

JERICO EXPLORATIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jerico Explorations Inc.

We have audited the accompanying consolidated financial statements of Jerico Explorations Inc., which comprise the consolidated balance sheets as at September 30, 2011 and 2010, and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jerico Explorations Inc. as at September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has recurring operating losses and other matters as set forth in Note 1, which indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
January 20, 2012

JERICO EXPLORATIONS INC.
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2011 AND 2010

	2011 \$	2010 \$
CURRENT ASSETS		
Cash	35,707	44,805
Receivables	87	703
Prepaid expenses and deposits	1,300	1,250
	37,094	46,758
RESOURCE PROPERTY INTERESTS (Note 4)	328,310	326,056
	365,404	372,814
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	10,392	14,029
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	691,529	648,774
CONTRIBUTED SURPLUS (Note 6)	184,146	138,235
DEFICIT	(520,663)	(428,224)
	355,012	358,785
	365,404	372,814

APPROVED BY THE DIRECTORS

"Ron Wiesendahl" Director

"Roy M. Wiesendahl" Director

- See Accompanying Notes -

JERICO EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011 \$	2010 \$
ADMINISTRATIVE EXPENSES		
Audit and accounting	10,910	17,154
Legal	9,697	16,693
Management and administrative services (Note 8)	20,000	20,000
Office and miscellaneous	564	170
Stock-based compensation (Note 6)	38,666	14,491
Transfer agent and filing fees	12,621	13,490
	92,458	81,998
OTHER ITEM		
Interest income	(19)	(55)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(92,439)	(81,943)
DEFICIT , beginning of year	(428,224)	(346,281)
DEFICIT , end of year	(520,663)	(428,224)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,696,946	6,549,001

- See Accompanying Notes -

JERICO EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011 \$	2010 \$
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(92,439)	(81,943)
Non-cash transactions:		
Management and administrative services donated (Note 8)	20,000	20,000
Stock-based compensation (Note 6)	38,666	14,491
Net changes in non-cash operating accounts		
Receivables	616	(423)
Prepaid expenses and deposits	(50)	10,000
Accounts payable and accrued liabilities	(3,637)	3,840
	<u>(36,844)</u>	<u>(34,035)</u>
INVESTING ACTIVITIES		
Investment in resource property interests	<u>(2,254)</u>	<u>(2,406)</u>
FINANCING ACTIVITIES		
Shares issued for cash	<u>30,000</u>	<u>-</u>
DECREASE IN CASH	(9,089)	(36,441)
CASH, beginning of year	44,805	81,246
CASH, end of year	35,707	44,805
CASH PAID FOR:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

- See Accompanying Notes -

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

1. OPERATIONS AND BASIS OF PRESENTATION

Jerico Explorations Inc. (the "Company") was incorporated under the Canada Business Corporations Act on February 2, 2004. The Company's operations include the exploration and evaluation of resource property interests. On August 26, 2005, the Company's common shares were listed for trading on the TSX Venture Exchange ("TSX-V") (trading symbol JRC).

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize its assets and discharge its liabilities in the normal course of operations. Should the Company be unable to continue as a going concern significant adjustments to asset carrying values may be necessary. The ability of the Company to continue as a going concern is dependent upon the Company raising sufficient financing to complete exploration and development activities, the discovery of economically recoverable reserves, and upon future profitable operations or proceeds from disposition of resource property interests. Management anticipates that the Company will have access to sufficient cash resources to continue operations for the ensuing twelve months. Should additional cash resources be required, the Company would seek equity financing or loans from related parties to supplement working capital to satisfy obligations as they come due. Management is aware that significant uncertainties exist relating to market and economic conditions that may cast doubt upon the Company's ability to continue to raise equity financing on terms acceptable to management. This uncertainty represents a liquidity risk and may impact the Company's ability to continue as a going concern in the future.

The Company is in the process of exploring and evaluating its mineral property interest which is located in Arizona, USA. The Company presently has no proven or probable reserves identified and on the basis of information to date, has not yet determined whether its mineral property interest contains economically recoverable resources.

2. PRESENTATION AND CONSOLIDATION

These consolidated financial statements are presented under Canadian generally accepted accounting principals and include the accounts of the Company and its wholly owned subsidiary, Jerico Explorations Arizona, Inc. All inter-company balances and transactions have been eliminated upon consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Resource property interests

The Company records its interest in resource properties at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, the cost of resource properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of commercial production or written off if the properties are sold or abandoned.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual or future values. Recovery of carrying values is dependent upon future commercial success or proceeds from disposition of the mineral interests.

