

BIRD RIVER RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE INTERIM PERIOD ENDING JANUARY 31, 2014

INTRODUCTION

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Bird River Resources Inc. ("BDR" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended January 31, 2014. This MD&A was written to comply with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the period ended January 31, 2014 as well as the Company's audited consolidated financial statements for the year ended July 31, 2013 together with the notes thereto. All amounts are in Canadian dollars unless otherwise specified. The results for the year then ended are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at March 28, 2014 unless otherwise indicated. The financial statements along with Certifications of Annual and Interim Filings and press releases, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

The financial statements for the fiscal year ended July 31, 2013 were prepared in accordance with the newly adopted International Financial Reporting Standards ("IFRS") for publicly accountable profit-oriented enterprises. The changeover to IFRS for financial statements for fiscal years commencing on or after January 1st, 2011 represents a change due to the implementation of these new accounting standards. In 2010, the Corporation started an IFRS conversion plan to address the impact of the changes in accounting policies, restatement of comparative periods, internal controls, and any required changes to business processes. As discussed in this Management Discussion and Analysis, these new accounting standards have resulted in reclassifications on the Corporation's statement of financial position and operations and comprehensive loss.

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

FORWARD-LOOKING STATEMENTS

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

GENERAL OVERVIEW

The Company is a junior natural resource exploration company in Canada and is a reporting issuer in the provinces of Ontario and Manitoba with its common shares listed for trading on the Canadian Securities Exchange (CSE) under the trading symbol "BDR" (the exchange was formerly known as the Canadian National Stock Exchange (or "CNSX")). The Company's Registered and Head offices are located at 1059 Selkirk Avenue, Winnipeg, Manitoba, R2X 0C2.

The Company has one wholly-owned subsidiary, 2411181 Manitoba Ltd., which holds its interest in the Ore Fault Property. The Company's constating documents do not differ from Canadian corporate legislation with respect to corporate governance principles.

The Company has been engaged in the acquisition, exploration and development of mineral properties since its incorporation in 1958. The Company formerly held an exploration property, known as the Ore Fault Property, located in the Bird River Sill area of Manitoba approximately 125 km northeast of Winnipeg. This property was prospective for base and PGM metals. In 2008, the Company sold its working interest in this property for cash and now retains a 1% net smelter return royalty on this property.

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

The Company is currently pursuing opportunities in oil and gas business in southwestern Manitoba, mainly through joint ventures with experienced oil and gas exploration operators. In March 2009, the Company entered into an agreement with Antler River Resources to participate in a five percent interest in the drilling of a three oil well drilling program in southwestern Manitoba near the towns of Sinclair and Pearson. All three wells are now producing. The Company presently holds joint venture (JV) interests in 12 production oil wells in southwestern Manitoba near the towns of Sinclair, Pierson and Waskada. Currently there are 10 wells that are producing. The wells were developed in conjunction with Antler River Resources of Pierson, Manitoba. The wells have been drilled into the Bakken and Spearfish formations. These oil formations are part of the Williston Basin which includes; Saskatchewan, southwestern Manitoba, North Dakota and Montana. The most recent wells were drilled into the Bakken formation and are producing light sweet crude. BDR holds a total of eight oil leases in southwestern Manitoba with interests ranging from 25% to 100%. The Company's most recent lease acquisition was acquired in August 2012 and comprised 100% interest in a half section at 2-3-26WPM northwest of the Waskada oil field.

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

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 the Company's environmental division's abandoned water well sealing operation. The Company currently generates minimal revenue from these secondary activities. The well sealing service can generally only be conducted during the summer months and adverse weather can limit operations.

NARRATIVE DESCRIPTION OF THE BUSINESS

Oil and Gas Activities

In July 2007, the Company entered into an agreement with Antler River Resources Ltd. ("Antler") to earn a 2 ½ % interest in the drilling of two oil wells in southwestern Manitoba. Under the agreement the company was required to pay \$30,000 representing the company's share of expenses incurred to date. An individual that is a director and shareholder of the Company advanced the Company \$30,000. During September 2007, the Board determined that it was inappropriate to proceed with the transaction with Antler due to cash restraints and to remain focused on its core business of mineral exploration. Consequently, the Company entered into an agreement with the related party who had advanced the \$30,000 to sell the Company's interest in the oil well project in exchange for the forgiveness of the amount advanced by him.

