

JERICO EXPLORATIONS INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders Jerico Explorations Inc.,

We have audited the accompanying consolidated financial statements of Jerico Explorations Inc., which comprise the consolidated statements of financial position as at September 30, 2012, September 30, 2011 and October 1, 2010, the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows for the years ended September 30, 2012 and 2011, 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 International Financial Reporting Standards, 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 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, 2012, September 30, 2011 and October 1, 2010, and its financial performance and its cash flows for the years ended September 30, 2012 and September 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes that the Company requires additional equity or debt financing in the near term in order to continue its operations and facilitate new business opportunities. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

January 8, 2013
Vancouver, Canada


DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

JERICO EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	Note	September 30, 2012	September 30, 2011 (Note 12)	October 1, 2010 (Note 12)
ASSETS				
Current assets				
Cash		\$ 274	\$ 35,707	\$ 44,805
Sales taxes recoverable		160	87	703
Prepaid expense		1,300	1,300	1,250
		1,734	37,094	46,758
Non-current asset				
Exploration and evaluation asset	3	1	328,310	326,056
TOTAL ASSETS		\$ 1,735	\$ 365,404	\$ 372,814
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	4	\$ 16,749	\$ 10,392	\$ 14,029
SHAREHOLDERS' EQUITY (DEFICIT)				
Share capital	5	691,529	691,529	648,774
Reserves		208,035	184,146	138,235
Deficit		(914,578)	(520,663)	(428,224)
TOTAL EQUITY (DEFICIT)		(15,014)	355,012	358,785
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		\$ 1,735	\$ 365,404	\$ 372,814

- See accompanying notes to the consolidated financial statements -

APPROVED BY THE DIRECTORS

"Alan Stevenson" Director

"Pamela Egger" Director

JERICO EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

		Years ended	
		September 30, 2012	September 30, 2011 (Note 12)
	Notes		
Expenses			
Audit and accounting		\$ 17,166	\$ 10,910
Impairment of exploration and evaluation asset	3	331,671	-
Management and administrative fees	6	20,000	20,000
Office and miscellaneous		127	564
Legal fees		6,351	9,697
Stock-based compensation	5,6	3,889	38,666
Transfer agent and filing fees		14,711	12,621
		393,915	92,458
Other income			
Interest income		-	19
		-	19
Comprehensive loss		\$ (393,915)	\$ (92,439)
Loss per share – Basic and diluted		\$ (0.06)	\$ (0.01)
Weighted average number of common shares			
- Basic and diluted		6,699,001	6,699,001

- See accompanying notes to the consolidated financial statements -

JERICO EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(EXPRESSED IN CANADIAN DOLLARS)

	Notes	Share capital		Reserves			Deficit	Total
		Number of shares	Amount	Stock option reserve	Donated services			
Balance at October 1, 2010	12	6,549,001	\$ 648,774	\$ 58,235	\$ 80,000	\$ (428,224)	\$	358,785
Comprehensive loss		-	-	-	-	(92,439)		(92,439)
Shares issued for cash – option exercise	5	150,000	42,755	(12,755)	-	-		30,000
Donated management and administrative services	6	-	-	-	20,000	-		20,000
Stock-based compensation	5	-	-	38,666	-	-		38,666
Balance at September 30, 2011	12	6,699,001	691,529	84,146	100,000	(520,663)		355,012
Comprehensive loss		-	-	-	-	(393,915)		(393,915)
Donated management and administrative services	6	-	-	-	20,000	-		20,000
Stock-based compensation	5	-	-	3,889	-	-		3,889
Balance at September 30, 2012		6,699,001	\$ 691,529	\$ 88,035	\$ 120,000	\$ (914,578)	\$	(15,014)

- See accompanying notes to the consolidated financial statements -

JERICO EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

		Years ended	
		September 30, 2012	September 30, 2011 (Note 12)
	Notes		
Operating activities			
Comprehensive loss		\$ (393,915)	\$ (92,439)
Adjustments for non-cash items:			
Management and administrative services	6	20,000	20,000
Stock-based compensation	5	3,889	38,666
Impairment of mineral property		331,671	-
Changes in non-cash working capital items:			
Accounts receivable		(73)	616
Prepaid expense		-	(50)
Trade payables and accrued liabilities		6,357	(3,637)
Income taxes paid		-	-
Net cash flows used in operating activities		(32,071)	(36,844)
Investing activities			
Expenditures on exploration and evaluation asset		(3,362)	(2,254)
Net cash flows used in investing activities		(3,362)	(2,254)
Financing activities			
Proceeds on share options exercised & interest earned		-	30,000
Net cash flows from financing activities		-	30,000
Decrease in cash		(35,433)	(9,098)
Cash, beginning of year		35,707	44,805
Cash, end of year		\$ 274	\$ 35,707

