

# **BIRD RIVER RESOURCES INC.**

(formerly Bird River Mines Inc.)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE AUDITED ANNUAL PERIOD ENDING JULY 31, 2011**

This Management Discussion and Analysis ("MD&A") reviews the financial condition and results of operations of Bird River Resources Inc. ("BDR" or the "Company") for the audited Annual Period ending July 31, 2011. The MD&A was prepared as of October 21, 2011 and should be read in conjunction with the related unaudited interim financial statements, including the notes thereto, and the audited annual financial statements for the years ended July 31, 2011 and 2010, including the notes thereto, and the MD&A's for these prior periods.

BDR's financial statements will be filed on the SEDAR website ([www.sedar.com](http://www.sedar.com)) where additional disclosure relating to the company is also located.

### **Overview**

Bird River Resources Inc. (formerly Bird River Mines Inc.) is a Manitoba-based resource exploration company that is listed on the Canadian National Stock Exchange (CNSX) and trades under the symbol **BDR**. The Company was posted for trading on March 16, 2006. On January 31, 2011, Bird River Mines Inc. announced in a news release that further to a special resolution passed by the Company's shareholders, the Company's name has been changed from Bird River Mines Inc. to Bird River Resources Inc. thereby more appropriately reflecting the diverse resource activities of the Company. The common shares of the Company commenced trading on the CNSX under its new name of Bird River Resources Inc. on February 4, 2011. There was no change in the Company's trading symbol BDR.

The Company previously held an exploration property, known as the Ore Fault Property, which was located in the Bird River Sill area of Manitoba. On October 29, 2007, the Company entered into an Option and Joint Venture Agreement with Marathon PGM Corporation (MAR-TSX) ("Marathon"). On August 19, 2008, BRM announced that its joint venture partner Marathon PGM Corporation had acquired 100% ownership of the Ore Fault Property for a final payment of \$1,450,000. BRM retains a 1% net smelter interest in the Ore Fault Property.

Bird River Resources Inc. is actively pursuing opportunities in oil and gas business in south western Manitoba. In March 2009 the Company entered into an agreement with Antler River Resources of Melita, Manitoba to participate in oil well drilling projects in south western Manitoba. Over the following two years BDR has participated in the drilling of a five wells with Antler River Resources. The Company presently holds 5% gross interest (4% net) in all five producing oil wells. The wells are located near the towns of Sinclair and Pierson in south western Manitoba. The wells have been drilled into the Bakken Formation. This major oil reservoir is part of the Williston Basin includes; Saskatchewan, south-western Manitoba, North Dakota and Montana. On March 24, 2011, BDR reported the test production results for the fifth well as per the news release by the operator of the well Atikwa Resources. The horizontal oil well is located at 11-26-1-28W near the town of Pierson in south western Manitoba. The fracking of the well had been completed and the initial production over the first ten days for the well averaged 150 barrels per day. The well was drilled into the Spearfish formation and is producing light sweet crude oil. In September 2010 BDR and its partners acquired a half section lease in township 1 in south west Manitoba. BDR will hold a 25% interest in this lease. In February 2011 BDR acquired additional 160 acre (94 hectare) oil and gas parcel located at NE ¼ of 14-22WPM. The lease is situated approximately 11 KM north east of Pierson, Manitoba. This lease was acquired by auction from the Government of Manitoba and is for a term of five years and BDR holds a 100% interest in this lease.

The Company also holds a Quarry Lease, located 85 km southwest of Winnipeg near Miami, Manitoba. The 8 hectare lease hosts a narrow bed of bentonite. BDR 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.

On June 12, 2009, Bird River Mines Inc. announced the declaration of Special Dividend of Three Cents (\$0.03) per common share. The Special Dividend is payable to the common shareholders of Bird River Mines Inc. of record on June 30, 2009 with the payment date of the Special Dividend being July 10, 2009. This Special Dividend is being made as a result of the sale of the Company's Ore Fault Property to Marathon PGM Corporation. The Company retains a 1.0 % net smelter return royalty (the "NSR") in all minerals and metals extracted from the Ore Fault Property. This Special Dividend is not a recurring dividend and the Company does not expect to declare any other dividends in the foreseeable future. As at July 31, 2011 \$19,353.88 of dividends remained unclaimed.

On June 18, 2010, the Board of Director awarded 900,000 incentive stock options to officers and directors of the Company. The stock options are exercisable into common shares at \$0.10 per share for a term expiring June 10, 2015.

