

Condensed Interim Consolidated Financial Statements of

**BIRD RIVER RESOURCES INC.**  
**(An Exploration Company)**

(Unaudited - Prepared by Management)

For the three months ended January 31, 2013

Expressed in Canadian dollars

These condensed interim consolidated financial statements have not been audited or reviewed by the company's independent external auditors, Magnus Chartered Accountants LLP.

# BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

As at January 31, 2013 (unaudited) and July 31, 2012 (audited)

(Expressed in Canadian dollars)

	January 31 2013	July 31 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 276,501	\$ 316,192
Trade receivables	13,185	25,437
Goods and services tax recoverable	2,067	867
Income tax recoverable	-	35,000
Inventory	16,526	12,912
Note receivable (Note 5)	35,386	35,374
<b>Total current assets</b>	<b>343,665</b>	<b>425,782</b>
Non-current assets:		
Property and equipment (Note 6)	336,588	276,421
Exploration and evaluation assets (Note 7)	166,976	200,415
<b>Total non-current assets</b>	<b>503,564</b>	<b>476,836</b>
<b>Total assets</b>	<b>\$ 847,229</b>	<b>\$ 902,618</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Current liabilities:		
Trade payables	\$ 6,267	\$ 9,000
Other payables (Note 8)	16,783	39,455
Income taxes payable	1,193	-
<b>Total current liabilities</b>	<b>24,243</b>	<b>48,455</b>
Non-current liability:		
Decommissioning obligations (Note 9)	7,341	6,269
<b>Total liabilities</b>	<b>31,584</b>	<b>54,724</b>
Equity:		
Share capital (Note 10)	1,012,247	1,012,247
Share-based payments reserve	87,924	84,717
(Deficit)	(284,526)	(249,070)
<b>Total equity</b>	<b>815,645</b>	<b>847,894</b>
Going concern of operations (Note 2(b))		
<b>Total liabilities and equity</b>	<b>\$ 847,229</b>	<b>\$ 902,618</b>

See accompanying notes to condensed interim consolidated financial statements.

**Approved on behalf of the Board on March XX, 2013:**

Director (signed) "Nelson Shodine"

Director (signed) "Jon Bridgman"

# BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Three months ended January 31, 2013 and 2012 and six months ended January 31, 2013 and 2012  
(unaudited)

(Expressed in Canadian dollars)

	Q2 2013	Q2 2012	YTD 2013	YTD 2012
<b>Revenue:</b>				
Petroleum and natural gas revenue	\$ 26,837	\$ -	\$ 67,564	\$ -
Industrial mineral sales	10,345	10,350	22,845	27,476
	<u>37,182</u>	<u>10,350</u>	<u>90,409</u>	<u>27,476</u>
<b>Expenses:</b>				
Depletion	5,432	-	13,631	-
Depreciation	303	400	606	800
General and administrative	34,428	35,253	67,562	65,460
Production and operating - petroleum and natural gas	10,685	-	27,390	-
Production and operating - industrial minerals	8,440	9,738	17,038	20,067
Share-based payments (Note 12)	1,604	3,790	3,207	9,475
	<u>60,892</u>	<u>49,181</u>	<u>129,434</u>	<u>95,802</u>
(Loss) from operations	(23,710)	(38,831)	(39,025)	(68,326)
<b>Other income and (expenses):</b>				
Accretion expense	(53)	-	(107)	-
Interest income	1,454	22,453	3,676	27,890
	<u>1,401</u>	<u>22,453</u>	<u>3,569</u>	<u>27,890</u>
(Loss) before income taxes	(22,309)	(16,378)	(35,456)	(40,436)
Income tax recovery	-	3,815	-	3,815
Net (loss) and comprehensive (loss) for the period	<u>\$ (22,309)</u>	<u>\$ (12,563)</u>	<u>\$ (35,456)</u>	<u>\$ (36,621)</u>
Basic and diluted loss per share (Note 10(c))	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

See accompanying notes to condensed interim consolidated financial statements.

# BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity

Six months ended January 31, 2013 and 2012 (unaudited)

(Expressed in Canadian dollars)

	2013	2012
<b>Share capital</b>		
Balance, beginning of period	\$ 1,012,247	\$ 998,457
Stock options exercised	-	13,790
Balance, end of period	\$ 1,012,247	\$ 1,012,247
<b>Share-based payments reserve</b>		
Balance, beginning of period	\$ 84,717	\$ 76,895
Share-based payments	3,207	9,475
Fair value of stock options exercised	-	(3,790)
Balance, end of period	\$ 87,924	\$ 82,580
<b>(Deficit)</b>		
Balance, beginning of period	\$ (249,070)	\$ (197,790)
Comprehensive (loss) for the period	(35,456)	(36,621)
Balance, end of period	\$ (284,526)	\$ (234,411)
<b>Total equity, end of period</b>	\$ 815,645	\$ 860,416

See accompanying notes to condensed interim consolidated financial statements.

# BIRD RIVER RESOURCES INC.

## Condensed Interim Consolidated Statements of Cash Flows

Three months ended January 31, 2013 and 2012 and six months ended January 31, 2013 and 2012  
(unaudited)

(Expressed in Canadian dollars)

	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Operating activities:				
Net loss for the period	\$ (22,309)	\$ (12,563)	\$ (35,456)	\$ (36,621)
Adjustments for:				
Depletion and depreciation	5,735	400	14,237	800
Accretion expense	53	-	107	-
Share-based payments	1,604	3,790	3,207	9,475
Interest accrued to principal on note receivable	(12)	-	(12)	-
	(14,929)	(8,373)	(17,917)	(26,346)
Changes in the following:				
Trade receivables	15,003	7,305	12,252	(1,067)
Goods and services tax recoverable	(815)	(178)	(1,200)	(569)
Inventory	(5,174)	1,674	(3,614)	880
Trade payables	(232)	(10,694)	(2,733)	(6,475)
Other payables	(25,320)	5,546	(22,672)	(8,585)
Income taxes payable	36,193	32,800	36,193	32,800
	4,726	28,080	309	(9,362)
Investing activities:				
Investment in note receivable	-	(9,557)	-	(9,724)
Investment in exploration and evaluation assets	(40,000)	(91,875)	(40,000)	(141,875)
	(40,000)	(101,432)	(40,000)	(151,599)
Financing activity:				
Proceeds from issuance of common shares, net of share issued costs	-	10,000	-	10,000
Change in cash	(35,274)	(63,352)	(39,691)	(150,961)
Cash and cash equivalents, beginning of period	311,774	486,726	316,192	574,335
Cash and cash equivalents, end of period	\$ 276,500	\$ 423,374	\$ 276,501	\$ 423,374

### Supplementary information:

The company did not pay any income taxes during the above reporting periods.

See accompanying notes to condensed interim consolidated financial statements.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## Nature of operations

Bird River Resources Inc. 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 principal business activities include the acquisition and exploration of resource properties with the company's 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. Its shares are listed on the Canadian National Stock Exchange.

## 1. Statement of compliance

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The statements should be read in conjunction with the company's 2012 annual financial statements.

The condensed interim financial statements of Bird River Resources Inc for the three months ended January 31, 2013 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March XX, 2013. Any subsequent changes to IFRS that are given effect in the company's annual financial statements for the year ended July 31, 2013 could result in restatement of amounts included in these unaudited condensed interim financial statements.

## 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

The going concern assumption implies 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 business. There is doubt about the appropriateness of the use of the going concern assumption because the company has experienced ongoing losses and negative cash flows from operations over a number of years.

The company has not yet determined whether 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.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### (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.