On March 6, 2009, the Company entered into a new joint venture agreement with Antler to invest \$35,000 for a 5% gross interest (4% net) in a three well oil drilling program. The wells are located near the towns of Sinclair and Pierson in southwestern Manitoba. All three wells are now producing. In December 2009 the Company participated in the drilling of a vertical well north east of Sinclair, Manitoba. The well was on pump in January 2010 and all four wells are still in production.

On March 24, 2011, the Company reported the test production results for its fifth horizontal oil well, located at 11-26-1-28W near Pierson. The operator of the well is Atikwa Resources (ATK-TSX-V) ("Atikwa") and the initial production over the first ten days for the well averaged 150 barrels per day. The Company has a 5% gross and 4% net participation in the well. This well is still in production; however the rate of production has declined.

On August 17, 2011, the Company reported that after inclement weather, its wells were now back on pump. The weather and water issues delayed the drilling program for nearly five months. The first well of the planned six well drilling program started one month later. This horizontal well is located on the north half of 15-8-28W1 and completed with a one mile leg. The operator for the well is Antler and the Company has a 5% participation. This well is still in production as at July 31, 2013. The second well is also horizontal and was drilled on the north east quarter of 30-1-27 W1. This well was drilled into the Spearfish formation and initially pumped 200 barrels of fluid a day with an initial 20% oil cut which is expected to increase. The operator of these two wells is Atikwa with a 50% interest. Antler and the Company each have a 25% interest in the lease. Well 15-30-1-27 continues to be in production.

On September 29, 2011, the Company reported its participation in the drilling of a new horizontal oil well located at 12-15-8-28W1 east of Sinclair, Manitoba. This is the first well of a planned six well drilling program. The operator of the well and joint venture partner is Antler. The horizontal well has approximately a one mile leg and was cased all the way. The Company has a 5% gross and 4% net participation in the well. The well continues to be in production.

On October 13, 2011, the Company announced that the drilling portion of a new well northeast of Sinclair, Manitoba at 12-15-8-28W1 was completed. The well was drilled into the Bakken formation at 926 meters with a horizontal leg of 1300 meters. The well was cased for the entire length of the leg and has 27 fracking ports approximately 50 meters apart. The operator of this well is Antler and the Company has a 5% gross interest.

An additional well was drilled at 13-23-1-28W east of Pierson, Manitoba. This was a horizontal well with a 600 meter leg drilled into the Spearfish formation. The operator of this well is Atikwa with a 50% interest and the Company will have 5% gross (4% net). The well is presently not in production due to water problems.

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

On February 16, 2012, the Company reported an update of the last five oil wells drilled and their current production:

- 1) Well 12-15-8-28HZ drilled into the Bakken Formation with a 1300 meter leg. Production had leveled out at 80 barrels of oil per day.
- 2) Well 11-26-1-28HZ drilled into the Spearfish Formation with a 600 meter leg was producing 40 barrels of oil per day.
- 3) Well 15-30-1-27HZ drilled into the Spearfish Formation with a 600 meter leg was producing 100 barrels per day of fluid, of which 50 barrels is oil.
- 4) Well 7-34-1-28HZ drilled into the Spearfish Formation with a 600 meter leg was producing 130 barrels of oil per day.

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

On July 30, 2012, the Company reported with Antler that another double success had been achieved with the drilling and fracking of two new horizontal oil wells. The wells, located east of Sinclair Manitoba at 16-16-7-28 and 3-15-8-28 were each drilled with 600 meter legs and are fully cased. The wells are now producing 75 barrels per day for each well. The operator of the wells is Antler. The Company has 2.5% interest (2% net) in each of the new wells and the Company now has an interest in 11 production wells.