On November 30, 2010 Bird River Mines Inc's Annual and Special Meeting of Shareholders was held at the Canad Inn, 2100 McPhillips Street, Winnipeg, Manitoba. At the meeting the shareholders approved a special resolution to file articles of amendment in order to effect the change of the name of the Corporation from Bird River Mines Inc. to Bird River Resources Inc.

On January 14, 2011 Bird River Mines Inc. closed a non-brokered private placement to accredited investors in the amount of \$74,975 by the issuance of 999,667 common shares at \$0.075 per share.

On March 24, 2011 Bird River Resources Inc. reported the test production results for the its fifth horizontal oil well, located at 11-26-1-28W near the town Pierson in south western Manitoba. The operator of the well is Atikwa Resources (ATK-TSX-V) and the initial production over the first ten days for the well averaged 150 barrels per day. BDR has a 5% gross and 4% net participation in the well.

On August 17, 2011 Bird River Resources Inc. reported that, after a long wet spring in south west Manitoba, the oil wells that had been shut down due to inclement weather and massive water problems are now back on pump. The weather and water issues delayed the drilling program for BDR and its joint venture partners for nearly five months. The first well of the planned six well drilling program is now expected to start in mid September. This horizontal well will be located on the north half of 15-8-28W1 and will be completed with a one mile leg. The operator for the well is Antler River Resources and Bird River Resources will have a 5% participation. The second well will be also horizontal and is expected to be drilled on the north east quarter of 30-1-27W1

## **Results of Operations**

The net loss and comprehensive loss for the 2011 fiscal year fourth quarter (3-months) ended July 31, 2011 was \$18,360 as compared to a net loss of \$3,976 for the 3-months ended July 31, 2010. Revenue for the 3-months period ended July 31 2011 was \$8,884 compared to \$13,567 in same period of the prior year. In the current period the gross profit was \$1,680 compared to \$(877) in 2010. Expenses for the period were \$57,123 (2010 - \$46,776) an increase of \$10,347 over the same period last year. The increase in expenses in the quarter is largely attributable to the increase in automotive expense, director's fees and stock transfer fees.

BDR has an agreement with Antler River Resources Ltd. to joint venture in oil and gas drilling programs in south west Manitoba for a participation of five percent interest. Through this joint venture BDR has participated in five oil wells to date. Expenditures are limited to costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells which are deferred in the accounts of the company. The cash flows of the joint operations are limited to the expenditures as outlined above and are equal to the amounts of these expenditures. As at July 31, 2011 the company has invested \$263,159 in the oil and

natural gas properties of which \$176,671 was spent on drilling and \$86,488 on lease assignments. During the three month period ended July 31, 2011 the Company received \$1,740 of income from the five oil wells.

The net loss and comprehensive loss for the 12-months ended July 31, 2011 was \$102,808 as compared to a net loss and comprehensive loss of \$84,788 for the 12-months ended July 31, 2010. The increase of \$18,020 in the net loss for the period is primarily attributable to the decrease in revenue of \$15,201 during the period. Revenue for the 12 months period ended July 31, 2011 was \$29,916 compared to \$45,117 in same period of the prior year. In the current period the gross profit was \$10,458 an increase from the 2010 gross profit of \$6,726. Expenses for the period were \$156,722 (2010 - \$135,970) an increase of \$20,752 over the same period last year. This increase in expenses for the 2011 fiscal year is largely attributable to the increase in director's fees of \$5,000 and the increase in stock based compensation \$16,045.

The net loss for the 12-months ended July 31, 2010 was \$84,788 as compared to a net income of \$836,489 for the 12-months ended July 31, 2009. The decrease of \$921,277 in the net income for the period is primarily attributable to the sale in the 1<sup>st</sup> quarter of the 2009 fiscal year of the Ore Fault Property to Marathon in the amount of \$1,450,000 which resulted in a net gain on sale of mineral properties of \$1,406,165. This was a non recurring event. The net income of \$836,489 takes into account current and future income tax expense of \$441,000 and prior to the payment of the special dividend of \$283,817. Revenue for the 12 months period ended July 31, 2010 was \$45,117 compared to \$27,607 in same period of the prior year. In the current period the gross profit was \$6,726 a decrease from the 2009 gross profit of \$6,994. Expenses for the period were \$135,970 (2009 \$145,762) a decrease of \$9,792 over the same period last year. This decrease in expenses is largely attributable to the decline in professional fees of \$5,987 and a decrease in stock-based compensation of \$12,505.

