BIRD RIVER RESOURCES INC.

2017

Annual Report

Bird River Resources Inc.

March 2018

Dear Shareholders:

The past year has been an eventful period for your Company. After many years of dedicated service, Mr. Nelson Shodine retired as President of the Company and in turn, I was appointed CEO by the Board of Directors. Since then, I have led the Company through the following events:

- The completion of a $4,744,210. private placement of 36,955,000 Units (common shares + warrants) and 8,067,000 flow through shares;

- The initiation of a new vertical technology division that will focus on the use and application of blockchain technology in the oil and gas sector; and

- The acquisition of 100% ownership of High Point Oil Inc. of Calgary.

We are most confident about the High Point acquisition. This transaction brings two seasoned highly experienced oil and gas executives, being Mr. Ty Pfeifer and Mr. Howard Blacker to the Bird River team. High Point is a private Alberta company that specializes in the exploration and development of conventional light oil reserves that reside in the Devonian carbonate systems of Alberta. High Point has acquired, interpreted and completed the geological integration of approximately 170 square miles of 3D seismic and has acquired prospective mineral leases. To date, 18 drilling locations have been identified and the 2018 drilling program will begin soon. High Point management anticipates additional opportunities will be identified and delineated as the interpretation of the seismic data progresses. Additionally, they are currently evaluating a production acquisition opportunity in its area of focus which would be complimentary to its upcoming drilling and development program. All of High Point's leases are in areas that have history of proven, high volume light oil producers.

The world's crude oil market continues to experience growing competition in supply which contributes to price volatility in North American and World oil prices. The Board of Directors believes that our new barbell business model will give the Company a level of diversification that will contribute to acceleration in cash flow in both business units in the future. At the same time, the Company will review new growth opportunities as they are presented.

In conclusion, I would like to thank the Company's directors and officers for their outstanding efforts and support during this period of rapid transformation in the Company and all of us look forward to a bright future.

Sincerely,

Bird River Resources Inc.

Per ______________________
Jon Bridgman
Chief Executive Officer

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Consolidated Financial Statements of

BIRD RIVER RESOURCES INC.
(An Exploration Company)

Years ended July 31, 2017 and 2016

Expressed in Canadian dollars

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Bird River Resources Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bird River Resources Inc., which comprise the consolidated statements of financial position as at July 31, 2017 and July 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2017 and July 31, 2016, 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 the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 the 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 audits 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 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 Bird River Resources Inc. as at July 31, 2017 and July 31, 2016 and its financial performance and its cash flows for the years ended July 31, 2017 and July 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2(b) to the consolidated financial statements which describes the uncertainty related to Bird River Resources Inc.'s ability to operate as a going concern. Our opinion is not qualified in respect of this matter.

Magnus

December 1, 2017
Winnipeg, Canada

Chartered Professional Accountants

BIRD RIVER RESOURCES INC.

Consolidated Statements of Financial Position

As at July 31, 2017 and July 31, 2016

(Expressed in Canadian dollars)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	$ 35,456	$ 87,845
Trade receivables	16,235	14,283
Goods and services tax recoverable	-	3,546
Inventory	17,357	17,468
Total current assets	69,048	123,142
Non-current assets:		
Property and equipment (Note 5)	81,870	146,087
Exploration and evaluation assets (Note 7)	-	35,127
Total non-current assets	81,870	181,214
Total assets	$ 150,918	$ 304,356
Liabilities and Equity		
Liabilities:		
Current liabilities:		
Trade payables	$ 140,396	$ 116,202
Other payables (Note 8)	89,678	83,831
Total current liabilities	230,074	200,033
Non-current liabilities:		
Decommissioning obligations (Note 9)	9,663	9,385
Total liabilities	239,737	209,418
Equity:		
Share capital (Note 11)	1,012,247	1,012,247
Share-based payments reserve	1,840	1,840
(Deficit)	(1,102,906)	(919,149)
Total equity	(88,819)	94,938
Going concern of operations (Note 2(b))		
Subsequent events (Note 17)		
Total liabilities and equity	$ 150,918	$ 304,356

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Director "Jon Bridgman"

Director "Donal Carroll"

BIRD RIVER RESOURCES INC.

Consolidated Statements of Loss and Comprehensive Loss

Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

	2017	2016
Revenue:		
Petroleum and natural gas revenue	$ 31,215	$ 43,877
Industrial mineral sales	63,792	52,034
	95,007	95,911
Expenses:		
Depletion	12,511	15,889
Depreciation	418	541
General and administrative (Note 13)	115,294	156,991
Net impairment losses (Note 5)	51,288	12,162
Production and operating - petroleum and natural gas	17,213	27,530
Production and operating - industrial minerals	46,747	40,625
Share-based payments (Note 12(c))	-	204
	243,471	253,942
Net (loss) from operations	(148,464)	(158,031)
Other income (expenses):		
Accretion expense	(278)	(270)
Write-down of exploration and evaluation assets (Note 7)	(35,127)	(91,850)
Interest income	112	6,108
	(35,293)	(86,012)
Net (loss) and comprehensive (loss) for the year	$ (183,757)	$ (244,043)
Basic and diluted loss per share (Note 11(c))	$ (0.02)	$ (0.02)

See accompanying notes to consolidated financial statements.

BIRD RIVER RESOURCES INC.

Consolidated Statements of Changes in Equity

Years ended July 31, 2017 and July 31, 2016

(Expressed in Canadian dollars)

	2017	2016
Share capital		
Balance, beginning and end of year	$ 1,012,247	$ 1,012,247
Share-based payments reserve		
Balance, beginning of year	$ 1,840	$ 1,636
Share-based payments (Note 12(c))	-	204
Balance, end of year	$ 1,840	$ 1,840
(Deficit)		
Balance, beginning of year	$ (919,149)	$ (675,106)
Net (loss) and comprehensive (loss) for the year	(183,757)	(244,043)
Balance, end of year	$ (1,102,906)	$ (919,149)
Total (deficit) equity, end of year	$ (88,819)	$ 94,938

See accompanying notes to consolidated financial statements.

BIRD RIVER RESOURCES INC.

Consolidated Statements of Cash Flows

Years ended July 31, 2017 and July 31, 2016

(Expressed in Canadian dollars)

	2017	2016
Operating activities:		
Net (loss) and comprehensive (loss) for the year	$ (183,757)	$ (244,043)
Adjustments for:		
Depletion and depreciation	12,929	16,431
Net impairment losses	51,288	12,162
Share-based payments	-	204
Write-down of exploration and evaluation assets	35,127	91,850
Accretion expense	278	270
	(84,135)	(123,126)
Changes in the following:		
Trade receivables	(1,952)	(5,469)
Goods and services tax recoverable	3,546	(1,546)
Inventory	111	866
Trade payables	24,194	59,208
Other payables	5,847	20,621
	(52,389)	(49,446)
Investing activity:		
Proceeds on note receivable	-	35,741
Change in cash and cash equivalents	(52,389)	(13,705)
Cash and cash equivalents, beginning of year	87,845	101,550
Cash and cash equivalents, end of year	$ 35,456	$ 87,845

Supplementary information:

During the year ended July 31, 2017 the company did not pay any interest (2016 - $Nil) or income taxes (2016 - $Nil).

See accompanying notes to consolidated financial statements.

Nature of operations

Bird River Resources Inc. (the "company") is a publicly listed company incorporated under the laws of Manitoba on March 7, 1958. The mailing and office address of its executive office is: 1059 Selkirk Avenue; Winnipeg, MB; R2X 0C2.

The company's principal business activities include the acquisition and exploration of resource properties with the primary focus on petroleum and natural gas properties. The company also engages in secondary activities, from time to time, involving the purchase or acquisition of certain industrial minerals, typically diatomaceous earth and bentonite, for distribution and re-sale or for use in an abandoned water well sealing operation. The company's shares are listed on the Canadian National Stock Exchange.

1. Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements for the year ended July 31, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the company's Board of Directors on December 1, 2017.