On January 17, 2013 the Company paid an initial advance to Antler River Resources of \$40,000 towards the drilling of a new horizontal well located at 3-22-7-28 in southwestern Manitoba. Bird River Resources Inc. has a 5% gross interest (4% net) in the well. The drilling of the new well commenced in early February and was completed by the end of the month. The drilling of the well was successful, and subsequently went on pump and is now production.

Winnipeg, Manitoba, December 2, 2013: the Company reported that at the 2013 Annual and Special Meeting held on November 28, 2013, Nelson Shodine (President) (President), Jon Bridgman (CFO), Edward Thompson (Secretary Treasurer), Shane Shodine and David Thom were re-elected to the Board of Directors of Bird River Resources Inc. for the coming 2014 fiscal year. The shareholders also re-appointed the auditing firm Magnus Chartered Accountants LLP as the Company's auditors. All other resolutions proposed to shareholders were duly passed.

Oil production in south west Manitoba typically shows a decline in production rates from year to year, however, many of the wells produce over 25 years.

Ore Fault Property

On January 12, 2004, the Company acquired 80% of the issued and outstanding shares of 2411181 Manitoba Ltd. from Myriad Resources Inc. which owned the original Ore Fault Property. As consideration, the Company issued 400,000 common shares valued at \$0.05 per share plus a \$3,000 note payable due on January 15, 2005 for total consideration of \$23,000. The Company already owned the other 20% of 2411181 Manitoba Ltd. On March 10, 2006, the Company announced that it was acquiring all the underlying smelter rights to the Ore Fault Property for consideration of 700,000 common shares. The transaction was approved by the shareholders of Myriad on May 19, 2006, subsequently closed and the shares released from escrow on September 5, 2006.

On May 16, 2005, the Company expanded its Ore Fault Property by conditionally acquiring the adjacent 124-hectare Lotus Property comprised of 3-claims in consideration for \$5,000 and 50,000 common shares. The transaction was completed at arm's-length.

On October 11, 2007, the Company signed a binding letter of intent with Marathon PGM Corporation (MAR - TSX) ("Marathon") to create a joint venture to actively explore and earn an interest in the Property. The Property, which includes the Lotus claims, is located in the Bird River Sill area of south eastern Manitoba, adjacent to Gossan Resources' Bird River Sill property, which was also under option to Marathon. This arrangement was approved at an Annual General and Special Meeting of Shareholders held on December 28, 2007.

Under the terms of the joint venture agreement, Marathon had the option to earn a 70% interest in the Property by making cash payments of \$250,000 to the Company and carrying out, as operator, \$600,000 in exploration expenditures on the Property by August 1, 2008. Once Marathon's interest in the Property reaches 70%, Marathon may have required the Company to sell the Company's remaining 30% interest in the Property to Marathon; and the Company may have required Marathon to purchase the remaining 30% interest in the Property for a purchase price of \$1,450,000, payable in cash or common shares of Marathon (at Marathon's option), subject to regulatory approval. The Company would then retain a 1% net smelter return royalty (the "NSR") in all minerals and metals extracted from the property. Marathon also made a firm commitment to conduct \$400,000 in exploration expenditures on the Property and to pay a cumulative aggregate of \$200,000 in cash by May 1, 2008.

On May 2, 2008, the Company was advised by Marathon that as per the option and joint venture agreement, it had spent \$549,002 on or for the benefit of the Property. In addition, Marathon had made payments to the Company in the aggregate amount of \$200,000 thereby fulfilling the terms and conditions of section 3.2 of the option and joint venture agreement. As a result, Marathon had exercised its option to acquire a 50% participation interest in the Property and indicated its intention to fulfill its right to earn a 70% interest in the property by August 1, 2008.

On August 19, 2008, Marathon exercised its option and acquired the remaining 30% of the Ore Fault Property for cash consideration of \$1,450,000 thereby completing the transaction and giving it 100% ownership of the Ore Fault Property. The Company now retains a 1% net smelter return royalty (the "NSR") on all minerals and metals extracted from the property.

Quarry Lease

The Company holds an 8-hectare Quarry Lease that is located 85 km southwest of Winnipeg near Miami, Manitoba. This lease hosts a narrow bed of bentonite that the Company had in the past used in an abandoned water well sealing operation. The Company currently does not generate any revenue from these secondary activities. These activities can generally only be conducted during the summer months and adverse weather can limit operations.