The net income for the 12-months ended July 31, 2009 was \$836,489 as compared to a net income of \$70,263 for the 12-months ended July 31, 2008. The increase of \$766,226 in the net income for the period is primarily attributable to the sale of the Ore Fault Property to Marathon in the amount of \$1,450,000 which resulted in a net gain on sale of mineral properties of \$1,406,165. The net income of \$836,489 takes into account current and future income tax expense of \$441,000 and prior to the payment of the special dividend of \$283,817. Revenue for the 12 months period ended July 31, 2009 was \$27,607 compared to \$35,788 in same period of the prior year. In the current period the gross profit was \$6,994 a decrease from the 2008 gross profit of \$8,525. Expenses for the period were \$145,762 (2008 \$152,262) a decrease of \$6,500 over the same period last year. This decrease in expenses is largely attributable to the decline in professional fees of \$37,047 which were incurred in the previous year due to the Marathon Joint Venture Agreement and this decline was offset by the increase of management fees of \$14,800 and an increase in stock based compensation of \$14,174 incurred in the period. During the past twelve month period the company took a write-off of mineral properties (Lakeshore Property) in the amount of \$6,165.

Currently, BRM's mineral property portfolio consists of a quarry license providing the right to exploit calcium bentonite beds located near Miami, Manitoba, 85 kilometres southwest of Winnipeg. The Company 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. Additionally the company also operates a service business which provides the sealing and closing of abandoned water wells for the Manitoba Government. The Company's revenue and gross margin are attributable to these secondary activities.

In March 2009, the Company entered into a Joint Venture Agreement with Antler River Resources of Pierson Manitoba to participate in a 4% net (5% gross) interest in the drilling of a three oil well drilling program near the towns of Sinclair and Pierson in south western Manitoba. The first well drilled was a vertical well near Sinclair and the second well drilled was a horizontal well near Pierson. The Company's cost to participate in two well programs was an initial payment of \$35,000. In the 4<sup>th</sup> quarter of 2009 an additional payment of \$12,671 was made to cover well completion costs. All three wells are now producing. During October 2010 BDR participated in the drilling of a fourth well 13-15-8-28 with Antler River Resources. This well is located north east of Sinclair Manitoba and now in production. In February, 2011 BDR participated in the drilling of a fifth

horizontal oil well at 11-26-1-28W with its joint venture partners Antler River Resources and Atikwa Resources. The well was successful and is now in production.

The management and board of directors are continually reviewing the Company's business strategy while monitoring the current market and economic conditions. Additionally management continues to assess new potential resource property acquisitions as they are presented. As a result of lower number of abandoned water well sealing projects during fiscal year 2011 the Company's well sealing services operation experienced a significant decline compared to previous years. The decline in the well sealing business was largely due to the frequent occurrence of inclement weather. The Province of Manitoba had persistent wet weather during the fall of 2010 and also in the spring months of 2011. The well sealing service ensures the protection of various pollutants from moving into the aquifer. Also, larger diameter water wells are a serious safety hazard to children and animals before being sealed. The Company's absorbent distribution business continues to show consistent sales during the year. During 2011 the sale of absorbents contributed to the majority of the Company's revenue of \$29,916. Sales for the previous two years were 2010- \$45,117 and 2009-\$27,607 respectively.

The Company's 2010 Annual General and Special Shareholders Meeting was held on November 30, 2010 in Winnipeg, Manitoba. The Shareholders approved the following:

- The number of directors for the ensuing year was set at five.
- Messrs Nelson Shodine, Jon Bridgman, Edward Thompson, Mel de Quadros and Shane Shodine were elected as Directors.
- Magnus & Buffie Chartered Accountants LLP, were appointed auditors of the Company and the directors were authorized to fix their remuneration.
- Shareholders approved the 2007 Stock Option Plan with grants of options during the ensuing year.
- Shareholders approved the change of the Company's name from Bird River Mines Inc. to Bird River Resources Inc.