2. Significant accounting policies

(a) Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

(b) Going concern of operations

These financial statements have been prepared on a going concern basis, which assumes that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. There is doubt about the appropriateness of the use of the going concern assumption because the company has experienced significant losses and has experienced negative cash flows from operations over a number of years. The company has not yet determined whether all of its exploration and evaluation assets contain reserves that are economically recoverable, and accordingly, the success of any further exploration or development prospects cannot be assured. If the company's exploration and development programs are successful, additional funds may be required, and the company may not have sufficient funds to conduct the exploration required. The primary source of future funds available to the company is through the sale of additional equity capital, which may dilute the interests of existing shareholders.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate, then adjustments may be necessary to the carrying value of the assets and liabilities and the reported amounts of revenue and expenses.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiary 2411181 Manitoba Ltd. All significant inter-company transactions have been eliminated on consolidation.

2. Significant accounting policies (continued)

(d) Inventory

Inventory is comprised of finished goods and is valued at the lower of cost and net realizable value, with cost being determined using the first-in, first-out costing basis. Net realizable value is the estimated selling price in the normal course of operations less estimated costs of selling. During the year, the company recognized $46,747 (2016 - $40,006) of inventory as an expense which is included in production and operating - industrial minerals expense on the consolidated statements of loss and comprehensive loss. No inventory has been valued at net realizable value during the current or prior year.

(e) Property and equipment

Recognition and measurement

Exploration and evaluation equipment and vehicles are recorded at historical cost less accumulated depreciation and any impairment losses. Residual values, depreciation methods and useful economic lives are reviewed and adjusted as necessary at the end of each reporting period. Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of exploration and evaluation equipment and vehicles have different useful lives, they are accounted for as a separate item of property and equipment.

Petroleum and natural gas properties represent the cost of developing the commercial reserves and bringing them into production. These assets include the exploration and evaluation costs that are reclassified to property and equipment in accordance with the accounting policy for exploration and evaluation assets as disclosed in Note 2(f) to these consolidated financial statements.

Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the company and its costs can be reliably measured. The carrying amount of the replaced component is derecognized. The costs of servicing property and equipment are recognized in profit or loss as incurred.

Depletion and depreciation

Exploration and evaluation equipment and vehicles are depreciated based on the cost of the asset less its residual value. Depreciation methods and rates are applied consistently within each asset class except where significant individual assets have been identified which have different depreciation patterns.

Petroleum and natural gas properties are depleted using the unit of production method based on the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production.

Depreciation and depletion are recognized in profit or loss. The following rates and methods are used:

	Rate	Method
Exploration and evaluation equipment	20%	Declining balance
Vehicles	30%	Declining balance
Petroleum and natural gas properties	-	Unit of production

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the net proceeds and the carrying amount of the asset as at the date of disposition, is recognized in profit or loss.

2. Significant accounting policies (continued)

(f) Exploration and evaluation expenditures

Costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

Capitalized costs

Exploration and evaluation expenditures, which include petroleum and natural gas properties and mineral exploration properties, are defined as costs incurred after having obtained the legal right to explore the property and before the technical and commercial viability of extracting resources are demonstrated.

The company follows the full cost method whereby all costs associated with the acquisition, exploration and development of reserves are capitalized in cost centers from the time the company obtains the legal right to undertake exploration and evaluation activities on a project. Such costs include land and lease acquisitions, geological and geophysical expenditures, drilling of productive and non-productive wells, production and gathering equipment and facilities, carrying costs directly related to unproven properties, and corporate costs directly related to the acquisition. Amounts capitalized to these cost centers represent costs to date and are not intended to represent present or future values. The recoverability of the costs is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interests in the underlying claims, the ability to obtain necessary financing to complete development and the development of future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

If technical feasibility and commercial viability have been established, the carrying amount of the related exploration and evaluation asset is tested for impairment as discussed below. The carrying value, net of any impairment loss, is then reclassified to property and equipment as mineral exploration properties or petroleum and natural gas properties.

If the company decides not to continue the exploration and evaluation activity, the accumulated costs are expensed in the period in which the event occurs.

Impairment test

Exploration and evaluation assets are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount or when technical feasibility and commercial viability have been established. The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, excluding impairment losses for exploration and evaluation assets reclassified to property and equipment, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit.

(g) Borrowing costs

The company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset when it is probable that these costs will result in future economic benefits and when they can be reliably measured. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed as incurred.

2. Significant accounting policies (continued)

(h) Provisions

General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is included in profit or loss net of any reimbursement.

Decommissioning obligations

The company recognizes the fair value of a liability for decommissioning obligations in the period in which the company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the decommissioning obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The decommissioning obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The decommissioning obligation is depleted on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of any decommissioning obligation cash flows.

(i) Joint arrangements

A portion of the company's exploration activities is conducted jointly with others whereby the company enters into agreements that provide for specified percentage interests in petroleum and natural gas properties and exploration and evaluation assets. These joint arrangements are classified as either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement. Joint operations are accounted for by recognizing the company's share of any assets, liabilities, revenue and expenses of the joint operation and joint ventures are accounted for using the equity method. Currently, all of the company's joint arrangements represent interests in joint operations (see Note 6).

(j) Loss per share

Diluted loss per share is calculated using the treasury stock method which assumes all common share equivalents, such as options and warrants had been exercised at the beginning of the reporting period of issue and that the funds obtained therefrom were used to purchase common shares of the company at the estimated average trading price of the common shares during the year.

(k) Revenue recognition

Revenue from sales of petroleum and natural gas is recognized when the significant risks and rewards of ownership are transferred to the buyer, which is when legal title passes to the buyer and when collection is reasonably assured. This is generally at the time product enters the pipeline or is delivered to the refinery.

Revenue from the sale of industrial minerals is recognized when the goods are shipped and when collection is reasonably assured.

Interest income is recognized on the accrual basis.

2. Significant accounting policies (continued)

(l) Income taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax relates to items recognized directly in equity or in other comprehensive income or loss.

(i) Current income tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to income taxes payable in respect of previous years.

(ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax is measured at the enacted or substantially enacted tax rates expected to be recovered or settled in the future. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Share-based payments

The company has implemented a stock option plan to allow the company to grant options to directors, officers, employees and service providers. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors and officers of the company. The maximum number of common shares which may be issued pursuant to those granted under the company's stock option plan are limited to 1,892,000 common shares at a price determined by the Board of Directors. In addition, the number of options issued to any one individual may not exceed 5% of the issued common shares on a yearly basis. For any person providing ongoing services or employed in investor relations activities, the number of options granted may not exceed 2% of the issued common shares on a yearly basis.

The company uses the fair value-based approach to account for share-based payments under its stock option plan. Compensation expense is recognized for these stock options over their vesting period based on their estimated fair values on the date of grant as determined by the Black-Scholes option-pricing model. The fair value of the options is adjusted by the estimate of the number of options that are expected to vest as a result of non-market conditions. At each reporting date, the company revises its estimate of the number of options that are expected to vest.

The fair values of the options issued, if any, are credited to share-based payments reserve in the period they vest. Upon exercise of the share purchase options, consideration paid together with the amount previously recognized in share-based payments reserve is recorded as an increase in share capital. Charges to share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to retained earnings or deficit.

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the share-based payment.

2. Significant accounting policies (continued)

(n) Financial instruments

(i) Non-derivative financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets are recognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as FVTPL which are initially measured at fair value.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is considered to be held-for-trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

Held-to-maturity

A financial asset is classified as held-to-maturity if the asset has fixed or determinable payments and fixed maturities that the company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. Any changes to the carrying amount of the asset, including any impairment losses, are recognized in other comprehensive income or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as loans and receivables, held-to-maturity or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income or loss and presented within equity in the fair value reserve. Equity instruments that do not have an active market are recorded at cost. When an investment is derecognized, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Derecognition of financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

(ii) Non-derivative financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

A financial liability is classified at fair value through profit or loss if it is considered to be held-for-trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Other financial liabilities

Other financial liabilities, including any borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

Derecognition of financial liabilities

The company derecognizes financial liabilities when the company's obligations are discharged, cancelled or they expire.

(iii) The company's financial instruments consist of the following:

Financial instrument	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value
Trade receivables	Loans and receivables	Amortized cost
Trade payables	Other financial liabilities	Amortized cost
Other payables	Other financial liabilities	Amortized cost
Goods and services tax recoverable	Other financial liabilities	Amortized cost

(o) Impairment of long-lived assets

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on estimated future cash flows.

Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial assets carried at cost

An impairment loss of a financial asset carried at cost, where its fair value cannot be reliably measured, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of similar financial assets. Such impairment losses are not reversed.

