,818

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

Jericho Oil Corporation
Condensed Consolidated Interim Statement of Cash Flows
(unaudited)
(Expressed in Canadian dollars)

	Six Months Ended	
	June 30, 2020	**June 30, 2019**
Cash flows from (used in) operating activities		
Loss for the year	$ (10,755,048)	$ (2,362,832)
Adjustments for non-cash items:		
Accretion of decommissioning liabilities	2,237	2,186
Depletion, depreciation and amortization	23,358	57,913
Share-based payments	30,232	8,263
Impairment of petroleum properties	400,422	—
Share of loss from equity investments	9,329,372	1,229,097
Unrealized foreign exchange gain	(52,179)	163,317
Finance expense - non-cash portion	77	1,374
Cash provided by (used in) operating assets and liabilities:		
Accounts receivable	12,445	12,947
Prepaid expenses and deposits	(14,366)	78,687
Accounts payable and accrued liabilities	841	(55,300)
Net cash used in operating activities	(1,022,609)	(864,348)
Cash flows from (used in) investing activities		
Contributions to equity investments	(443,495)	(20,006)
Net cash used in investing activities	(443,495)	(20,006)
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	5,000,000	—
Treasury shares purchased	—	(14,350)
Share issuance costs	(60,105)	(720)
Proceeds from government loan programs	65,879	—
Payments on lease obligations	(9,903)	(29,708)
Net cash used in financing activities	4,995,871	(44,778)
Change in cash	3,529,767	(929,132)
Effect of exchange rate changes on cash	78,654	(161,563)
Cash at beginning of period	1,579,451	3,963,688
Cash at end of period	$ 5,187,872	$ 2,872,993

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

1. NATURE OF OPERATIONS

Jericho Oil Corporation ("Jericho" or the "Company") was incorporated on October 21, 2010 under the Laws of British Columbia. The Company trades on the TSX Venture Exchange under the symbol "JCO", and on the OTC Market exchange under the symbol "JROOF".

The Company's principal activity is the acquisition, exploration, development and production of oil and natural gas fields in the United States of America (USA). As of June 30, 2020, the Company primarily conducts its operations through its subsidiaries and various joint arrangements in the states of Oklahoma and Kansas. See Notes 4 and 5 for a detailed discussion of the Company's petroleum property and joint arrangements.

The head office, principal address and records office of the Company are located at Suite 2100 - 1055 W. Georgia Street, Vancouver, British Columbia, Canada, V6E 3P3.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as 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, which were also prepared in accordance with IFRS as issued by the IASB. These financial statements were approved and authorized for issue by the Board of Directors on August 31, 2020.

(b) Basis of presentation

These consolidated financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. The foreign exchange rate at June 30, 2020 was $US 1.00 equal to $CAD 1.36 (December 31, 2019 - $US 1.00 equal to $CAD 1.30), and the average foreign exchange rate for the six months ended June 30, 2020 was $US 1.00 equal to $CAD 1.36 (for the six months ended June 30, 2019 - $US 1.00 equal to $CAD 1.33).

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements as if the policies have always been in effect.

Certain immaterial amounts included in the six months ended 2019 of the Condensed Consolidated Interim Statements of Comprehensive Income (Loss) and Condensed Consolidated Interim Statement of Cash Flows have been reclassified to conform to current presentation.

(c) Foreign currency translation

Functional currencies
The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the Company's US subsidiaries and joint arrangements is the U.S. dollar which is determined to be the currency of the primary economic environment in which the subsidiaries and joint arrangements operate.

Foreign currency transactions
Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Foreign operations
Subsidiaries that have functional currencies other than the Canadian dollar translate their statement of operations items to Canadian dollars at the average rate during the period. Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss). On disposition or partial disposition of a foreign operation, the related cumulative amount of related exchange difference is recognized in the statement of operations.

(d) Significant accounting judgments and estimates

The preparation of consolidated financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the annual financial statements in Note 5 - CRITICAL ACCOUNTING POLICIES AND ESTIMATES.

(e) Basis of consolidation

The consolidated financial statements include the accounts of Jericho Oil Corporation and its 100% owned subsidiaries, Jericho Oil (Kansas) Corp. and Jericho Oil (Oklahoma) Corp. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company followed the same accounting policies in these interim financial statements as those disclosed in Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for the consolidated financial statements for the previous year ended December 31, 2019.