- See accompanying notes to the consolidated financial statements -

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Company was incorporated under the Canada Business Corporations Act on February 2, 2004 and commenced operations on that date. 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). Trading in the Company's shares has been halted since the announcement of the proposed reverse takeover (Note 11).

The principal records office and principal address of the Company is located at 308 – 5600 Andrews Road, Richmond, BC V7E 6N1.

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 contains economically recoverable resources.

These 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 for the foreseeable future. Should the Company be unable to continue as a going concern significant adjustment to asset 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 its resource property interests. Management anticipates that the Company will need additional cash resources to continue operations and conduct exploration plans for the ensuing twelve months. Management plans to continue to reduce spending in order to preserve cash and maintain liquidity until it succeeds in securing additional equity funding for its current or new business opportunities (Note 11). Failing to secure additional financing in the near term would pose a liquidity risk and may impact the Company's ability to continue as a going concern into the future. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements were authorized for issue on January 8, 2013 by the Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and conversion to International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first set of annual financial statements prepared in accordance with IFRS. The disclosures concerning the transition from pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP" or "CGAAP") to IFRS are provided in Note 12.

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiary Jerico Explorations Arizona, Inc. ("Jerico Arizona") a company incorporated and domiciled in the State of Arizona, USA. Inter-company balances and transactions are eliminated on consolidation. The Company holds 100% of the shares of Jerico Arizona.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting periods.

Significant Judgments made in the preparation of the financial statements:

Functional currency

Management has reviewed the primary economic environment of the Company Jerico Arizona to evaluate the functional currency for each entity. Where primary indicators of the economic environment are mixed or non-conclusive, the assessment becomes more subjective assessing and weighting secondary indicators of the economic environment. The assessment of a different functional currency could impact the financial performance of the combined company.

Going concern assessment

The preparation of these consolidated financial statements under the going concern assumption requires significant judgement in assessing that future loans or equity financing are likely to be available in order to meet obligations coming due. The going concern assumption implies that the Company is expected to continue operations for at least the ensuing 12 month period. Alternatively, if the going concern assumption was not appropriate then assets of the Company would be stated at liquidation values which could result in a material change to asset values.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

Areas requiring a significant degree of estimation uncertainty relate to:

Impairment of exploration and evaluation assets

The future recoverability of exploration and evaluation assets is dependent on a number of factors, including whether the Company intends to exploit the related mineral interest itself or whether it can successfully recover the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include commodity prices, the amount of estimated reserves and resources, the number of interested purchasers, future technological changes which could impact the cost of mining or future legal changes (including changes to environmental restoration obligations). To the extent that the capitalised exploration and evaluation asset is determined not to be recoverable in the future, the net asset will be reduced in the period in which this determination is made.

Fair value measurements for non-cash transactions

In the preparation of these consolidated financial statements, management estimates the time and resources donated to the Company by management. Where available, the estimates for the fair value of these services are based on similar sized companies and expertise of management. However, the measurement of the transaction is based on the best available information and experience of management.

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Foreign currency translation

The functional currency of the Company and its controlled entity is determined by the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the inactive subsidiary, Jerico Arizona, located in the USA is also determined to be the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Share-based payments

The Company operates an employee stock option plan (Note 5). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Financial instruments

The Company classifies its financial instruments into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

The Company classified its Cash, held in demand bank accounts, and sales taxes recoverable as loans and receivables. The Company's trade payables are classified as financial liabilities. The fair values of these financial assets and liabilities are estimated to approximate their carrying values.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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 doesn't measure any of its financial assets and liabilities at fair value. The fair value of cash is estimated based on Level 1 inputs. The fair value of the other financial assets and liabilities are based on Level 3 inputs, primarily management's best estimates.

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Impairment of assets

The carrying amount of the Company's long-term assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Management is not aware of any restoration or environmental obligations associated with the Harmony property based on activities to date.