### (d) Inventory

Inventory is valued at the lower of cost and net realizable value. The cost of inventory is assigned using the first-in, first-out costing formula. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of selling. In the current six month period, the company recognized \$17,038 of inventory as an expense (2012 - \$20,067) and no inventory has been valued at net realizable value.

### (e) Property and equipment

#### *Recognition and measurement*

Equipment is recorded at historical cost less accumulated depreciation and impairment losses. Residual values, depreciation methods and useful economic lives are reviewed and adjusted as necessary at the end of the reporting period.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of equipment have different useful lives, they are accounted for as a separate item of 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 described in Note 2(f).

#### *Subsequent costs*

The cost of replacing a component of an item of 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 equipment are recognized in profit or loss as incurred.

#### *Depletion and depreciation*

Equipment is depreciated based on the cost of an asset less its residual value. Depreciation methods and rates are applied consistently within each asset except where significant individual assets have been identified which have different depreciation patterns. Depreciation is recognized in profit or loss. The following rates and method are used:

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

In the year of acquisition, depreciation is provided at one-half the declining balance rate. Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### (e) Property and equipment (continued)

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statements of income or loss.

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.

### (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 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, then the accumulated costs are expensed as impairment 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 the statement of comprehensive income.

When an impairment loss subsequently reverses, excluding impairment losses for exploration and evaluation assets reclassified to property and equipment as petroleum and natural gas properties, 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 in prior years.



# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### (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.

### (h) Provisions

#### *General*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where 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 presented 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 amortized 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 decommissioning obligation cash flows. The company has assessed each of its exploration and evaluation assets and determined that a decommissioning obligation exists at period end in the amount of \$7,341 (2012 - \$Nil).

### (i) Jointly controlled operations

A portion of the company's exploration activities is conducted jointly with others wherein the company enters into agreements that provide for specified percentage interest in petroleum and natural gas properties and exploration and evaluation assets. The company accounts for its investment in joint ventures using the proportionate consolidation method.

### (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 precious metals and 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 goods are shipped and when collection is reasonably assured.

Interest income is recognized as accrued.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### (l) Income taxes

Income tax expense comprises current and deferred 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.

#### (i) Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax 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. 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 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 their 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 balance sheet 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.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 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 fair value through profit or loss 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 fair value through profit or loss 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 impairment losses, are recognized in other comprehensive income.

#### *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 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 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.

#### *De-recognition 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.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

## 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 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.

##### *De-recognition of financial liabilities*

The company de-recognizes 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
Goods and services tax recoverable	Loans and receivables	Amortized cost
Note receivable	Loans and receivables	Amortized cost
Trade payables	Other financial liabilities	Amortized cost
Other payables	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 the estimated future cash flow.

##### *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.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

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

#### *Available-for-sale financial assets*

An impairment loss of an available-for-sale investment security is recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income 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.

### (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.

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 the statement of comprehensive income.

When 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 financial statements 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 financial statements and the reported amounts of revenue and expenses during the reporting period. 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.

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.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### (p) Use of estimates and judgments (continued)

The determination of cash-generating units, used in impairment tests, 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 this estimate.

#### *Valuation of exploration and evaluation assets*

The value 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 proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability.

#### *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 proved 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 interpretation 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.

#### *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.

### (q) Recent accounting announcements

Standards issued but not yet effective up to the date of issuance of the company's 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 such changes on the financial statements to be material.

#### *IFRS 9 Financial Instruments: Classification and measurement*

IFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's ("IASB's") work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the company's financial assets.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

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## 2. Significant accounting policies (continued)

### (q) Recent accounting announcements (continued)

#### *IFRS 10 Consolidated Financial Statements*

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation - *Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The standard is effective for annual periods beginning on or after January 1, 2013.

#### *IFRS 11 Joint Arrangements*

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The standard is effective for annual periods beginning on or after January 1, 2013.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. This standard is effective for annual period beginning on or after January 1, 2013.

#### *IFRS 13 Fair Value Measurements*

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosure about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurement, except in specified circumstances. The standard is effective for annual periods beginning on or after January 1, 2013.