2. Significant accounting policies (continued)

(o) Impairment of long-lived assets (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

An impairment loss of an available-for-sale financial asset is recognized by transferring the cumulative loss that has been recognized in other comprehensive income or loss, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income or loss and recognized in profit or loss is the difference between acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. If, however, the fair value of an impaired available-for-sale equity security increases, the amount of reversal is recognized in other comprehensive income or loss.

(ii) Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets, other than exploration and evaluation assets, to determine whether there is an indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Exploration and evaluation assets are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

(p) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make accounting estimates and assumptions requiring judgment in applying the company's accounting policies. These estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates are as follows:

Depletion and valuation of property and equipment

The amounts recorded for depletion of petroleum and natural gas properties and the valuation of petroleum and natural gas properties are based on estimates. These estimates include proven and probable reserves, future production rates, future petroleum and natural gas prices, remaining lives and period of future benefits of the related assets and other relevant assumptions.

2. Significant accounting policies (continued)

(p) Use of estimates and judgments (continued)

The company's reserve estimates are evaluated annually. Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs, future development costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated. Changes in reserve estimates impact the financial results of the company as reserves and estimated future development costs are used to calculate depletion and are also used in impairment calculations.

The determination of cash-generating units, used in assessing impairment, requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash-generating units are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

The discount rate used to calculate the net present value of cash flows for impairment testing is based on estimates of market conditions, recent asset sales and an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to these estimates.

Valuation of exploration and evaluation assets

The valuation of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves which in turn is dependent on future petroleum and natural gas prices, future capital expenditures and environmental and regulatory restrictions.

The decision to transfer assets from exploration and evaluation assets to property and equipment is based on estimated proven and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

Deferred income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the company utilizing certain tax pools and assets which, in turn, is dependent on estimates of proven and probable reserves, production rates, future petroleum and natural gas prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and further interpretations by taxation authorities. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Decommissioning obligations

The company's decommissioning obligations are estimated based on assumptions relating to the company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon any wells and facilities and the estimated timing of the costs to be incurred in future years using estimated discount rates. Changes to environmental laws and regulations may also impact the amount of the company's decommissioning obligations.

Share-based payments

The amounts recorded relating to the fair value of stock options and warrants issued are based on estimates of the future volatility of the company's share price, market price of the company's shares at grant date, expected lives of the options, expected forfeiture rate, expected dividends and other relevant assumptions.

2. Significant accounting policies (continued)

(q) Recent accounting announcements

Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are listed below. This listing is of the standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company does not expect the impact of these new standards on its consolidated financial statements to be significant.

IFRS 9 *Financial Instruments*

IFRS 9, as issued, addresses the classification and measurement of financial assets and liabilities and requires any financial assets or liabilities to be classified into one of three measurement categories. The measurement categories are: (1) fair value through profit and loss; (2) fair value through other comprehensive income or loss; and (3) amortized cost. Investments in equity instruments must be measured at fair value through profit or loss; however, there is an irrevocable option to present the changes in fair value in other comprehensive income or loss. For financial liabilities, the majority of the requirements from IAS 39 have been retained. The main difference is where the fair value option is chosen for financial liabilities, the portion of the fair value change relating to an entity's own credit risk is recorded in other comprehensive income or loss as opposed to profit or loss. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires entities to follow a five-step model for the recognition of revenue upon the transfer of control of a good or service to the customer. The five steps are: (1) contract is identified with the customer; (2) performance obligations are identified; (3) transaction price is determined; (4) transaction price is allocated; and (5) revenue is recognized when the performance obligation is satisfied. In addition, there are enhanced revenue disclosures to provide investors with a more comprehensive understanding of the nature, amount, timing and uncertainty of revenue and cash flows from contracts. This standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations on revenue recognition. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose information relating to leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. This standard is effective for annual periods beginning on or after January 1, 2019.

3. Exploration and evaluation expenses

During the year ended July 31, 2017, the company has directly expensed exploration and evaluation costs in the amount of $Nil (2016- $Nil).

(Expressed in Canadian dollars)

4. Cash and cash equivalents

	2017	2016
Cash	$ 35,456	$ 30,092
Treasury bills - Money market fund	-	57,753
Total cash and cash equivalents	$ 35,456	$ 87,845

Cash is deposited at an established Canadian financial institution.

5. Property and equipment

	Exploration and evaluation equipment	Vehicles	Petroleum and natural gas properties	Total
Cost				
Balance, July 31, 2015	$ 52,333	$ 11,342	$ 267,631	$ 331,306
Impairment losses, net of reversals	-	-	(12,162)	(12,162)
Balance, July 31, 2016	$ 52,333	$ 11,342	$ 255,469	$ 319,144
Impairment losses	-	-	(51,288)	(51,288)
Balance, July 31, 2017	$ 52,333	$ 11,342	$ 204,181	$ 267,856
Accumulated depletion and depreciation				
Balance, July 31, 2015	$ 50,430	$ 10,806	$ 95,391	$ 156,627
Depletion and depreciation for the year	380	161	15,889	16,430
Balance, July 31, 2016	$ 50,810	$ 10,967	$ 111,280	$ 173,057
Depletion and depreciation for the year	305	113	12,511	12,929
Balance, July 31, 2017	$ 51,115	$ 11,080	$ 123,791	$ 185,986
Carrying value				
At July 31, 2016	$ 1,523	$ 375	$ 144,189	$ 146,087
At July 31, 2017	$ 1,218	$ 262	$ 80,390	$ 81,870

(Expressed in Canadian dollars)

5. Property and equipment (continued)

Impairment analysis

At July 31, 2017, the company assessed the recoverability of its investment in petroleum and natural gas properties by performing an impairment test at the cash-generating unit level. The recoverable amount of each cash-generating unit was estimated based on the higher of the value in use and the fair value less costs to sell. The estimated fair value less costs to sell was used and was determined using estimated future cash flows based on estimated reserves, discounted at 10%, with prices as noted below. Based on the impairment test, the carrying amount of the investment in petroleum and natural gas properties was determined to be impaired in the amount of $51,288 (2016 - $40,103) relating to wells HZ 11-26-1-28, HZ 12-15-8-28, HZ 7-34-1-28, HZ 13-15-8-28, HZ 16-16-7-28, HZ 3-22-7-28 and HZ 4-5-2-27 (2016 - wells HZ 13-15-8-28, HZ 7-34-1-28, HZ 16-16-7-28, HZ 3-22-7-28 and HZ 4-5-2-27). In addition, based on the impairment test, it was determined that previously recognized impairment losses of $Nil (2016 - $27,941) should be reversed due to changes in expected future production. These net impairment losses in the amount of $51,288 (2016 - $12,162) are recognized in profit or loss.

The benchmark and company's forecast prices used in the impairment test calculations for the year ended July 31, 2017 were primarily based on the following future commodity prices:

	Light oil (Cdn$/bbl)
2018	$55.37
2019	$52.36
2020	$50.89
Thereafter, 2% increase for inflation	

The benchmark and company's forecast prices used in the impairment test calculations for the year ended July 31, 2016 were primarily based on the following future commodity prices:

	Light oil (Cdn$/bbl)
2017	$50.16
2018	$52.07
2019	$53.26
Thereafter, 2% increase for inflation	

6. Interests in joint arrangements

The company participates in a joint operation with Antler River Resources Ltd. and other parties relating to twelve oil wells in southwestern Manitoba. The company has rights to the assets and obligations for the liabilities relating to this joint operation, therefore has recognized its share of the assets, liabilities, revenues and expenses in these consolidated financial statements. Pursuant to the arrangement, expenditures are limited to costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells. The related expenditures are deferred in the accounts of the company until the technical and commercial viability of extracting resources has been demonstrated. The company has earned an interest equal to 80% of their contribution to the costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells, which represents approximately a 4% interest in the joint operation. As at July 31, 2017 and 2016, technical and commercial viability of extracting resources has been demonstrated on ten oil wells and as a result the amounts previously capitalized to exploration and evaluation assets have been transferred to petroleum and natural gas properties in property and equipment and are being depleted accordingly (see Note 5).