4. PETROLEUM PROPERTIES

The Company's joint operations recorded as petroleum properties are comprised of three groups of leases in the state of Kansas. At March 31, 2020, the Company recorded an impairment for these properties because of the material decline in oil prices and the global impact on demand from the COVID-19 pandemic. The recoverable amount of the CGU was determined using a value in use approach based on the 2019 year-end reserves report updated to March 31, 2020, and a discount rate of 10%.

The following is a summary of cost and related accumulated depletion for the Kansas properties for the periods presented:

	June 30, 2020	December 31, 2019
Cost:		
Balance, beginning of year	$ 1,563,346	$ 1,671,704
Impairment write-down	(400,422)	(29,190)
Movement in foreign exchange rates	66,383	(79,168)
Balance, end of period	1,229,307	1,563,346
Accumulated depletion:		
Balance, beginning of year	1,035,243	1,027,265
Depletion	13,782	58,224
Movement in foreign exchange rates	47,820	(50,246)
Balance, end of period	1,096,845	1,035,243
Carrying value	$ 132,462	$ 528,103

(Expressed in Canadian dollars)

5. EQUITY INVESTMENTS

As of June 30, 2020, the majority of the Company's oil and gas operations were held in Oklahoma, with operations conducted through participation in various joint ventures and associates. The Company's interests in these joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date less distributions received and any impairment in the fair value of investment. At June 30, 2020 and December 31, 2019, the Company held the following joint ventures and associates:

	June 30, 2020	**December 31, 2019**
Eagle Road Oil, LLC ("Eagle Road")	50 %	50 %
Lurgan Oil, LLC ("Lurgan")	50 %	50 %
Jericho Buckmanville Oil, LLC ("Buckmanville")	50 %	50 %
RSTACK Walnut, LLC ("Walnut")	26.5 %	26.5 %
Cherry Rancher, LLC ("Cherry Rancher")	31 %	31 %

Carrying amounts of the Company's interests in equity method investments as of June 30, 2020 and December 31, 2019, are as follows:

	Eagle Road	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Balance, December 31, 2019	$ 7,550,420	$ 1,898,543	$ 13,658,293	$ 8,816,942	$ 19,771	$ 31,943,969
Share of income/(loss)	(3,962,833)	(1,262,122)	(3,564,659)	(541,290)	1,532	(9,329,372)
Advances	443,495	—	—	—	—	443,495
Movement in foreign exchange	304,378	74,114	587,127	397,731	884	1,364,234
Balance, June 30, 2020	$ 4,335,460	$ 710,535	$ 10,680,762	$ 8,673,383	$ 22,187	$ 24,422,326

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.

(Expressed in Canadian dollars)

Results of operations of the equity investments for the six months ended June 30, 2020 are as follows:

100% Six Months Ended June 30, 2020	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Revenue	$ 673,690	$ 200,739	$ 1,569,114	$ 373,534	$ 10,124	$ 2,827,201
Production cost	(314,160)	(239,225)	(1,635,308)	(288,407)	(4,502)	(2,481,602)
Depletion and depreciation	(635,482)	(123,223)	(782,871)	(875,202)	—	(2,416,778)
Impairment	(9,680,004)	(2,327,286)	(7,378,248)	(680,675)	—	(20,066,213)
Accretion of decommissioning provision	(35,616)	(6,304)	(45,523)	(12,691)	—	(100,134)
Realized (loss) gain on derivatives	15,406	5,135	30,811	—	—	51,352
Unrealized (loss) gain on derivatives	(2,939)	—	—	—	—	(2,939)
G&A and other operating	(524,072)	(15,387)	(39,623)	(559,163)	(682)	(1,138,927)
Interest expense	(86,476)	(18,693)	(112,160)	—	—	(217,329)
Deferred income tax recovery	2,663,987	—	1,264,491	—	—	3,928,478
100% Net income (loss)	**$ (7,925,666)**	**$ (2,524,244)**	**$ (7,129,317)**	**$ (2,042,604)**	**$ 4,940**	**$ (19,616,891)**
100% Net income (loss) in USD$	$ (5,888,026)	$ (1,876,334)	$ (5,294,165)	$ (1,504,612)	$ 3,620	$ (14,559,517)
Jericho's ownership	50 %	50 %	50 %	26 %	31 %	
Jericho's share of net income (loss)	**$ (3,962,833)**	**$ (1,262,122)**	**$ (3,564,659)**	**$ (541,290)**	**$ 1,532**	**$ (9,329,372)**
Jericho's share of net income (loss) in USD$	$ (2,944,013)	$ (938,167)	$ (2,647,083)	$ (398,572)	$ 1,122	$ (6,926,712)