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

a) Resource property interests – Cont'd

Management evaluates each resource interest, for conditions that may indicate impairment, on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding, whether impairment has occurred.

Resource property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General investigation and exploration costs not related to specific properties are charged to operations in the period in which they are incurred.

b) Administrative costs

Administrative costs not directly related to resource properties are recognized as period costs and are expensed in the period incurred.

c) Loss per common share

Basic loss per share is calculated using the weighted average number of common shares outstanding.

The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained from the exercise of outstanding options or warrants would be used to purchase common shares at the average market price during the period.

Loss per share for the current and prior year, on a diluted basis, is reported as equal to basic loss per share when the effect of applying the treasury stock method is anti-dilutive.

d) Measurement uncertainty and use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of resource property interests, future income taxes, fair value determinations for financial instruments, stock-based transactions and non-monetary transactions. Financial results as determined by actual events could differ from those estimates.

e) Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method an enterprise would recognize a future income tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflows. Similarly, an enterprise would determine a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions. In the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of a future income tax reduction.

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

f) Stock-based compensation

The Company follows the Canadian Institute of Chartered Accountants "CICA" Handbook Section 3870, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards be measured using a fair value method. Under the standard all awards are measured and expensed or allocated to specific asset accounts, as applicable, in the period of grant or modification. Awards granted with vesting provisions are recognized over the expected vesting period. The fair value of options and other stock-based awards issued or altered in the period, are determined using an option pricing model. Upon the exercise of stock options or warrants, the initial fair value of the share based award is reallocated from contributed surplus to share capital.

g) Asset retirement obligations

The Company follows the CICA Handbook Section 3110 "Asset Retirement Obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standard applies to potential statutory, regulatory, or civil obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standard requires that a liability for an asset retirement obligation be recognized in the period in which it is reasonably estimable and a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost would be recognized over the expected life of the asset. Management has reviewed the Company's long-lived assets for known or expected obligations. These financial statements do not include any adjustments related to asset retirement obligations. Any future retirement costs will be recognized on a systematic basis when determinable and quantifiable.

h) Long-lived assets

The Company reviews the carrying value of long-lived assets whenever events or changes in circumstances occur that may indicate impairment. Carrying value is assessed by management with reference to the estimated recoverable value based on factors including, estimated undiscounted and discounted future cash flows, financial operating conditions, obsolescence and value in use. Should management determine that the carrying value of an asset or group of assets has been impaired, an impairment charge is recorded in the period so determined.

i) Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset or services received, whichever is more reliable, unless the transaction lacks commercial substance. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction.

j) Related party transactions

All monetary transactions in the normal course of operations are measured at the exchange value, which is the amount of consideration negotiated and agreed to by the parties. Non-monetary transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or products held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are valued at the carrying value.

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

k) Financial instruments

The Company classifies each of its financial instruments into one of the five categories noted below. Each financial instrument is initially recorded at fair value with subsequent measurement determined by such classification.

i) Financial assets and financial liabilities held for trading

Financial assets and financial liabilities held for trading are acquired or incurred principally for the purpose of selling or realizing their value in the ordinary course of business in the near term. When applicable they are recognized at fair value based on market prices, with any resulting gains and losses reflected in net income for the period.

ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity, where an entity has the intention and ability to hold the asset to maturity. These assets are measured at amortized cost using the effective interest rate method, less any impairment. A gain or loss is recognized in net income when the financial asset is derecognized or impaired.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and not classified as loans and receivables, held-to-maturity investments, or held for trading. Available-for-sale financial assets are measured at fair value. Equity instruments that do not have a quoted market price in an active market are measured at cost. Gains and losses are recognized directly in other comprehensive income until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income.

iv) Loans and receivables and other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost, using the effective interest rate method less any impairment loss.

The Company has classified its financial instruments as follows:

- Cash is classified as held for trading.
- Receivables are classified as loans and receivables.
- Accounts payable are classified as other financial liabilities.

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

k) Financial instruments - Cont'd

The CICA Handbook section 3862 requires disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's cash is valued at face value and is classified as Level 1. The Company's receivables and accounts payable are considered Level 3 as the fair value estimates are primarily based on management's judgement of fair value without an observable market or with related parties where arm's length comparables are not available.