(Expressed in Canadian dollars)

7. Exploration and evaluation assets

(a) The company has capitalized the following amounts:

	2017	2016
Petroleum and natural gas properties:		
Lease holdings (i)	$ -	$ 35,127

(i) During the year ended July 31, 2017 various leases expired resulting in write-downs of exploration and evaluation assets totaling $35,127 (2016 - $91,850) relating to leases Northeast quarter 17-1-27, Northeast quarter 23-1-28 and Northeast quarter 30-1-27 (2016 - relating to leases Northwest quarter 23-1-28, Southwest quarter 23-1-28, Northeast quarter 14-4-22, Northeast quarter 2-3-26 and Southeast quarter 2-3-26).

(ii) The company previously held an exploration property known as the Ore Fault property located on the Bird River Greenstone Belt, 125 kilometers northeast of Winnipeg, Manitoba. On August 19, 2008 Marathon PGM acquired the balance of the Ore Fault property consisting of 19 claims which covers 446 hectares. Under the joint arrangement, Marathon had an option to earn 100% of the Ore Fault property once their interest reached 70%. Marathon exercised its option to require the company to sell the remaining 30% interest in the property for a purchase price of $1,450,000. The company retains a 1% net smelter return ("NSR") royalty on the Ore Fault Property.

8. Other payables

The company's other payables at July 31 are comprised of the following:

	2017	2016
Accrued liabilities	$ 89,095	$ 83,715
Provincial sales taxes payable	513	116
Goods and services tax payable	70	-
Total other payables	$ 89,678	$ 83,831

9. Decommissioning obligations

The company's decommissioning obligations result from its ownership interest in petroleum and natural gas properties. The total provision for decommissioning obligations is estimated based on the company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated undiscounted cash flows required to settle the obligations, before considering salvage value, as at July 31, 2017 is approximately $19,000 (2016 - $19,000), which has been discounted using a pre-tax rate of 2.96% (2016 - 2.96%) reflecting the time value of money and the risks specific to the obligation. These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 25 years (2016 - 25 years) into the future and will be funded from general corporate resources at the time of abandonment.

The company's decommissioning obligations for the year ended July 31, 2017 and July 31, 2016 are as follows:

	2017	2016
Balance, beginning of year	$ 9,385	$ 9,115
Plus: Accretion	278	270
Balance, end of year	$ 9,663	$ 9,385

(Expressed in Canadian dollars)

10. Income taxes

(a) Canadian development and exploration expenditures

As at July 31, 2017, the company has $123,670 (2016 - $123,670) of unused Canadian exploration and development expenses and $462,649 (2016 - $462,649) of unused Canadian oil and gas property expenses available to offset future taxable income of the company. The tax benefit of these expenses carries forward indefinitely and have not been recognized due to the uncertainty that the benefits will be realized.

(b) Losses

As at July 31, 2017 the company has non-capital tax losses available for carryforward to reduce future years' taxable income totaling $391,521 which expire as follows:

2032	$ 1,128
2033	50,797
2034	58,062
2035	73,724
2036	123,397
2037	84,413
Total loss carryforwards	$ 391,521

The company has not recorded in its accounts the potential deferred income tax benefit that may be derived from these tax losses due to the uncertainty that the benefits will be realized.

(Expressed in Canadian dollars)

10. Income taxes (continued)

(c) Income tax (expense) recovery differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate of 27% (2016 - 27%). The reasons for the differences are as follows:

	2017	2016
Income tax recovery computed at statutory rates	$ 49,600	$ 65,800
Permanent differences	-	(100)
Change in unrecognized deferred tax assets	(23,300)	(28,000)
	26,300	37,700
Valuation allowance	(26,300)	(37,700)
	$ -	$ -

The components of the company's net deferred income tax asset (liability) at July 31, 2017 and July 31, 2016 are as follows:

	2017	2016
Deferred income tax assets:		
Exploration and evaluation assets	$ 158,300	$ 148,700
Deferred income tax liability:		
Property and equipment	(20,700)	(38,000)
Net deferred income tax asset	137,600	110,700
Valuation allowance	(137,600)	(110,700)
Net deferred income tax liability	$ -	$ -

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

(Expressed in Canadian dollars)

11. Share capital

(a) Authorized

Authorized share capital consists of an unlimited number of common voting shares.

(b) Changes in issued common shares are summarized below:

Year ended July 31, 2017	Number of common shares	Amount
Balance, July 31, 2016 and 2017	10,570,225	$ 1,012,247

Year ended July 31, 2016	Number of common shares	Amount
Balance, July 31, 2015 and 2016	10,570,225	$ 1,012,247

(c) Loss per share

The calculation of basic and diluted loss per share for the years ended July 31, 2017 and July 31, 2016 is based on the following losses and number of shares:

	2017	2016
(Loss) for the year	$ (183,757)	$ (244,043)
Weighted average number of shares	10,570,225	10,570,225

All of the outstanding stock options were anti-dilutive for the relevant period.

12. Share-based payments

(a) Outstanding options

The following table summarizes the 200,000 outstanding options as at July 31, 2017 and July 31, 2016:

	Number outstanding	Exercise price	Expiry date
Directors' options (i)	100,000	$0.10	March 14, 2019
Directors' options (ii)	100,000	$0.10	March 14, 2019

(i) On March 14, 2014 the company issued 100,000 incentive stock options to a director of the company. The exercise price is $0.10 per common share and the options expire on March 14, 2019. These options have a vesting period of 18 months with 1/6 vesting every three months beginning April 1, 2014. These options were fully vested as at July 31, 2016.

The estimated fair value of stock options granted was estimated using the Black-Scholes option pricing model on the date of grant with the following assumptions:

Expected stock price volatility	18.64%
Expected option life	5 years
Risk free interest rate	0.89%
Expected dividend yield	-
Stock price at grant	$0.10
Exercise price	$0.10

(Expressed in Canadian dollars)

12. Share-based payments (continued)

(a) Outstanding options (continued)

(ii) On July 7, 2017 the company issued 100,000 incentive stock options to a director of the company. The exercise price is $0.10 per common share and the options expire on March 14, 2019. These options have a vesting period of 18 months with 1/6 vesting every three months beginning August 1, 2017.

The estimated fair value of stock options granted was estimated using the Black-Scholes option pricing model on the date of grant with the following assumptions:

Expected stock price volatility	33.71%
Expected option life	1.67 years
Risk free interest rate	0.68%
Expected dividend yield	-
Stock price at grant	$0.09
Exercise price	$0.10

(b) Changes in stock options

A summary of the changes in stock option activity for the years ended July 31, 2017 and July 31, 2016 is as follows:

	2017		2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding, beginning of year	$ 0.10	100,000	$ 0.10	100,000
Granted	0.10	100,000	-	-
Outstanding and exercisable, end of year	$ 0.10	200,000	$ 0.10	100,000

The options outstanding at the end of the year have an exercise price of $0.10 per share (2016 - $0.10 per share) and a weighted average remaining contractual life of 1.62 years (2016 - 2.62 years).

(c) Effects on profit or loss

The total estimated fair value of the options vested and recognized as an expense for the year ending July 31, 2017 is $Nil (2016 - $204).

(Expressed in Canadian dollars)

13. General and administrative expenses

The general and administrative expenses incurred by the company for the years ended July 31, 2017 and July 31, 2016 are as follows:

	2017	2016
Automotive	$ 2,925	$ 303
Director's fees (Note 14(b))	3,000	6,000
Management fees (Note 14(b))	44,000	48,000
Office	8,669	8,985
Professional fees	24,046	57,644
Rent (Note 14(b))	8,800	9,600
Repairs and maintenance	884	1,462
Share transfer and filing fees	19,918	16,004
Telephone	2,589	3,762
Travel	463	5,231
	$ 115,294	$ 156,991

14. Related party transactions

(a) Key management personnel compensation

The company did not pay employment based remuneration to directors, officers and other members of key management for the years ended July 31, 2017 and July 31, 2016. However, the company did pay contract based remuneration to directors, officers and other members of key management as disclosed in Note 14 (b).

(b) Other related party transactions

During the year ended July 31, 2017, the company paid management fees in the amount of $27,500 (2016 - $30,000) to a director and officer of the company and $16,500 (2016 - $18,000) to another director and officer. The company also paid rent in the amount of $8,800 (2016 - $9,600) to a director and officer of the company and director's fees in the amount of $3,000 (2016 - $6,000) during the year. These amounts are recorded at the exchange amount, which is the amount agreed upon by the related parties.

As at July 31, 2017, included in trade payables and other payables are amounts owing to directors and officers of the company in the amount of $162,923 (2016 - $116,698).