### **Liquidity and Capital Resources**

At July 31, 2011, the Company had working capital of \$607,249 a decrease of \$12,361 over the previous 3 months period ended April 30, 2011. This decrease was largely due to the acquisition of new oil leases, the investment in one new oil drilling project and the payment of director's fees. The Company incurs ongoing general operating expenses on a monthly basis relating to the management of a public reporting issuer, such as office rent, telephone, internet services, stock transfer & filing fees, stock exchange fees and professional fees. The working capital position is largely a result of the sale of the Company's Ore Fault Property to Marathon PGM for \$1,450,000 in 2008. This positive cash position enables the Company to carry on its activities as a listed company in good standing. The Company is a junior exploration and development company with minimal revenues from operations. BDR is actively pursuing opportunities in the oil and natural gas industry in southwestern Manitoba and presently holds from 25% to 100% interests in five oil and gas leases which are to be drilled in the future. Additionally, BDR also holds 5% gross (4% net interest) in five producing oil wells in south west Manitoba. During 2011 total revenue from the Company's investment in oil wells was \$3,770.

BDR will continue to acquire leases with strong potential for oil and gas production. The Company continues to review business opportunities from time to time, that have synergy with the Company's existing operations and that may provide BDR with stable ongoing cash flow.

The Company's ability to raise additional funds and its future performance is largely tied to the financial markets as it relates to resource exploration companies. Financial markets have improved over the past 12 months; however, there continues to be ongoing concern about the global economy and the capital markets. The demand by China and India for raw materials has been a major stabilizing factor to the global commodity markets.

Additionally, historic low interest rates have also contributed to the improving stability in the credit markets. The profitability of resource companies throughout the world have eroded during this period. However, it is anticipated that commodity prices will improve in the coming year. Notwithstanding the foregoing the Company's strategy will be to continue to make expenditures and investments in oil and gas properties in the most prudent manner.

## Share Capitalization

The Company is authorized to issue an unlimited number of Common voting Shares of which 10,470,225 were outstanding as at July 31, 2011. The Company's incentive stock option plan has granted 900,000 stock options to officers and directors. The stock options are exercisable into common shares at \$0.10 per share for a term expiring June 10, 2015. On a fully diluted basis there would be 11,370,225 common shares issued and outstanding. There are no warrants presently outstanding.

## Selected Annual Information

The following selected financial information is derived from the financial statements of the Company and should be read in conjunction with such statements, including the notes thereto:

## Statement of Operations and Deficit Data

Audited for the Year ending July 31	2011 (\$)	2010 (\$)	2009 (\$)
Revenue	29,916	45,117	27,607
Gross margin	10,458	6,726	6,994
Administrative expenses	156,772	135,970	145,762
Interest income	10,656	8,656	16,257
Write-off of mineral properties	-	-	(6,165)
Loss on settlement of advance payable	-	(1,000)	-
Gain on sale of mineral properties	-	-	1,406,165
(Loss) before income taxes	(135,608)	(121,588)	1,277,489
Current income tax (expense) recovery	32,800	36,800	(227,000)
Future income tax (expense) recovery	-	-	(214,000)
Net (loss) income and comprehensive (loss) income for the year	(102,808)	(84,788)	836,489
Basic and diluted comprehensive (loss) income per share	(0.01)	(\$0.01)	\$0.09

## Balance Sheet Data

Audited for the Year ending July 31	2010 (\$)	2010 (\$)	2009 (\$)
Current Assets	654,526	850,839	1,167,784
Petroleum and natural gas properties	263,159	67,671	47,671
Machinery and equipment	6,881	9,000	11,820
Mineral exploration properties	273	273	273
Total Assets	924,839	927,783	1,227,548
Current liabilities	47,277	40,923	263,595
Total liabilities	47,277	40,923	263,595
Shareholders' equity	877,562	886,860	963,953
Cash Dividends	-	-	283,817

## Quarterly Information

The following is a summary of selected financial information of the Company for the quarterly periods indicated:

2011 Unaudited	1st Quarter (\$)	2nd Quarter (\$)	3rd Quarter (\$)	4th Quarter (\$)
Revenue	5,801	7,617	7,614	8,884
Gross Profit	3,006	5,189	583	1,680
Administrative expenses	31,128	38,113	30,358	57,123
Interest income	1,799	2,435	2,139	4,283
Income (loss) for the quarter	(26,323)	(30,489)	(27,636)	(18,360)
Income (loss) per common share (basic & fully diluted)	(0.00)	(0.01)	(0.01)	(0.01)
<b>2010 Unaudited</b>				
Revenue	11,902	8,843	10,805	13,567
Gross Margin	5,371	1,978	254	(877)
Administrative expenses	34,806	23,307	31,360	46,776
Interest income	749	307	722	6,877
(Loss) on settlement of advances payable	(1,000)	-	-	-
Income taxes recovery (expense)	-	-	-	36,800
Income (loss) for the quarter	(29,686)	(20,742)	(30,384)	(3,976)
Income (loss) per common share (basic & fully diluted)	(0.00)	(0.01)	(0.01)	(0.01)