Interests in joint arrangements

The company participates in a joint operation with Antler River Resources Ltd. and other parties relating to twelve oil wells located in southwestern Manitoba (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). The company has rights to the assets and obligations for the liabilities relating to this joint operation, therefore has recognized its share of the assets, liabilities, revenues and expenses in these financial statements. Pursuant to the arrangement, expenditures are limited to costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells. The related expenditures are deferred in the accounts of the company until the technical and commercial viability of extracting resources has been demonstrated. The company has earned an interest equal to 80% of their contribution to the costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells, which represents, approximately, a 4% interest in the joint operation. As at January 31, 2014, technical and commercial viability of extracting resources has been demonstrated on all twelve oil wells and as a result the amounts previously capitalized to exploration and evaluation assets have been transferred to petroleum and natural gas properties in property and equipment and are being depleted accordingly.

Exploration and evaluation assets

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

	January 31 2014	July 31 2013
Petroleum and natural gas properties:		
Lease holdings (i)	<u>126,704</u>	<u>126,704</u>
Mineral exploration properties (ii)	<u>273</u>	<u>273</u>
	<u>\$126,977</u>	<u>\$126,977</u>

There was no exploration and evaluation asset activity for the three month period ended January 31, 2014.

(i) The Company 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.

(ii) 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.

SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION

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

ANNUAL INFORMATION	Year Ended July 31, 2013	Year Ended July 31, 2012	Year Ended July 31, 2011
	(\$)	(\$)	(\$)
Total revenue	175,759	190,525	29,916
Net income (loss)	(81,477)	(51,280)	(102,808)
Income (loss) per share - basic and fully-diluted	(0.01)	(0.01)	(0.01)
Total assets	844,048	902,618	925,066
Long-term liabilities	12,820	6,269	-
Dividends declared	-	-	-

Results of Operations - Year Ended July 31, 2013

The net loss and comprehensive loss for the 12-months ended July 31, 2013 was \$81,477 as compared to a net loss and comprehensive loss of \$51,280 for the 12-months ended July 31, 2012. The increase of \$30,197 in the net loss for the period is primarily attributable to the decrease in revenue of \$14,766 during the period and the increase in G&A and depletion expenses. Revenue for the 12 months period ended July 31, 2013 was \$175,759 compared to \$190,525 in same period of the prior year. This decrease in revenue is largely attributable to the decline in revenue from the producing oil wells to \$126,493 compared to \$141,646 in 2012. Expenses for the

period were \$260,952 (2012 - \$288,025) which represents a decrease in expense of \$27,073 over the same period last year. This decrease in expenses for the 2013 fiscal year is largely attributable to the decrease in impairment from \$39,825 in 2012 to \$Nil in 2013 and the decrease oil production expenses.

The net loss and comprehensive loss for the 12-months ended July 31, 2012 was \$51,280 as compared to a net loss and comprehensive loss of \$102,808 for the 12-months ended July 31, 2011. The decrease of \$51,528 in the net loss for the period is primarily attributable to the increase in revenue of \$160,609 during the period. Revenue for the 12 months period ended July 31, 2012 was \$190,525 compared to \$29,916 in same period of the prior year. This increase is largely attributable to the revenue from the producing oil wells in the amount of \$141,646. Expenses for the period were \$288,025 (2011 - \$176,180) which represents an increase of \$111,845 over the same period last year. This increase in expenses for the 2012 fiscal year is largely attributable to depletion of wells, impairment charge relating to deferred oil well costs, and increased activity in the joint venture operations.

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 fiscal 2011 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 of \$16,045.

Currently, BDR'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 an environmental division which distributes a various industrial and environmental products i.e, Dexpan and CanDry Absorbents. The environmental division also provides an abandoned water well sealing service the primary client being the Manitoba Government. The well sealing service operates from mid May through to the end of October.

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.