#### *IAS 19 Employee Benefits (Amended)*

The amendments require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. The amendment is effective for annual periods beginning on or after January 1, 2013.

#### *IAS 27 Separate Financial Statements (Amended)*

IAS 27 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements as the consolidation guidance will now be included in IFRS 10. The amendment is effective for annual periods beginning on or after January 1, 2013.

#### *IAS 28 Investment in Associates and Joint Ventures (Amended)*

IAS 28 was re-issued by the IASB on May 12, 2011 in order to conform to changes as a result of the issuance of IFRS 10, IFRS 11, and IFRS 12. IAS 28 continues to prescribe the accounting for investments in associates, but is now the only source of guidance describing the application of the equity method. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. The amendment is effective for annual periods beginning on or after January 1, 2013.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

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## 3. Evaluation and exploration expenses

During the three month period ending January 31, 2013, the company has expensed evaluation and exploration costs in the amount of \$Nil (2012- \$Nil).

## 4. Cash and cash equivalents

	January 31 2013	July 31 2012
Cash	\$ 11,078	\$ 21,447
Treasury bills - Money market fund	265,423	294,745
<b>Total cash and cash equivalents</b>	<b>\$ 276,501</b>	<b>\$ 316,192</b>

Cash is deposited at an established Canadian financial institution.

## 5. Note receivable

The note receivable bears interest at 10%, is due in February 2013 and is secured by a general security agreement.

## 6. Property and equipment

	Exploration and evaluation equipment	Vehicles	Petroleum and natural gas properties	Total
<b>Cost</b>				
Balance, July 31, 2012	\$ 52,333	\$ 11,342	\$ 284,990	\$ 348,665
Transfers from exploration and evaluation assets	-	-	73,439	73,439
Decommissioning obligations	-	-	965	965
<b>Balance, January 31, 2013</b>	<b>\$ 52,333</b>	<b>\$ 11,342</b>	<b>\$ 359,394</b>	<b>\$ 423,069</b>
<b>Accumulated depletion and depreciation</b>				
Balance, July 31, 2012	\$ 48,617	\$ 9,777	\$ 13,850	\$ 72,244
Depletion and depreciation for the period	371	235	13,631	14,237
<b>Balance, January 31, 2013</b>	<b>\$ 48,988</b>	<b>\$ 10,012</b>	<b>\$ 27,481</b>	<b>\$ 86,481</b>
<b>Carrying value</b>				
At, July 31, 2012	\$ 3,716	\$ 1,565	\$ 271,140	\$ 276,421
<b>At, January 31, 2013</b>	<b>\$ 3,345</b>	<b>\$ 1,330</b>	<b>\$ 331,913</b>	<b>\$ 336,588</b>



# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

## 7. Exploration and evaluation assets

(a) The company has capitalized the following amounts:

	January 31 2013	July 31 2012
Petroleum and natural gas properties:		
Interest in joint venture (i)	\$ 40,000	\$ 73,439
Lease holdings (ii)	126,703	126,703
	166,703	200,142
Mineral exploration properties (iii)	273	273
	\$ 166,976	\$ 200,415

(b) A summary of the exploration and evaluation asset activity for the period is as follows:

Balance, July 31, 2012	\$ 200,415
Transfers to property and equipment (iv)	(73,439)
Investment in joint venture (iv)	40,000
Balance, January 31, 2013	\$ 166,976

(i) The company has entered into a jointly controlled operation with Antler River Resources Ltd. relating to twelve oil wells (LSD 6-13-7-29, LSD 2-29-2-28, LSD 14-15-8-28, HZ 13-15-8-28, HZ 11-26-1-28, HZ 12-15-8-28, HZ 7-34-1-28, HZ 13-23-1-28, HZ 15-30-1-27, HZ 3-15-8-28, HZ 16-16-7-28, and HZ 3-22-7-28). 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 venture operations. As at January 31, 2013, technical and commercial viability of extracting resources has been demonstrated on eleven oil wells and as a result the amounts previously capitalized to exploration and evaluation assets of \$352,160 have been transferred to petroleum and natural gas properties in property and equipment and are being depleted accordingly (see Note 6).