## 2009 Unaudited

Revenue	10,319	8,271	5,650	3,367
Gross profit	3,066	2,603	899	425
Administrative expenses	(26,023)	(39,150)	(29,797)	(50,790)
Mineral properties written off	(6,165)	-	-	-
Interest income	3,781	6,981	3,989	1,505
Gain on sale of mineral property	1,406,165	-	-	-
Income taxes recovery (expense)	(460,500)	9,100	6,500	900
Income (loss) for the quarter	920,324	(20,466)	(18,409)	(47,960)
Income (loss) per common share (basic & fully diluted)	0.10	(0.01)	(0.01)	(0.01)

## Financial Trend

Over the past four quarterly periods of the 2011 fiscal year the 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. Additional information is provided in the Results of Operations section.

## Transactions with Related Parties

During the year, the company paid management fees in the amount of \$30,000 (2010 - \$30,000) to a director and officer of the company, \$15,300 (2010 - \$14,400) to another director and officer of the company. Additionally, a total of \$15,000 (2010 - \$10,000) was paid in directors' fees. The company also paid rent in the amount of \$9,600 (2010 - \$9,600) to a director and officer of the company during the year. These amounts are recorded at the exchange amount, which is the amount agreed upon by both parties.

As at July 31, 2011, included in accounts payable are amounts owing to directors and officers of the company in the amount of \$23,800 (2010 - \$18,700). These amounts are non-interest bearing with no specified terms of repayment.

## Future Accounting Changes

### (a) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for fiscal years commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The company is currently assessing the impact of IFRS on its financial statements.

### International Financial Reporting Standards ("IFRS") Implementation Plan

The AcSB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim

and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended October 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed during 2010
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout fiscal 2011
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2011
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	April 30, 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	July 31, 2011
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2011

### **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of recoverable value on its resource properties as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recorded value of its resource properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership, funding, and currency risk, as well as environmental risk. All of these factors are potentially subject to



significant change, out of the Company's control, however such changes are not determinable. Failure to conduct additional work on its exploration properties may result in their loss. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties.

The factors affecting stock-based compensation include the use of a Black-Scholes option pricing model which has its limitations and the use of estimates when stock options might be exercised and stock price volatility. While these factors could have a material impact on stock-based compensation expense and hence the results of operations, stock-based compensation is a non-cash item and there would be no impact on the Company's financial condition.

## **Risks and Uncertainties**

Oil and gas exploration and mineral exploration are speculative ventures. There is no certainty that expenditure on exploration and development will result in the discovery of an economic hydrocarbon reserve. At the present time, the Company holds interests in 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 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.

BRM 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.

## **Financial Instruments and Risk Management**

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:

In regard to currency risk, the company does not hold any assets or liabilities demanded in a foreign currency.

In regard to interest rate risk the company's cash and cash equivalents are exposed to interest rate risk, management monitors the company's return on investments against similar risk level investments.

In regard to other market risk the company is not exposed to any meaningful other market risk.

In regard to credit risk the company is exposed to credit risk on accounts receivable. Management monitors credit exposure on a specific creditor basis and does not have significant concentrations of credit risk. Cash and cash equivalents consist of cash, short term deposits and money market funds held with a chartered Canadian bank from which management believes the risk of loss to be minimal.

In regard to liquidity risk management monitors the company's liquidity and is of the opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The company has cash and cash equivalents subject to interest rate risk of approximately \$574,335. In regard to sensitivity analysis, a 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by \$5,743.

As at July 31, 2011 the carrying and fair value of the company's financial instruments are not materially different.

## **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 entity 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 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 business. As at July 31, 2011 the company had managed capital (being total shareholder's equity) of \$877,562 (July 31, 2010 - \$886,860).

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 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 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 three months ended April 30, 2011. 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:

- i) 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
- ii) 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.

### **Forward Looking Statements**

This MD&A includes certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to joint venture operations, actual results of current exploration activities, changes in project parameters as plans continue to be refined, unavailability of financing, fluctuations in precious and/or base metals prices and other factors. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended.

There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

(signed) "Jon Bridgman"  
Jon Bridgman  
C.F.O.  
Bird River Resources Inc.  
October 26, 2011