Transaction costs related to financial instruments other than those held-for-trading are capitalized as part of the cost of the financial instrument. Where the Company has entered into net smelter royalties or other similar participatory arrangements with property vendors or purchasers, such arrangements are considered to be derivative instruments. Additionally, the Company may have purchase options associated with net smelter royalties which are derivative instruments. The fair value of these derivative instruments is not reliably measurable until proven economically recoverable reserves have been identified.

l) Comprehensive income (loss)

The Company follows CICA Handbook Section 1530, Comprehensive Income, which establishes standards for reporting and presenting certain gains and losses not normally included in net income or loss, such as unrealized gains and losses related to available for sale securities or gains and losses resulting from the translation of self-sustaining foreign operations, in a statement of comprehensive income.

m) Risk management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is at risk for environmental issues consistent with the mineral exploration and extraction industry and for fluctuations in commodity pricing impacting market conditions. The Company may also be at risk in securing title of optioned interests, acquiring access and permits for exploration, extraction and property remediation.

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Cont'd

n) Accounting pronouncements issued, but not yet adopted

i) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The conversion date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of October 1, 2011 will require a reconciliation of any significant differences identified and restatement if applicable, for comparative purposes of amounts reported by the Company for the interim periods and the year ended September 30, 2011. The Company has begun assessing the implications of the changeover and has begun the quantification process for the opening IFRS balance sheet. Management plans for conversion to IFRS include further internal training, external consulting on complex issues, Board and Audit Committee oversight and determining what additional qualitative and supplementary information will be required. The first financial report prepared under IFRS will be for the interim period ending December 31, 2011.

ii) Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests which replace CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after October 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. Adoption is not expected to have a material impact on the company's financial reporting based on current operations.

4. RESOURCE PROPERTY INTERESTS

	2011 \$	2010 \$
Harmony Property		
Acquisition Costs:		
Balance, beginning and end of year	119,437	119,437
Deferred Exploration:		
Balance, beginning of year	206,619	204,213
Claim maintenance expenditures	2,254	2,406
Balance, end of year	208,873	206,619
Total Resource Property	328,310	326,056

The Company holds a 100% interest in the Harmony claim block (subject to a 1% production royalty), which comprises 9 claims in the Hualapai Mining District of Mohave County, Arizona.

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

5. SHARE CAPITAL

a) Authorized

The authorized capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares. The preferred shares may be issued in series, and the rights and restrictions may be set by the Company's directors. There have been no preferred shares issued since inception.

b) Common shares issued and outstanding

	2011		2010	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of period	6,549,001	648,774	6,549,001	648,774
Share issuance for cash				
Options exercised i)	150,000	30,000	-	-
Fair value of options exercised i)	-	12,755	-	-
Balance end of period	6,699,001	691,529	6,549,001	648,774

- i. On November 9, 2010, two of the directors of the Company exercised their stock options and purchased 150,000 common shares at a price of \$0.20 per share for total proceeds of \$30,000. The fair value of these options was previously determined to be \$12,755 and this amount has been reallocated to share capital.

c) Stock options

The Company has a stock option plan, providing the right to grant options to employees, consultants and directors when the number of shares that may be purchased under that option and all outstanding options, does not exceed 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the allowable discounted market price of the Company's shares under the TSX-V policy. The maximum term of any options granted will be 10 years or such other term as permitted by the TSX-V.

Stock options outstanding are as follows:

	Options	Weighted average exercise price \$	Weighted average # years to expiry
Balance, September 30, 2009	475,000	0.23	6.62
Granted, exercised, cancelled	-	-	
Balance, September 30, 2010	475,000	0.23	5.62
Granted (Note 6)	125,000	0.55	
Exercised	(150,000)	0.20	
Balance, September 30, 2011	450,000	0.32	6.11

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

5. SHARE CAPITAL – CONT'D

c) Stock Options – Cont'd

As at September 30, 2011, the Company had share purchase options outstanding to directors, officer and consultants as follows:

Outstanding	Exercisable	Exercise price \$	Expiry date
225,000	225,000	0.20	August 26, 2015
100,000	100,000	0.31	January 22, 2019
125,000	113,576	0.55	November 9, 2020
450,000	438,576		

6. CONTRIBUTED SURPLUS

The Company has entered into certain transactions involving non-monetary compensation and share purchase rights for directors, consultants, agents and key personnel. Changes in contributed surplus for the year are as follows:

	2011 \$	2010 \$
Balance, beginning of year	138,235	103,744
Fair value of options granted	38,666	14,491
Fair value of options exercised (Note 5)	(12,755)	-
Fair value of donated management and administrative services (Note 8)	20,000	20,000
Balance, end of year	184,146	138,235

On January 22, 2009, pursuant to its stock option plan, the Company granted incentive stock options to a director of the company for the right to purchase up to 100,000 common shares in the capital stock of the Company, exercisable for a period of ten years at a price of \$0.31 per share. The fair value of the options was determined to be \$26,347. The stock options vest over an 18 month period. The fair value of the vested portion of the options was equal to \$nil (2010: \$14,491) and was expensed with a corresponding credit to contributed surplus. The fair value of the stock options granted was estimated at the grant date using the Black-Scholes option pricing model with estimated volatility of 90%, risk free rate of 2.44%, annual dividends of zero and expected life of ten year.