(Expressed in Canadian dollars)

15. Financial instruments

(a) Risk management and hedging activities

In the normal course of operations the company is exposed to various financial risks. Management’s close involvement in the operations allows for the identification of risks and variances from expectations. The company does not meaningfully participate in the use of financial instruments to control these risks. The company has no designated hedging transactions. The financial risks and management’s risk management objectives and policies are as follows:

(i) Currency risk

The company does not hold any assets or liabilities denominated in a foreign currency therefore is not exposed to currency risk.

(ii) Price risk

The company is exposed to price risk with respect to commodity prices of oil and gas. The company monitors commodity prices in order to manage its exposure to these risks. An annual average change of 1% in crude oil prices would affect the company's reported net income by $312 (2016 - $439).

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. The company is exposed to credit risk on its financial assets which are cash which is held with an established Canadian financial institution and the company's trade receivables, from which management believes the risk of loss to be remote. The company does not use any derivatives or similar instruments to mitigate its maximum exposure to credit risk.

The carrying amount of financial assets recorded in the consolidated financial statements of $51,691 (2016 - $105,674) represents the maximum exposure to credit risk at the reporting date.

(iv) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the company’s liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. It is management’s opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with its financial instruments. As at July 31, 2017, the company has working capital deficiency in the amount of $161,026 (2016 - $76,891).

The contractual maturities of financial liabilities, at July 31, 2017 and July 31, 2016, based on the earliest date on which payment can be required, are as follows:

As at July 31, 2017	Total amount	Six month or less	More than six months
Trade payables	$ 140,396	$ 140,396	$ -
Other payables	89,678	89,678	-
	$ 230,074	$ 230,074	$ -

As at July 31, 2016	Total amount	Six month or less	More than six months
Trade payables	$ 116,202	$ 116,202	$ -
Other payables	83,831	83,831	-
	$ 200,033	$ 200,033	$ -

(Expressed in Canadian dollars)

15. Financial instruments (continued)

(a) Risk management and hedging activities (continued)

(v) Interest rate risk

The company is not exposed to any meaningful interest rate risk due to the short term nature of its interest generating assets.

(b) Sensitivity analysis

The company has cash and cash equivalents subject to interest rate risk of $35,456 (2016 - $87,845). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by $355 (2016 - $878).

(c) Fair values, carrying amounts and changes in fair value

The fair values of the company's financial instruments approximate their carrying values due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the consolidated statement of financial position, have been prioritized into three levels.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level two includes inputs that are observable other than quoted prices included in level one.
Level three includes inputs that are not based on observable market data.

The company's financial instruments within the fair value hierarchy as at July 31, 2017 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 35,456	$ -	$ -

The company's financial instruments within the fair value hierarchy as at July 31, 2016 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 87,845	$ -	$ -

(d) Collateral

The carrying value of financial assets the company has pledged as collateral is $Nil (2016 - $Nil).

16. Capital management

The company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the company's objective is to ensure the company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for its other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of industrial minerals and petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the company's management to sustain future development of the company's operations. As at July 31, 2017, the company had managed capital, being total equity on the consolidated statement of financial position, net deficit of $88,819 (2016 - equity of $94,938).

A number of the properties in which the company currently has an interest are in the exploration stage. As such, the company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay administrative expenses, the company will use its existing working capital and raise additional amounts as needed. The company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the company, is reasonable. There were no changes in the company's approach to capital management during the current or prior year. The company is not subject to externally imposed capital requirements.

17. Subsequent events

(a) On October 2, 2017 the company issued 2,308,709 common shares at a value of $0.06 per share for the extinguishment of debt in the amount of $138,523.

(b) On November 29, 2017 the company granted 1,300,000 incentive stock options to officers and directors of the company. These stock options are exercisable into common shares at $0.10 per share expiring on March 14, 2019.

(c) Subsequent to year end the company entered into a settlement agreement with a non-related third party relating to indebtedness in the amount of $42,374 for cash consideration of $13,984 with the remainder of the debt being conditionally forgiven by the debtor subject to certain future conditions being met.

BIRD RIVER RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2017

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Bird River Resources Inc. (the "Company") is prepared with information as at November 30, 2017 and provides an analysis of the Company's performance and financial condition as at and for the year ended July 31, 2017 as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised of independent directors. The audit committee reviews this disclosure and recommends its approval by the Board of Directors.

This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the years ended July 31, 2017 and 2016 together with the notes thereto. All amounts are in Canadian dollars unless otherwise specified. The financial statements, along with Certifications of Annual Filings, news releases and other information, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (ii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risks and Uncertainties". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

GENERAL OVERVIEW

Bird River Resources Inc. (formerly Bird River Mines Inc.) is a junior natural resource exploration company in Canada. It is a reporting issuer in the provinces of Ontario and Manitoba with its common shares listed for trading on the Canadian Securities Exchange (CSE) under the trading symbol "BDR". The Company's Registered and Head Offices are located at 1059 Selkirk Avenue, Winnipeg, Manitoba, R2X 0C2. The Company's constating documents do not differ from Canadian corporate legislation with respect to corporate governance principles.

The Company is currently in the oil and gas business in southwestern Manitoba and has been since 2009, mainly through joint ventures with experienced oil and gas exploration operators. Initially, the Company agreed to participate as to a five percent interest in the drilling of a three oil well drilling program near the towns of Sinclair and Pierson in southwestern Manitoba, all of which remain producing. Since then, the Company has participated in the drilling of additional wells in that area, most of which remain producing (see "Narrative Description of the Company's Business - Oil and Gas Activities" below).

The Company operates an environmental division which distributes various industrial minerals and absorbent products for use in abandoned water well sealing operations, animal bedding, odor control and animal waste management (see "Narrative Description of the Company's Business - Environmental Division" below).

The Company formerly held an exploration property known as the Ore Fault Property, located in the Bird River Sill area of Manitoba approximately 125 km northeast of Winnipeg. This property was prospective for base and PGM metals. In 2008, the Company sold its working interest in this property for cash and now retains a 1% net smelter return royalty on this property (see "Narrative Description of the Company's Business - Ore Fault Property" below).

The Company held an 8 hectare Quarry Lease located 85 km southwest of Winnipeg near Miami, Manitoba. This lease hosts a narrow bed of bentonite that the Company previously used in an abandoned water well sealing operation. The leased expired during the 2016 fiscal year (see "Narrative Description of the Company's Business – Quarry Lease" below).

NARRATIVE DESCRIPTION OF THE COMPANY'S BUSINESS

Oil and Gas Activities

In March 2009, the Company entered into a joint venture agreement with Antler River Resources Ltd. ("Antler") to invest $35,000 for a 5% gross interest (4% net) in a three well oil drilling program. The wells are located near the towns of Sinclair and Pierson in southwestern Manitoba. All three wells are now producing. In December 2009 the Company participated in the drilling of a vertical well north east of Sinclair. The well commenced pumping in January 2010 and all four wells are still in production.

In March 2011, the Company reported the test production results for its fifth horizontal oil well, located at 11-26-1-28W near Pierson. The operator of the well is Atikwa Resources Inc. (ATK:TSX-V) ("Atikwa") and the initial production over the first ten days for the well averaged 150 barrels per day. The Company has a 5% gross and 4% net participation in the well. This well is still in production; however the rate of production has declined.

In September 2011, the Company reported its participation in the drilling of a new horizontal oil well located at 12-15-8-28W1 east of Sinclair. This is the first well of a planned six well drilling program. The operator of the well and joint venture partner is Antler. The horizontal well has approximately a one mile leg and was cased all the way. The Company has a 5% gross and 4% net participation in the well. The well continues to be in production.

In October 2011, the Company announced that the drilling portion of a new well northeast of Sinclair at 12-15-8-28W1 was completed. The well was drilled into the Bakken formation at 926 meters with a horizontal leg of 1300 meters. The well was cased for the entire length of the leg and has 27 fracking ports approximately 50 meters apart. The operator of this well is Antler and the Company has a 5% gross interest.

An additional well was drilled at 13-23-1-28W east of Pierson. This was a horizontal well with a 600 meter leg drilled into the Spearfish formation. The operator of this well is Atikwa with a 50% interest and the Company has 5% gross (4% net). The well is presently shut in due to water problems.