(ii) The company has invested in eight lease holdings as follows:

- 1) Northwest quarter 23-1-28, 25% owned with a three-year lease term.
- 2) Southwest quarter 23-1-28, 25% owned with a three-year lease term.
- 3) Northeast quarter 14-4-22, 100% owned with a five-year lease term.
- 4) Northeast quarter 17-1-27, 25% owned with a three-year lease term.
- 5) Northeast quarter 23-1-28, 25% owned with a three-year lease term.
- 6) Northeast quarter 30-1-27, 25% owned with a three-year lease term.
- 7) Northeast quarter 2-3-26, 100% owned with a two-year lease term.
- 8) Southeast quarter 2-3-26, 100% owned with a two-year lease term.

(iii) The company holds one Quarry Lease, QL - 1530, located 85 kilometres southwest of Winnipeg near Miami, Manitoba. The 8 hectare lease hosts a narrow bed of bentonite.

The company previously held an exploration property known as the Ore Fault property located on the Bird River Greenstone Belt, 125 kilometres 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 venture agreement 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. Bird River Resources Inc. retains a 1% net smelter return ("NSR") royalty on the Ore Fault Property.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

## 7. Exploration and evaluation assets (continued)

### (iv) Impairment test

During the period ended January 31, 2013, the technical and commercial viability of extracting resources has been demonstrated for the following two oil wells: HZ 3-15-8-28 and HZ 16-16-7-28. As a result, the company transferred the costs associated with these oil wells to property and equipment. Prior to the transfer, the company assessed the recoverability of its investment 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 cost to sell. The estimated fair value less cost 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 investments was impaired in the amount of \$nil as at January 31, 2013 and \$73,439 (2012 - \$nil) was transferred to property and equipment.

The benchmark and company's forecast prices used in the impairment test calculations were primarily based on future commodity prices and are as follows:

	Light oil (Cdn\$/bbl)
2013	92.31
2014	90.00
2015	90.03
Thereafter, 2% increase for inflation	

## 8. Other payables

The company's other payables are as follows:

	January 31 2013	July 31 2012
Provincial sales taxes payable	\$ 181	\$ 382
Accrued liabilities	16,602	39,073
Total other payables	\$ 16,783	\$ 39,455

## 9. Decommissioning obligations

The company's decommissioning obligations result 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 provisions, before considering salvage, is approximately \$15,000 as at January 31, 2013 (2012 - \$nil), which has been discounted using a pre-tax rate of 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 into the future and will be funded from general corporate resources at the time of abandonment.

The company's decommissioning obligations for the six month period ended January 31, 2013 are as follows:

Balance, July 31, 2012	\$ 6,269
Liability incurred	965
Accretion	107
Balance, January 31, 2013	\$ 7,341

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

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## 10. 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:

	Number of common shares	Amount
Balance, July 31, 2012 and January 31, 2013	\$ 10,570,225	\$ 1,012,247

(c) Loss per share

The calculation of basic and diluted loss per share, for the three month period ended January 31, 2013 and 2012 and six month period ended January 31, 2013 and 2012 is based on the following losses and number of shares:

	Q2 2013	Q2 2012	YTD 2013	YTD 2012
(Loss) for the period	\$ (22,309)	\$ (12,563)	\$ (35,456)	\$ (36,621)
Weighted average number of shares	10,570,225	10,570,225	10,570,225	10,509,355

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

## 11. General and administrative expenses

The general and administrative expenses incurred by the company for the three month period ended January 31, 2013 and 2012 and the six month period ended January 31, 2013 and 2012 are as follows:

	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Automotive	\$ 1,768	\$ 1,982	\$ 5,163	\$ 4,418
Director's fees	840	2,000	840	2,000
Management fee	12,000	11,600	24,000	23,000
Office	577	919	1,570	1,187
Professional fees	4,714	6,351	14,864	13,301
Rent	2,400	2,400	4,800	4,800
Repairs and maintenance	-	-	92	256
Stock transfer and filing fees	9,438	6,173	11,763	11,325
Telephone	1,400	2,308	2,859	3,653
Travel	1,291	1,520	1,611	1,520
	\$ 34,428	\$ 35,253	\$ 67,562	\$ 65,460

## 12. Share-based payments

(a) Outstanding options

The following table summarizes the 1,000,000 outstanding options as at January 31, 2013:

	Number outstanding	Exercise price	Expiry date
Directors' options	1,000,000	\$0.10	June 10, 2015

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

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## 12 Share-based payments (continued)

### (b) Changes in stock options

A summary of the changes in stock option activity for the three month period ended January 31, 2013 and 2012 is as follows:

	2013		2012	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding and exercisable, beginning and end of period	\$ 0.10	1,000,000	\$ 0.10	900,000

The options outstanding at the end of the period have an exercise price of \$0.10 per share and a weighted average remaining contractual life of 2.37 years.

### (c) Effects on profit or loss

The total estimated fair value of the options granted and recognized as an expense for the three month period ending January 31, 2013 is \$1,604 (2012 - \$3,207).

## 13. 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 three month period ended January 31, 2013 and 2012. However, the company did pay contract based remuneration to directors, officers and other members of key management as disclosed in Note 13 (b).

### (b) Other related party transactions

During the three month period ended January 31, 2013, the company paid management fees in the amount of \$7,500 (2012 - \$7,500) to a director and officer of the company and \$4,500 (2012 - \$4,100) to another director and officer. The company also paid rent in the amount of \$2,400 (2012 - \$2,400) to a director and officer of the company during the period. These amounts are recorded at the exchange amount, which is the amount agreed upon by both parties.

As at January 31, 2013, included in accounts payable are amounts owing to directors and officers of the company in the amount of \$2,500 (2012 - \$3,900).

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

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## 14. 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.

#### (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 their exposure to these risks. An annual average change of 1% in crude oil prices would affect the reported net income by \$676.

#### (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 entity. The company is exposed to credit risk on cash, trade receivables and other receivables. 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 financial statements in the amount of \$327,139 (2012 - \$466,143) 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 financial instruments. As at January 31, 2013 the company has working capital in the amount of \$319,422 (2012 - \$449,027).

The contractual maturities of financial liabilities, at January 31, 2013, based on the earliest date on which payment can be required, were as follows:

	Total amount	Six month or less	More than six months
Trade payables	\$ 6,267	\$ 6,267	\$ -
Other payables	16,783	16,783	-
	<u>\$ 23,050</u>	<u>\$ 23,050</u>	<u>\$ -</u>

#### (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 approximately \$276,501. A 1% change in the primary interest rate would affect the reported net income, on an annualised basis, by \$2,765.

# BIRD RIVER RESOURCES INC.

Notes to Condensed Interim Consolidated Financial Statements

For the period ended January 31, 2013 (unaudited)

(Expressed in Canadian dollars)

## 14. Financial instruments (continued)

### (c) 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.

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 January 31, 2013 is as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 276,501	\$ -	\$ -

The company's financial instruments within the fair value hierarchy as at July 31, 2012 is as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 316,192	\$ -	\$ -

### (d) Collateral

The carrying value of financial assets the company has pledged as collateral is \$nil (2012 - \$nil).

## 15. 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 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 business. As at January 31, 2013, the company had managed capital (being total Shareholders' equity) of \$815,645 (July 31, 2012 - \$847,894).

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 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 period ended January 31, 2013. The company is not subject to externally imposed capital requirements.