The Company reviews the petroleum properties of its joint ventures at each reporting date for indicators of impairment. At March 31, 2020, the Company considered the sustained impact on global oil demand caused by the COVID-19 pandemic and the significant decrease in oil prices to be indications of impairment. Accordingly, the recoverable amount of each CGU was estimated and compared to its fair value less costs to sell. As a result, a total impairment expense of $20.1 million (USD $14.9 million) was recorded during the first quarter and is reflected in the results of operations of the Company’s joint ventures and associates for the first six months of 2020.

The recoverable amounts for the CGUs were based on the 2019 year-end reserve report and revised economic assumptions as of May 2020. Compared with the year-end report, the independently prepared reference prices used to estimate the recoverable amounts decreased by 40%, 35%, and 21% for the years 2020, 2021, and 2022, and 17% thereafter.

(Expressed in Canadian dollars)

Results of operations of the equity investment for the six months ended June 30, 2019, are as follows:

100% Six Months Ended June 30, 2019	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Revenue	$ 1,477,834	$ 384,973	$ 3,048,043	$ 1,558,495	$ 21,197	$ 6,490,542
Production cost	(632,687)	(247,636)	(2,184,781)	(606,217)	(5,041)	(3,676,362)
Depletion and depreciation	(931,164)	(174,372)	(862,171)	(1,487,539)	—	(3,455,246)
Accretion of decommissioning provision	(55,325)	(5,994)	(67,213)	(15,404)	—	(143,936)
Realized (loss) gain on derivatives	(536)	(2,292)	(8,695)	—	—	(11,523)
Unrealized (loss) gain on derivatives	(114,502)	(19,361)	(210,916)	—	—	(344,779)
G&A and other operating	(758,211)	(17,635)	(41,027)	(862,206)	—	(1,679,079)
Interest and loan costs	(113,441)	(22,372)	(161,385)	—	—	(297,198)
100% Net income (loss)	**$ (1,128,032)**	**$ (104,689)**	**$ (488,145)**	**$ (1,412,871)**	**$ 16,156**	**$ (3,117,581)**
100% Net income (loss) in USD$	$ (845,759)	$ (78,493)	$ (365,994)	$ (1,059,321)	$ 12,113	$ (2,337,454)
Jericho's ownership	50 %	50 %	50 %	26 %	31 %	
Jericho's share of net income (loss)	**$ (564,016)**	**$ (52,345)**	**$ (244,073)**	**$ (373,665)**	**$ 5,002**	**$ (1,229,097)**
Jericho's share of net income (loss) in USD$	$ (422,880)	$ (39,247)	$ (182,997)	$ (280,161)	$ 3,750	$ (921,534)

Summary financial position information of the joint ventures as of June 30, 2020, is presented in the table below.

100% As at June 30, 2020	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Assets						
Cash and cash equivalents	$ 300,594	$ 1,333	$ 58,250	$ 2,569,539	$ —	$ 2,929,716
Current assets (excluding cash)	1,528,714	45,303	313,753	418,690	—	2,306,460
Non-current assets	18,877,202	2,887,057	36,965,251	30,807,980	—	89,537,490
Total assets	20,706,510	2,933,693	37,337,254	33,796,209	—	94,773,666
Liabilities						
Current liabilities	4,770,484	590,620	4,430,590	302,431	232	10,094,357
Intercompany	677,288	357,757	(946,938)	(56,940)	(31,167)	—
Non-current liabilities	6,587,878	564,246	7,349,325	1,211,589	—	15,713,038
Total liabilities	12,035,650	1,512,623	10,832,977	1,457,080	(30,935)	25,807,395
Equity	8,670,860	1,421,070	26,504,277	32,339,129	30,935	68,966,271
Total liabilities and equity	$ 20,706,510	$ 2,933,693	$ 37,337,254	$ 33,796,209	$ —	$ 94,773,666

At June 30, 2020, current liabilities include $7.2 million (USD $5.3 million) related to the credit facility discussed below. Non-current liabilities include $10.7 million (USD $7.9 million) for asset retirement obligations and $3.9 million (USD $2.9 million) for deferred tax liability.