In January 2012, the Company announced the completion of a new Antler horizontal well at 12-15-8-28 northeast of Sinclair. The well was drilled into the Bakken formation at 926 meters with a horizontal leg of 1300 meters and commenced pumping 30 cubes of fluid with a 35% oil cut, working out to about 65 barrels of oil a day (a cube is about 6.28 US barrels). The Company has a 5% gross interest and a 4% net participation. This well continues to be in production.

In February 2012, the Company reported an update of the last five oil wells drilled and their production:

1) Well HZ 12-15-8-28 drilled into the Bakken Formation with a 1300 meter leg. Production had leveled out at 80 barrels of oil per day.
2) Well HZ 11-26-1-28 drilled into the Spearfish Formation with a 600 meter leg was producing 40 barrels of oil per day.
3) Well HZ15-30-1-27 drilled into the Spearfish Formation with a 600 meter leg was producing 100 barrels per day of fluid, of which 50 barrels is oil.

4) Well HZ 7-34-1-28 drilled into the Spearfish Formation with a 600 meter leg was producing 130 barrels of oil per day.
5) Well HZ 13-23-1-28 drilled into the Spearfish Formation with a 1300 meter leg was producing 240 barrels of fluid, of which 15 barrels is oil.

In July 2012, the Company reported with Antler that another double success had been achieved with the drilling and fracking of two new horizontal oil wells. The wells, located east of Sinclair at 16-16-7-28 and 3-15-8-28 were each drilled with 600 meter legs and were fully cased. The wells initially produced approximately 75 barrels per day for each well. The operator of the wells is Antler. The Company has 2.5% interest (2% net) in each of the new wells and the Company now had an interest in 11 production wells.

In February 2013, the Company participated with Antler in drilling a new horizontal well located at 3-22-7-28 in southwestern Manitoba. The Company has a 5% gross interest (4% net) in the well. The drilling of the well was successful and is now production.

In September 2014, the Company participated with Antler to drill a new horizontal well located at 4-5-2-27 in southwestern Manitoba, with the Company having a 5% gross interest (4% net) in the new well. The drilling of the new well was competed in early November 2014 and is now in production at a total cost of $67,433.

In August 2015, the Company paid $4,400 towards the work-over of well 11-26-1-28 using an acid activation process that cleans out the bore hold to increase oil recovery.

In December 2016: the Company participated in the successful work-over of well 12-15-8-28. As a result the well's production of oil doubled from approximately 10 bpd to 20 bpd.

Summary of Oil Well Holdings

Well ID and Location	Dir	Location	Oper	Company's Interest	Formation	Status	Comments
LSD 6-13-7-29	V	W of Sinclair	ARR	5% well only	Bakken	P	
LSD 14-15-8-28	V	E of Sinclair	ARR	5% well only	Bakken/Lodgepole	P	
HZ 13-15-8-28	H	E of Sinclair	ARR	5% well only	Bakken/Lodgepole	P	
HZ 11-26-1-28W	H	Pierson	AB	5% gross, 4% net	Spearfish	P	
HZ 12-15-8-28W1	H	NE of Sinclair	ARR	5% gross, 4% net	Bakken	P	
HZ 15-30-1-27	V		ARR		Spearfish	P	
HZ 13-23-1-28W	H	E of Pierson	AB	5% gross, 4% net	Spearfish	NP	water
HZ 7-34-21-28	H		ARR	2.5% gross, 4% net	Bakken	P	
HZ 3-15-8-28	H	E of Sinclair	RFM	2.5% gross, 2% net	Bakken	P	
HZ 3-22-7-28	H	SW Manitoba	ARR	5% gross, 4% net	Mississippi MC3	P	
HZ 4-5-2-27	H	SW Manitoba	ARR	4% profit, 5% costs	Bakken/Lodgepole	NP	water
HZ 16-16-7-28	H	E of Sinclair	ARR	2.5% gross, 2% net	Mississippi MC3	P	

Legend

ARR	Antler River Resources Ltd.
AB	1885683 Alberta Ltd. (formerly held by Atikwa Resources)
RFM	Riflemen
H	horizontal
V	vertical
P	producing
NP	not producing

Historically, oil production in southwest Manitoba typically shows a decline in production rates from year to year; however, many wells have been known to produce over 25 years.

NI 51-101 Disclosure

Pursuant to the requirements of NI 51-101 - Standards of Disclosure for Oil and Gas Activities, copies of the Company's recent Forms 51-101F1 and 51-101F3 are available on SEDAR under the Company's profile at www.sedar.com.

Environmental Division

The Company operates an environmental division which distributes various industrial minerals, including diatomaceous earth and bentonite. These industrial minerals are also used in the division's abandoned water well sealing operation. The well sealing service can generally be conducted from the early spring through to the early winter.

The Company distributes various industrial and environmental products (e.g. Dexpan and CanDry absorbents) and is also a distributor of various other absorbent products that are sold to industry and agricultural businesses for animal bedding, odor control and animal waste management

Quarry Lease

The Company held an 8 hectare Quarry Lease (QL-1530) located 85 km southwest of Winnipeg near Miami, Manitoba. This lease hosts a narrow bed of bentonite that the Company previously used in a water well sealing operation. The Company allowed the lease to expire during the 2016 fiscal year.

Ore Fault Property

In 2004, the Company acquired the remaining 80% of 2411181 Manitoba Ltd. which owned the original Ore Fault Property (the "Property") located in the Bird River Sill area of southeastern Manitoba for total consideration of $23,000 in cash and shares of the Company. The Company already owned the other 20% of 2411181 Manitoba Ltd. In 2006, the Company acquired all of the underlying smelter rights to the Property for consideration of 700,000 common shares. As a result, the Company held a 100% interest in the Property at that time. In 2005, the Company acquired 3 additional adjacent claims for consideration of $5,000 and 50,000 common shares. The Property was then comprised of 19 claims.

In 2007, the Company entered into an option and joint venture arrangement with Marathon PGM Corporation (MAR:TSX) ("Marathon") to create a joint venture to actively explore and earn an interest in the Property, whereby Marathon had the option to earn up to a 100% interest in the Property by a combination of exploration expenditures and cash payments to the Company. The Property, being adjacent to Gossan Resources' Bird River Sill property, was also under option to Marathon.

In 2008, Marathon earned a 50% participation interest in the Ore Fault Property by spending $549,000 in exploration expenditures and payments to the Company totaling $200,000 cash. Later in 2008, Marathon acquired the remaining interest in the Property for the cash consideration of $1,450,000. The Company retained and continues to retain a 1% net smelter return royalty (the "NSR") on all minerals and metals extracted from the Property.

Exploration and evaluation assets

In conjunction with the Company's activities in the natural resource industry, the Company carried the following capitalized amounts:

	July 31, 2017 ($)	July 31, 2016 ($)
Petroleum and natural gas leases (i)	-	35,127
Mineral exploration properties (ii)(iii)	-	-
	-	35,127

(i) The Company's lease holdings were as follows:

Lease ID	Location	% Owned	July 31, 2017 ($)	July 31, 2016 ($)	Expiry
NW quarter 17-1-27	Coulter/Vale	6.67	-	4,243	April 16 2017
NE quarter 23-1-28	Dist Lyleton	15	-	16,371	July 25 2017
NE quarter 30-1-27	Dist Cameron	15	-	14,080	July 25 2017

During the fiscal year ended July 31, 2017, the remaining 3 leases expired resulting in a write down of $35,127. During the fiscal year ended July 31, 2016, 5 other leases expired resulting in the write down of $91,577.

(ii) The Company formerly held one Quarry Lease which lapsed during fiscal 2016 resulting in a write down in the amount of $273.

(iii) The Company retains a 1% net smelter return ("NSR") royalty on the Ore Fault Property.

SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected information from the Company's three most recently completed fiscal year-ends:

Annual Information	Year Ended July 31, 2017 ($)	Year Ended July 31, 2016 ($)	Year Ended July 31, 2015 ($)
Total revenue	95,007	95,911	95,260
Net income (loss)	(183,757)	(244,043)	(307,796)
Income (loss) per share - basic and fully-diluted	(0.02)	(0.02)	(0.03)
Total assets	150,918	304,356	468,095
Long-term liabilities	9,663	9,385	9,115
Dividends declared	-	-	-

The net loss and comprehensive loss for the year ended July 31, 2017 was $183,757 as compared to a net loss and comprehensive loss of $244,043 for the year ended July 31, 2016. The decrease of $60,286 in the net loss for the year is primarily attributable to the decrease in general and administrative expenses due to lower professional fees and the decline in a write down of the remainder of exploration and evaluation assets as the Company's remaining leases had expired. Total revenue during the year stayed relatively constant, with revenue from the producing oil wells declining to $31,215 vs. $43,877 in 2016, due to lower oil prices and a natural decrease in production. Expenses for the year were $243,471 compared to $253,942 in 2016 which is a decrease of $10,471 during 2017.