On November 9, 2010, pursuant to its stock option plan, the Company granted incentive stock options to directors of the company for the right to purchase up to 125,000 common shares in the capital stock of the Company, exercisable for a period of ten years at a price of \$0.55 per share. The fair value of the options was determined to be \$42,555. The stock options vest over an 18 month period. The fair value of the vested portion of the options was equal to \$38,666 and was expensed with a corresponding credit to contributed surplus. The fair value of the stock options granted was estimated at the grant date using the Black-Scholes option pricing model with estimated volatility of 48%, risk free rate of 3.19%, annual dividends zero and expected life of ten years.

JERICO EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

7. INCOME TAXES

The Company's actual income tax provision differs from the expected amounts, calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are estimated as follows:

	2011 \$	2010
Net loss before income taxes	(92,439)	(81,943)
Corporate enacted tax rate	26.0%	29.5%
Expected tax recovery at statutory rates	(24,034)	(25,402)
(Increase) decrease resulting from:		
Difference in corporate tax rates expected on reversal	-	2,374
Permanent and other differences	15,253	10,692
Change in future tax asset valuation allowance	8,781	12,336
Future income tax provision (recovery)	-	-

Temporary timing differences between the tax basis and accounting basis of assets and liabilities gives rise to future income tax assets and liabilities. The Company's future income tax assets (liabilities) are estimated as follows:

	2011 \$	2010 \$
Potential future income tax assets:		
Non-capital losses available	118,546	109,765
Excess tax base of resource property interests	14,817	14,816
Potential future income tax assets	133,363	124,581
Valuation allowance	(133,363)	(124,581)
Net future income tax assets	-	-

At September 30, 2011, the Company had non-capital losses of approximately \$455,000 (2010: \$450,000) available for income tax purposes which may be carried forward to reduce future taxable income. These losses will expire at different stages up to and including 2031. The criteria for recognizing the Company's potential future tax benefits as assets have not been met. Management has determined that a valuation allowance of 100% is appropriate.

8. RELATED PARTY TRANSACTIONS

Management continues to provide administrative services to the Company without monetary remuneration while the Company is in the initial exploration stage. The fair value of management and administrative services received by the Company was estimated to be \$1,500 per month, plus incidental expenses of \$2,000 for both years presented. The amount has been recorded in the statement of loss and deficit and included as an addition to contributed surplus. **(Note 6)**

Stock-based compensation of \$46,399 (2010: \$14,491) was recorded for the fair value of Directors stock options.

JERICO EXPLORATIONS INC.
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9. SEGMENTED INFORMATION

The Company operates in a single operating business segment. The Company's assets by geographical location are as follows:

Assets by geographical location:	2011 \$	2010 \$
Canada		
Cash	35,707	44,805
Other	1,387	1,953
	37,094	46,758
USA		
Resource property interest	328,310	326,056
Total Assets	365,404	372,814

10. CAPITAL MANAGEMENT

The Company considers its capital structure to include working capital and share capital. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by Management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available. Management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable for the current state of the markets and exploration industry.

There were no changes in the Company's approach to capital management for the year ended September 30, 2011 compared to the year ended September 30, 2010. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

Financial Risk Management:

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash accounts. Cash accounts are held with a major bank in Canada and a brokerage firm. This risk is managed by using a major bank and a brokerage that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes.

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11. FINANCIAL INSTRUMENTS – Cont'd

Currency Risk

The Company's functional currency is the Canadian dollar. There is moderate foreign exchange risk to the Company as its resource property interest is located in the United States. The Company does not engage in any hedging activities to reduce its foreign exchange risk nor does it maintain significant balances of foreign currency.

Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on these bank accounts is subject to the movements in interest rates.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves in order to settle transactions and debts as they become due. Liquidity risk is currently rated as high.

Market Risk:

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to monitor and control market risk exposures. Commodity price risk is the risk that the fair value or expected future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar. As the Company has not yet developed commercial resource interests, it is not exposed to commodity price risk at this time other than in relation to its access to capital and equity funding.