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Summary of recent accounting pronouncements issued but not yet adopted by the Company

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through the other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments may remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and the largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This new standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONT'D

Summary of recent accounting pronouncements issued but not yet adopted by the Company (continued)

In May 2011, the IASB issued the following new or amended standards IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 11, Joint Arrangements ("IFRS 11"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), IAS 27, Separate Financial Statements ("IAS 27"), IFRS 13, Fair Value Measurement ("IFRS 13") and amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not assessed the impact, if any, that the new and amended standards will have on its financial statements.

The following is a summary of the additional new standards:

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through the power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 requires a venture to classify its interest on a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS supersedes IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-monetary Contributions by venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, and entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispensed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

There have been amendments to existing standards, including IAS 27 and IAS 28. IAS 17 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 -13.

In October 2011, the IASB issued IFRIC Interpretation 20 ("IFRIC 20") clarifying when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

3. EXPLORATION AND EVALUATION ASSET

Harmony Property	2012 \$	2011 \$
Acquisition costs:		
Balance, beginning of year	119,437	119,437
Impairment	(119,436)	-
Balance, end of year	1	119,437
Deferred exploration and evaluation:		
Balance, beginning of year	208,873	206,619
Property maintenance	3,362	2,254
Impairment	(212,235)	-
Balance, end of year	-	208,873
Total exploration and evaluation assets	1	328,310

On March 1, 2004, the Company entered into a Mining Property Lease and Option to Purchase Agreement for the right to acquire up to a 100% in the Harmony claim block (subject to a 1% new production royalty), comprising 9 claims in the Hualapai Mining District of Mohave County, Arizona. The agreement required a series of payments totaling US\$100,000 (completed in the year ended September 30, 2007).

At September 30, 2012, management determined that the development of the project had been delayed and that market conditions were difficult. Accordingly sufficient indicators of impairment existed to necessitate an impairment review. As the property is in the exploration stage, cash flows relating to the cash generating unit cannot be determined. The Company has had discussions with interested parties concerning the claims, however the fair value of the claims and the project cannot be reliably estimated. Management recorded an impairment to the property to write the carrying value down to a nominal value of \$1.

The impairment may be reversed in a future period if a reliable estimate of the fair value of the claims and project becomes available.

4. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2012	September 30, 2011	October 1, 2010
Trade payables	\$ 4,749	\$ 392	\$ 2,029
Accrued liabilities	12,000	10,000	12,000
	\$ 16,749	\$ 10,392	\$ 14,029

JERICO EXPLORATIONS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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 share issuance:

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 upon exercise. The quoted market price of the Company's shares at the time of exercise was \$0.40 per share.

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 the options will be 10 years or such longer term as permitted by the TSX-V.

Stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Number of Years to Expiry
Outstanding, October 1, 2010	475,000	0.23	5.62
Exercised	(150,000)	(0.20)	
Granted	125,000	0.55	
Outstanding, September 30, 2011	450,000	0.32	6.11
Outstanding, September 30, 2012	450,000	0.32	5.11

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 at grant date to be \$42,555. The right vests over an 18 month period. During the year ended September 30, 2012, the fair value of the vesting portion of the options expensed was equal to \$3,889 (2011 – \$38,666).

The fair value of the stock option award 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, forfeiture rate 0% and expected life of ten years.

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6. RELATED PARTY TRANSACTIONS

Management provides 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 the year. The estimated amount for services received has been recorded in the statement of comprehensive loss and included in the reserve account as donated services.

Key management personnel compensation

	Years ended	
	September 30, 2012	September 30, 2011
Chief executive officer:		
Short-term employee benefits – salaries and wages	\$ -	\$ -
Stock-based compensation	-	-
	-	-
Chief financial officer:		
Short-term employee benefits – salaries and wages	-	-
Stock-based compensation	3,300	5,211
	\$ 3,300	\$ 5,211

7. SEGMENTED INFORMATION

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

	September 30, 2012	September 30, 2011	October 1, 2010
Canada			
Cash	\$ 274	\$ 35,707	\$ 44,805
Other	1,460	1,387	1,953
	1,734	37,094	46,758
USA			
Exploration and evaluation assets	1	328,310	326,056
	\$ 1,735	\$ 365,404	\$ 372,814

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8. CAPITAL MANAGEMENT

The Company 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, but will review on a regular basis the capital structure of the Company relative to the stage of development.

The Company currently is dependent on externally provided equity financing to fund its 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 significant changes in the Company's approach to capital management. There are no capital restrictions on the Company other than TSX-V policies.

9. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2012	2011
Net loss	\$ (393,915)	\$ (92,439)
Statutory tax rate	25.5%	26.0%
Expected income tax recovery at the statutory tax rate	\$ (100,448)	\$ (24,034)
Non-deductible items and other	6,091	15,253
Effect of reduction in tax rates	4,508	-
Temporary differences not recognized	89,849	8,781
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	September 30, 2012	September 30, 2011	October 1, 2010
Non-capital loss carry-forwards	\$ 126,074	\$ 118,546	\$ 109,765
Exploration and evaluation assets	97,165	14,817	14,816
	\$ 223,212	\$ 133,363	\$ 124,581

The Company had non-capital losses of approximately \$495,000 available for income tax purposes which may be carried forward to reduce future taxable income in Canada and the United States. These losses will expire at different stages up to and including 2032. The criteria for recognizing the Company's potential deferred tax benefits as assets have not been met.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental issues and fluctuations in commodity based market prices associated with resource property interests.

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 or 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.

Currency Risk

The Company's functional currency is the Canadian dollar. There is foreign exchange risk to the Company as its resource property interests are located in the United States resulting in certain expenses being incurred in US Dollars. The Company does not engage in any hedging activities to reduce its foreign exchange risk.

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 reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash balances and/or short-term investments.

11. SUBSEQUENT EVENTS

On November 13, 2012, the Company entered into a Share Exchange Agreement (SEA) with Eden Petroleum Ltd. (Eden), whereby the Company would acquire all of the issued and outstanding voting shares of Eden in exchange for 40,000,000 common shares of the Company. As a result of the transaction, the Eden shareholders would effectively acquire control of the Company by way of a reverse takeover. The SEA contemplates a number of conditions including a name change and the cancellation of outstanding stock options. The number of common shares issued to Eden shareholders may increase as a result of an additional financing in Eden. The transaction is subject to shareholder, TSX-V and regulatory approvals.

On December 5, 2012, the Company's wholly owned subsidiary Jerico Arizona changed its name to Garden Petroleum Inc.

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12. FIRST TIME ADOPTION OF IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first annual consolidated financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", October 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated and presented in accordance with IFRS.

IFRS 1 Exemptions applied

The Company has applied the following optional transitional exemptions to full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to October 1, 2010, which have been accounted for in accordance with Canadian GAAP.
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee ("IFRIC") "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Company has not recognized any additional provisions as a result of adoption.

Reconciliations between Canadian GAAP and IFRS

The adoption of IFRS has not required any significant adjustment of the comparative figures in the consolidated statement of comprehensive loss for the year ended September 30, 2011 as previously reported under Canadian GAAP.

The Company's transition to IFRS did not result in significant adjustment to the Company's assets and liabilities presented in the consolidated statements of financial position at September 30, 2011 and October 1, 2010 as previously reported under Canadian GAAP. See the following reconciliations within shareholders' equity.

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12. FIRST TIME ADOPTION OF IFRS – CONT'D

There is no material adjustment to the Company's consolidated statement of cash flows for the year ended September 30, 2011 as a result of the adoption of IFRS.

Reconciliations between Canadian GAAP and IFRS

Balance sheet / Statement of financial position

		As at October 1 , 2010			As at September 30, 2011		
	Note	CGAAP	Effect of Transition	IFRS	CGAAP	Effect of Transition	IFRS
SHAREHOLDERS' EQUITY							
Share capital		\$ 648,774	\$ -	\$648,774	\$ 691,529	\$ -	\$ 691,529
Contributed surplus	1	138,235	(138,235)	-	184,146	(184,146)	
Reserve – stock options	1		58,235	58,235	-	84,146	84,146
Reserve – donated services	1	-	80,000	80,000		100,000	100,000
Deficit		(428,224)	-	(428,224)	(520,663)	-	(520,663)
TOTAL EQUITY		\$ 358,785	\$ -	\$358,785	\$ 355,012	\$ -	\$ 355,012

There are a variety of differences in terminology from Canadian GAAP to IFRS, including the Statement of financial position and the Statement of changes in shareholders' equity which appear different from Canadian GAAP. The equity item previously referred to as "Contributed surplus" is now allocated between "Reserve – stock option" and "Reserve – donated services".

1. Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and donated services were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves within shareholder's equity. This is primarily a difference in terminology.