The net loss and comprehensive loss for the year ended July 31, 2016 was $244,043 as compared to a net loss and comprehensive loss of $307,796 for the year ended July 31, 2015. The decrease of $63,753 in the net loss for the year is primarily attributable to the decrease in depletion expense of $11,720 and the decline in the impairment charge relating to the investment in petroleum and natural gas properties by $188,979 from the previous year (2015 -$201,141) to $12,162 in 2016. Total revenue during the year (2016 – 95,911) increased modestly from the previous year (2015 - 95,260). Revenue from the producing oil wells declined by $11,060 to $43,877 due to lower oil prices compared to petroleum revenue of $54,937 in 2015. Expenses for the year were $253,942 compared to $408,274 in 2015 which represents a decrease in expenses of $154,332 during 2016. During the year, general and administrative expenses increased by $41,421 to $156,991 (2015 - $115,570) due to increases in professional fees of $42,808.

The net loss and comprehensive loss for the year ended July 31, 2015 was $307,796 as compared to a net loss and comprehensive loss of $128,963 for the year ended July 31, 2014. The increase of $178,833 in the net loss is primarily attributable to the decrease in revenue of $25,250 and the impairment charge relating to the investment in petroleum and natural gas properties in the amount of $201,141 (2014 - $41,532). This decrease in revenue is attributable to the decline in revenue from the producing oil wells to $54,937 due to lower oil prices compared to petroleum revenue of $76,223 in 2014. Expenses for the year were $408,274 compared to $260,369 in 2014 which is an increase in expenses of $147,905 over last year. At the end of the 2015 fiscal year, management recognized an impairment loss of $201,141 on its oil and gas properties. During the year, general and administrative expenses decreased $13,477 to $115,570 (2014 - $129,047).

SELECTED QUARTERLY INFORMATION

The following is selected financial information for the eight most recent interim periods indicated.

Quarter Ended	Total Revenue ($)	Net Income (Loss) Total ($)	Net Income (Loss) Per Share ($)	Total Assets ($)
July 31, 2017	33,177	(117,403)	(0.011)	150,918
April 30, 2017	22,743	524	0.000	241,876
January 31, 2017	17,507	(38,080)	(0.004)	249,084
October 31, 2016	21,580	(28,687)	(0.002)	265,869
July 31, 2016	21,119	(154,122)	(0.016)	304,629
April 30, 2016	29,715	(25,491)	(0.002)	397,451
January 31, 2016	24,983	(38,566)	(0.004)	407,135
October 31, 2015	29,715	(25,491)	(0.002)	455,494

As discussed in the "Narrative of the Company's Business" section above, the Company has joint venture agreements with Antler and 1885683 Alberta Ltd. (formerly Atikwa) in oil and gas drilling programs in southwest Manitoba for a participation of five percent gross interest on average. Through these joint ventures, the Company has participated in the successful development and completion of 10 producing oil wells. Deferred expenditures include costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells. The cash flows of the joint operations include the expenditures as outlined above as well as the company's proportionate share of the joint venture's revenues and operating expenses.

Over the past several quarters, administrative expenses have varied within a range reflecting the Company's costs associated with oil and gas investments, new business development, the well sealing service and related costs in maintaining the Company's listing as a reporting issuer in good standing. Management does not foresee any material change in the amounts of these expenditures in the near future.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2017, the Company had a working capital deficiency of $161,026 compared to a working capital deficiency of $76,891 as at the fiscal year ended July 31, 2016. The decrease in working capital was due to continued low crude oil prices and low oil production. This resulted in revenue being less than the operating expenses giving a net loss of $183,757 for the year. The industrial products revenue increased by approximately $11,700 due to higher sales and the Company maintained a steady inventory level of $17,357 at July 31 2017. The Company incurs ongoing general operating expenses relating to the management of a public reporting issuer, such as office rent, telephone and internet services, stock transfer and filing fees, stock exchange fees and professional fees.

Presently, the Company holds percentage interests (5% gross - 4% net) and (2.5% gross - 2% net) in a total of twelve oil wells, of which ten are in production.

The Company reviews business propositions regularly seeking M&A and other opportunities that will enable the Company to grow its revenue and thereby increase shareholder value.

The Company's ability to raise funds for future development is largely tied to the Canadian capital markets and investor interest in resource exploration and development companies. Even though financial markets have improved during the past 12 months, there continues to be ongoing concern about the demand for Canadian commodities and therefore availability of funding for junior resource companies. Demand by the world's major consumers of raw materials, particularly in China and India has declined over the few years; however, management remains optimistic that the new government administration in the US will continue to lead in improved economic growth in the North American economy.

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of oil and gas and from the marketing of industrial products.. Both prices and markets for oil and gas can be volatile, difficult to predict and respond to changes in domestic and international political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict. These circumstances and events could materially affect the financial performance of the Company.

Over the past several quarters, administrative expenses have varied within a range reflecting the Company's costs associated with oil and gas investments, new business development, the well sealing service and related costs in maintaining the Company's listing as a reporting issuer in good standing. Management does not foresee any material change in the amounts of these expenditures in the near future. The Company presently anticipates that its general and administrative costs for its current fiscal year ending July 31, 2018 will be approximately $100,000 and continues to seek additional working capital to pursue its objectives.

DECOMMISSIONING OBLIGATIONS

The Company has decommissioning obligations resulting from its ownership interest in petroleum and natural gas properties. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated undiscounted cash flows required to settle the obligations, before considering salvage, as at July 31, 2017 was approximately $19,000 (2016 - $19,000). These amounts have been discounted using a pretax rate of 2.96% reflecting the time value of money and the risks specific to the obligations.

These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 25 years into the future and will be funded from general corporate resources at the time of abandonment.

The Company's decommissioning obligations as at July 31, 2017 and July 31, 2016 were as follows:

	July 31, 2017 ($)	July 31, 2016 ($)
Balance, beginning of period/year	9,385	9,115
Accretion	278	270
Balance, end of period/year	9,663	9,385

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common voting shares, of which 12,878,934 were outstanding as at November 29, 2017 (July 31, 2017 – 10,570,225) (July 31, 2016 – 10,570,225).

There were 1,500,000 stock options outstanding as of November 29, 2017 (July 31, 2017 – 200,000) (July 31, 2016 – 100,000). All of the options outstanding are exercisable into common shares at $0.10 per share to expire March 14, 2019.

As at November 29, 2017, there were 14,378,934 common shares issued and outstanding on a fully diluted basis (July 31, 2017 – 10,770,225) (July 31, 2016 – 10,670,225).

TRANSACTIONS WITH RELATED PARTIES

The Company did not pay employment based remuneration to directors, officers and other members of key management for the years ended July 31, 2017 and 2016, however, the Company did pay contract based remuneration to directors, officers and other members of key management as discussed below.

During the year ended July 31, 2017, the Company paid management fees in the amount of $27,500 (2016 - $30,000) to a director and officer of the Company and $16,500 (2016 - $18,000) to another director and officer. The Company also paid rent in the amount of $8,800 (2016 - $9,600) to a director and officer of the Company. These amounts are recorded at the exchange amount, which is the amount agreed upon by the related parties.

As at July 31, 2017, included in trade and other payables are amounts owing to directors and officers of the Company in the amount of $162,923 (2016 - $116,698). These amounts are unsecured and non-interest bearing with no specified terms of repayment.

CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ACCOUNTING POLICIES

Critical Accounting Estimates

Significant assumptions about the future that management has made could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) the recoverability of accounts receivable that are included in the statement of financial position;

(ii) the recoverability of exploration and evaluation expenditures incurred on the Company's property interests;

(iii) although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title and such properties may be subject to prior agreements or transfers and title may be affected by undetected issues;

(iv) the estimated useful lives and residual value of property and equipment which are included in the financial statements and the related depreciation included in profit or loss;

(v) the inputs used in accounting for share based payment transactions included in financial assets at fair value through profit or loss; and

(vi) management's judgment in determining the functional currency of the Company as Canadian Dollars.