(Expressed in Canadian dollars)

Summary financial position information of the joint ventures as of June 30, 2019 is presented in the table below.

100%

As at June 30, 2019	**Eagle Road**	**Lurgan**	**Buckmanville**	**Walnut**	**Cherry Rancher**	**Total**
Assets						
Cash and cash equivalents	$ 219,757	$ 7,673	$ 20,116	$ 3,266,691	$ —	$ 3,514,237
Current assets (excluding cash)	1,612,800	54,341	211,878	313,488	—	2,192,507
Non-current assets	31,877,264	7,502,546	43,243,090	37,371,313	—	119,994,213
Total assets	33,709,821	7,564,560	43,475,084	40,951,492	—	125,700,957
Liabilities						
Current liabilities	2,211,072	141,055	64,479	152,439	(5)	2,569,040
Intercompany	2,810,226	9,165	(2,715,734)	(43,999)	(59,658)	—
Non-current liabilities	10,874,536	1,286,752	13,064,509	1,065,573	—	26,291,370
Total liabilities	15,895,834	1,436,972	10,413,254	1,174,013	(59,663)	28,860,410
Equity	17,813,987	6,127,588	33,061,830	39,777,479	59,663	96,840,547
Total liabilities and equity	$ 33,709,821	$ 7,564,560	$ 43,475,084	$ 40,951,492	$ —	$ 125,700,957

At June 30, 2019, non-current liabilities include $7.7 million (USD $5.9 million) related to the credit facility discussed below, $10.0 million (USD $7.6 million) for asset retirement obligations and $8.0 million (USD $6.1 million) for deferred tax liability.

During 2016, the Company's three joint ventures in Oklahoma entered a USD$30 million Senior Secured Revolving Credit Facility (the "Facility") with East West Bancorp, Inc. The Facility is available for working capital requirements, capital expenditures, acquisitions, general corporate purposes, and to support letters of credit. The interest rate for the Facility is Wall Street Journal Prime Rate plus 0.75%. The Facility is subject to customary covenants, and the outstanding balance of the Facility is secured by a first lien on the oil and gas interests and mortgaged properties of the Eagle Road, Lurgan, and Buckmanville joint ventures.

The borrowing base of the Facility was reduced during the fourth quarter of 2019 to USD$6.0 million. In conjunction with the reduction, the joint ventures and the lender agreed to monthly payment reduction amounts of USD$100,000 beginning in January 2020. In addition, the lender waived the minimum derivative contract requirements. The effects of COVID-19 began to impact the results of operations of the joint ventures in the first quarter of 2020, and they were not compliant with the leverage, interest, or liquidity ratios for the first two quarters of 2020. The lender has cooperated with the Company's banking group with respect to the covenant breaches. The balance on June 30, 2020, was $7.2 million (USD $5.3 million). The maturity date for the loan was extended to September 19, 2020. The joint ventures are negotiating a longer-term extension and exploring refinancing options.

In April of 2020, Eagle Road Oil, the operator of the Company's joint ventures, obtained a loan under the Paycheck Protection Program administered by the Small Business Administration of the US government. The loan amount is approximately $330,000, with a two-year term and an interest rate of one percent. All payments are deferred for the first six months of the loan term and all or a portion of the loan may be forgiven if the proceeds are used for eligible expenditures.

(Expressed in Canadian dollars)

6. DECOMMISSIONING LIABILITIES

The following table presents the reconciliation of the opening and closing aggregate carrying amount of the decommissioning provisions associated with the petroleum properties (Note 4):

	June 30, 2020	December 31, 2019
Balance, beginning of year	$ 150,578	$ 153,691
Accretion expense	2,237	4,350
Movement in foreign exchange rates	6,782	(7,463)
Balance, end of period	$ 159,597	$ 150,578

The present value of the obligation relating to the properties in Kansas (Note 4) of $159,597 (2019 - $150,578) was calculated using an average risk-free interest rate of 1.92% (2019 – 1.92%) and an inflation rate of 1.61% (2019 – 1.61%). The weighted-average life of the wells has been estimated at 8.1 years (2019 – 8.1 years).

7. GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the general and administrative expenses incurred during the three and six months ended June 30, 2020 and 2019.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
General and administrative expense (1)				
Management fees	$ 105,745	$ 48,662	$ 211,837	$ 180,047
Directors' fees	(10,000)	10,000	—	20,000
Share-based payments	13,579	333	30,232	8,263
Consulting fees	116,359	125,938	216,922	215,411
Accounting and auditing fees	57,850	42,000	120,839	96,000
Investor relations	75,731	100,309	131,661	252,370
Transfer agency and filing fees	9,419	11,252	18,906	34,331
Legal fees	3,245	16,349	9,913	33,129
Travel	5,561	12,125	23,183	45,243
Short-term lease obligation	9,000	—	13,952	—
Insurance	5,064	4,822	10,410	12,578
Office and miscellaneous	24,322	19,595	68,319	56,733
General and administrative expense	$ 415,875	$ 391,385	$ 856,174	$ 954,105

(1)Certain immaterial amounts included in the three months and six months ended June 30, 2019 have been reclassified to conform to current presentation.

8. SHARE CAPITAL AND EQUITY RESERVES

(a) Authorized share capital

Unlimited common shares without par value.

(b) Issued share capital

For the six months ended June 30, 2020

In June 2020, the Company closed a fully subscribed non-brokered private placement of 50,000,000 units at a price of $0.10 per unit for gross proceeds of $5,000,000. Each unit is comprised of one common share and one warrant with each warrant exercisable for one additional common share at a price of $0.13 per share for a period of 36 months from the date of issuance.

For the year ended December 31, 2019

During the three months ended September 30, 2019, the Company purchased 16,000 shares under its share buy-back program at an average price of $0.29 per share.

During the three months ended June 30, 2019, the Company purchased 45,000 shares under its share buy-back program at an average price of $0.32 per share.

(c) Stock options

The Company has a stock options plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options vest on a date set by the directors and expire at a time set by the directors, being not more than 10 years from the date of grant, provided that any outstanding options will expire on a date to be determined by the directors following the date that the holder ceases to be a senior officer, director, employee or consultant of the Company, such period not being more than twelve months from the date of such cessation.

(Expressed in Canadian dollars)

At June 30, 2020, 11,466,814 options are available for issuance under the plan. The following is a continuity table of stock options outstanding as at June 30, 2020:

	Number of Options		Weighted Average Exercise Price
Outstanding, December 31, 2018	6,476,974	$	0.47
Granted	100,000		0.30
Expired	(1,433,974)		0.30
Forfeited	(24,000)		0.65
Outstanding, December 31, 2019	5,119,000	$	0.52
Granted	1,375,000		0.25
Forfeited	(100,000)		0.45
Outstanding, June 30, 2020	6,394,000	$	0.45

As at June 30, 2020, the following incentive stock options were outstanding:

Expiration date	Options outstanding and exercisable	Unvested options	Exercise price
October 21, 2020	100,000	—	0.40
August 25, 2021	1,675,000	—	0.45
January 5, 2022	300,000	—	0.42
January 16, 2022	375,000	—	0.45
July 4, 2022	1,400,000	—	0.50
September 1, 2022	434,000	—	0.65
October 4, 2022	100,000	—	0.75
April 4, 2023	375,000	—	0.80
August 23, 2023	160,000	—	0.50
August 1, 2024	100,000	—	0.30
February 1, 2025	343,750	1,031,250	0.25
	5,362,750	1,031,250 $	0.45

As of June 30, 2020, the weighted-average remaining contractual life of stock options outstanding was 1.96 years (2019 - 2.27 years).

In July 2020, the Company granted stock options under its stock option plan for 7,316,000 common shares to certain directors, officers, employees, and consultants of the Company. The options are exercisable at a price of $0.15 for a period of up to five years.

(Expressed in Canadian dollars)

(d) Share purchase warrants

The number and weighted average exercise prices of warrants outstanding as at June 30, 2020 were as follows:

	Number of Warrants		Weighted-Average Exercise Price
Outstanding, December 31, 2019	19,207,462	$	0.63
Granted	50,000,000		0.13
Expired	(1,892,473)		0.90
Outstanding, June 30, 2020	67,314,989	$	0.25

The following table summarizes the warrants outstanding and exercisable at June 30, 2020:

Expiration Date	Warrants Outstanding and Exercisable		Weighted-Average Exercise Price
August 14, 2020	5,241,090	$	0.60
August 21, 2020	1,057,120		0.60
September 6, 2020	11,016,779		0.60
June 10, 2023	50,000,000		0.13
Outstanding, June 30, 2020	67,314,989	$	0.25

As of June 30, 2020, the weighted-average remaining contractual life of warrants outstanding was 2.23 years (2019 – 0.60 years).