Critical accounting judgments

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Restoration, rehabilitation and environmental obligations

Management's assumption of no material restoration, rehabilitation and environmental exposure, is based on the facts and circumstances that existed in the current and prior periods.

Going concern assumption

Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Accounting policies

Reference is made to the Company’s audited financial statements for a full discussion of its significant accounting policies.

RISKS AND UNCERTAINTIES

Oil and gas exploration and mineral exploration are speculative ventures. There is no certainty that expenditures on exploration and development will result in the discovery of an economic hydrocarbon reserve. At the present time, the Company holds interests in a small number of producing oil wells. The Company's viability and potential success lie in its ability to develop, exploit and generate revenue out of its resource properties. Revenues, profitability and cash flow from any future resource operations involving the Company will be influenced by oil, gas and/or metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.

The ability of the Company to sell, and profit from the sale of any eventual production from any of the Company's properties will be subject to the prevailing conditions in the marketplace at the time of sale. The global marketplace is unregulated and subject to changing attitudes of consumers and other end-users on the basis of economic conditions. Many of these factors are beyond the control of the Company therefore represent a market risk which could impact the long term viability of Company and its operations.

Capitalization and commercial viability

The Company will require additional funds to further explore and, if successful, develop its oil and gas interests and any additional properties or business venture that may be acquired. The Company may not have sufficient funds to carry out the completion of its exploration program, and may have to obtain other financing or raise additional funds. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all the activities of its program, for additional exploration or for the substantial capital that is typically required in order to place a property into commercial production. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and evaluation of its properties.

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

The Company is very dependent upon the personal efforts and commitment of its existing management who are not full-time employees of the Company. To the extent that management’s services would be unavailable for any reason, the Company’s operations could be disrupted. The Company is also reliant upon the services of outside consultants.

Title matters

While the Company has performed its own due diligence with respect to title of its property interests, this should not be construed as a guarantee of title. Properties and interests may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects.

Competition

Significant and increasing competition exists for oil and gas opportunities internationally. There are a number of large established companies with substantial capabilities and far greater financial and technical resources than the Company. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable and there can be no assurance that the Company's exploration and acquisition programs will yield any new reserves or result in any commercial producing operations.

Limited history of earnings

The Company has a limited history of earnings, and there is no assurance that any other properties that it may acquire will generate earnings, operate profitably or provide a return on investment in the future. The Company has no plans to pay dividends for the foreseeable future. The future dividend policy of the Company will be determined by its directors.

Potential profitability depends upon factors beyond the control of the Company

The potential profitability of mineral properties is dependent upon many factors beyond the Company's control. For instance, world prices of and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Company.

Environmental risks and other regulatory requirements

The current or future operations of the Company require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mineral resources and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of facilities and conduct of its operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in oil and gas operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new properties.

Operating hazards and uninsurable risks

In the course of exploration, development and production of properties, certain risks, including unexpected or unusual geological operating conditions including fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company.

The Company is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. The Company periodically evaluates the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Company has to pay such liabilities and result in bankruptcy. Should the Company be unable to fund fully the remedial cost of an environmental problem, it might be required to enter into interim compliance measures pending completion of the required remedy.

Foreign countries and regulatory requirements

The Company may acquire properties located in other countries where exploration activities may be affected by varying degrees of political instability and haphazard changes in government regulations such as tax laws, business laws and laws pertaining to oil and gas and mining. Any changes in regulations or shifts in political conditions would be beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety.

Currency fluctuations

The Company maintains its accounts in Canadian currency. If the Company acquires properties in other countries, its operations may be subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company does not engage in currency hedging activities.

First Nations Issues

The Company's management regularly consults with and informs the local First Nations band regarding any issues that may have an impact on them, and has received continued support for the Company's current and proposed future activities. However, unforeseen circumstances in the future could potentially have an effect on the Company's operations.

FINANCIAL INSTRUMENTS

Risk management and hedging activities

In the normal course of operations the Company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not meaningfully participate in the use of financial instruments to control these risks. The Company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

Currency risk

The Company does not hold any assets or liabilities denominated in a foreign currency and therefore is not exposed to currency risk.

Price risk

The Company is exposed to price risk with respect to commodity prices of oil and gas. The Company monitors commodity prices in order to manage their exposure to these risks. An annual average change of 1% in crude oil prices would have affected the reported net income by an estimated $312 for the year ended July 31, 2017.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the company. The Company is exposed to credit risk on its financial assets. Cash is held with an established Canadian bank and the Company's other receivables are from Canadian government entities, from which management believes the risk of loss to be remote. The Company does not have any derivatives or similar instruments that mitigate the maximum exposure to credit risk.

The carrying amount of financial assets recorded in the consolidated interim financial statements at July 31, 2017 is $51,691 (July 31, 2016 - $105,674) represents the maximum exposure to credit risk at the reporting date.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the Company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. Management is confident that the Company will be successful in raising funds to meet commitments associated with financial instruments. As at July 31, 2017, the Company had a working capital deficiency in the amount of $161,026 (July 31, 2016 - $76,891 deficiency).

The contractual maturities of financial liabilities as at July 31, 2017 and July 31, 2016, based on the earliest date on which payment can be required were as follows:

	Total amount ($)	6 months or less ($)	More than 6 months ($)
As at July 31, 2017:			
Trade payables	140,396	140,396	-
Other payables	89,678	89,678	-
	230,074	230,074	-
As at July 31, 2016:			
Trade payables	116,202	116,202	-
Other payables	83,831	83,831	-
	200,033	200,033	-

Interest rate risk

The Company is not exposed to any meaningful interest rate risk due to the short term nature of its interest generating assets.

Sensitivity analysis

The Company has cash and cash equivalents of $35,456 subject to interest rate risk (July 31, 2016 - $87,845). A 1% change in the primary interest rate would affect the reported net income on an annualized basis by approximately $355.

Fair values, carrying amounts and changes in fair value

The fair values of the Company's financial instruments approximate their carrying value due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritised into three levels:

(i) Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
(ii) Level 2 includes inputs that are observable other than quoted prices included in level one, and
(iii) Level 3 includes inputs that are not based on observable market data.

The Company's financial instruments within the fair value hierarchy were as follows:

	Level 1 ($)	Level 2 ($)	Level 3 ($)
As at July 31, 2017:			
Cash and cash equivalents	35,456	-	-
As at July 31, 2016:			
Cash and cash equivalents	87,845	-	-

Collateral

The carrying value of financial assets the Company has pledged as collateral is $Nil (2016 - $Nil).

CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the Company's objective is to ensure the company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral and petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the company’s operations. As at July 31, 2017, the Company had managed capital, being total equity on the consolidated statement of financial position, a net deficit of $88,819 (July 31, 2016 – net equity of $94,938).

The Company presently has interests in 10 production wells and any future exploration and assessment on other properties in the future would be dependent on financing. As such the Company is dependent on external financing to fund its activities and or joint ventures. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties it if feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended July 31, 2017. The Company is not subject to externally imposed capital requirements.

DISCLOSURE AND INTERNAL FINANCIAL CONTROLS

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and that (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of: (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CORPORATE DIRECTORY

CORPORATE OFFICES	Bird River Resources Inc. 1059 Selkirk Avenue Winnipeg, Manitoba R2X 0C2 Tel: (204) 589-2848 Fax: (204) 586-6238 Email: jonbirdriver@gmail.com Website: www.birdriverresources.com High Point Oil Inc. 430 Millenium Tower 440 2nd Avenue SW Calgary, Alberta T2P 5E9 Tel: (403) 614-9907 Email: ty@highpointoil.net	
DIRECTORS AND OFFICERS	Jon Bridgman	Chief Executive Officer & Director
	John V. Tokarsky	Chief Financial Officer
	Edward Thompson	Secretary-Treasurer & Director
	Donal Carroll	Director
	Ty Pfeifer	Director
	David Walters	Director
AUDITOR	Magnus Chartered Accountants LLP Winnipeg, Manitoba	
TRANSFER AGENT	Computershare Calgary, Alberta	
LAWYERS	Garfinkle Biderman LLP Toronto, Ontario	
LISTING	Canadian Securities Exchange (CSE)	
STOCK SYMBOL	BDR	