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Six Months Ended			
		June 30, 2020		June 30, 2019
Management fees	$	211,837	$	180,047
Directors' fees		—		20,000
Share-based payments		—		5,258
	$	211,837	$	205,305

At June 30, 2020, included in accounts payable and accrued liabilities is $525 payable to directors of the Company (2019 - $Nil).

(Expressed in Canadian dollars)

At June 30, 2020, the Company had $Nil in advances and $262,722 in accounts payable to equity investments as described in Note 5 (2019 - $Nil and $295,489).

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

10. FINANCIAL INSTRUMENTS AND RISK

As of June 30, 2020, and December 31, 2019, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable.

	June 30, 2020	December 31, 2019
Financial Assets:		
Fair value through profit or loss	$ 5,187,873	$ 1,579,451
Amortized cost	271	19,269
Financial Liabilities:		
Amortized cost	$ 459,194	$ 362,484

See Note 3(m) of the Company's 2019 annual report for classifications.

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

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

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

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

(Expressed in Canadian dollars)

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 June 30, 2020 as follows:

	Balance as at June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash	$ 5,187,873	$ 5,187,873	—	—

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

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

(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 receivables consist mainly of oil sales and purchase taxes remitted from the Government of Canada. The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because all its oil sales are with one counterparty. However, the Company has not recorded any allowance against its trade receivables because historically all balances owed have been settled in full when due (typically within sixty days of submission).

(b) Liquidity risk

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

The Company manages liquidity risk through its management of capital as outlined in Note 11. The Company held cash at June 30, 2020 in the amount of $5,187,873 (2019 - $1,579,451) in order to meet short-term business requirements and strategic investments.

At June 30, 2020, the Company had current liabilities (due within the 12 months) of $511,387 (December 31, 2019 - $520,371). Contractual undiscounted cash flow requirements for financial liabilities as of June 30, 2020 are as follows:

	<1 year	**2-3 Years**	**4-5 Years**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	$ 511,387	—	—	—	$ 511,387
Decommissioning liabilities	—	—	—	161,609	161,609
Loans	—	65,879	—	—	65,879
	$ 511,387	$ 65,879	$ —	$ 161,609	$ 738,875

(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, 2020. 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 June 30, 2020:

Cash	USD$	3,473,920
Receivables		199
Accounts payable and accrued liabilities		(242,851)
Net exposure	USD$	3,231,268
Canadian dollar equivalents	CDN$	4,386,769

The result of sensitivity analysis shows that a 10 percent change in the US$ exchange rate, with all other variables held constant, could impact the net loss by approximately CDN$438,677.

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.

11. 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 30, 2020, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and adjusts it based on changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares, draw on the credit facility held by its joint ventures or dispose of assets to increase the amount of cash on hand.

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

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

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. Additional cost control measures have been implemented since the COVID-19 pandemic. The Company also received $65,879 of government loan programs resulting from the COVID-19 pandemic. See Note 8 for discussion of a capital raise completed in second quarter 2020 for gross proceeds of $5,000,000.

12. SEGMENTED INFORMATION, MAJOR CUSTOMERS AND ECONOMIC DEPENDENCE

At June 30, 2020, all of the Company's non-current assets (other than financial instruments) are located in Kansas and Oklahoma, USA. Geographical information relating to the Company's non-current assets (other than financial instruments) is presented in Notes 4 and 5.

The Company's revenues of $49,727 (2019 - $120,276) are all attributable to the Company's Kansas properties where sales are recorded from shipments of crude oil and gas. All the Company's revenues are derived from two major customers in Kansas. As of June 30, 2020, the Company does not consider itself to be economically dependent on this customer as transactions with this party can be easily replaced by transactions with other parties on similar terms and conditions.

The loss from equity investments of $9,329,372 (2019 – $1,229,097) is attributable to the Company's share of loss from its equity investments in Oklahoma (Note 5).