SELECTED QUARTERLY INFORMATION

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

Quarter Ended	Total Revenue (\$)	Net Income (Loss)		Total Assets (\$)
		Total (\$)	Per Share (\$)	
January 31, 2014	27,832	(23,083)	(0.01)	815,320
October 31, 2013	39,463	(7,193)	(0.01)	841,118
July 31, 2013	39,586	(34,556)	(0.01)	844,048
April 30, 2013	45,764	(11,465)	(0.01)	853,338
January 31, 2013	37,182	(22,309)	(0.01)	847,229
October 31, 2012	53,227	(13,147)	(0.01)	892,240
July 31, 2012	104,755	(18,196)	(0.01)	902,618
April 30, 2012	8,592	3,537	0.01	895,731
January 31, 2012	10,350	(12,563)	(0.01)	892,861

Results of Operations - Interim Period Ended January 31, 2014

The net loss and comprehensive loss for the 2014 second quarter (3-months) ended January 31, 2014 was \$23,083 as compared to net loss and comprehensive loss of \$22,309 for the 3-months ended January 31, 2013. Revenue for the 3-months period ended January 31, 2014 was \$27,832 compared to \$37,182 in the same period of the prior year. The current quarter revenue includes 15,637 from producing oil wells compared to \$26,837 in the same period of the prior year. Revenue from industrial mineral sales was 12,195 for the three months compared to \$10,345 for 2013. Expenses for the period were \$52,662 (2013-\$60,892) a decrease of \$8,230 in expenses over the same period last year. The decline in expenses in the second quarter is largely attributable to the decrease in general & administrative expenses, decrease in depletion and the decrease of \$4,557 in oil production operating costs relating to the joint venture compared to the previous year.

BDR has a joint venture agreement with Antler River Resources in oil and gas drilling programs in south west Manitoba for a participation of five percent gross interest on average. Through this joint venture BDR has participated in 12 oil wells as of January 31, 2014. Deferred expenditures include costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells. The cash flows of the joint operations include the expenditures as outlined above as well as the company's proportionate share of the joint venture's revenues and operating expenses. As at January 31, 2014, the Company had capitalized \$126,704 as lease holdings and \$273 for mineral exploration properties. In addition, as at January 31, 2014 the Company had capitalized \$406,467 of petroleum and natural gas properties to Property and Equipment net of accumulated depletion in the amount of \$46,898. This amount is currently being depleted using the unit of productions method which resulted in \$5,139 of depletion expense for the quarter. The Company has also recognized a decommissioning liability in the amount of \$8,545 relating to these producing oil wells for the quarter ending January 31, 2014 (FY 2013 \$8,420). During the three month period ended January 31, 2014, the Company recognized \$12,195 of gross revenues from oil production.

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

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2014, the Company had working capital of \$223,125, a decrease of \$17,650 over the previous 3 months period ended October 31, 2013. This decrease was largely due to lower revenue from producing oil wells during the three month period. The current quarter oil revenue was \$15,637 compared to \$26,162 in the prior quarter. 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.

Presently, the Company holds percentage interests (5% gross - 4% net) and (2.5% gross - 2% net) in a total of twelve oil wells of which ten are in production. The Company also owns 25% to 100% interests in eight oil and gas leases (properties) which are to be drilled in the future. During the fourth quarter of the 2013 fiscal year, the Company had total revenue of \$39,586 of which \$28,807 was from the Company's investment in ten producing oil wells and \$10,779 from industrial mineral sales.

The Company plans to 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 stable ongoing cash flow.

The Company's ability to raise funds for future development is largely tied to the North American capital markets and investor interest in resource exploration and development companies. The US financial markets have improved over the past 12 months; however, there continues to be ongoing concerns about the European and

Asian economies. Demand by the world's major consumers of raw materials particularly China and India has declined over the past two year however, as the global economy recovers demand will gradually improve. The historic low interest rates are also a major factor in the improving recovery of the global economy. World oil prices remain firm and the demand for crude oil continues to grow. Notwithstanding the foregoing the Company's strategy will be to continue to make expenditures in oil and gas properties in a fiscally prudent manner.

DECOMMISSIONING OBLIGATIONS

The Company has decommissioning obligations resulting from its ownership interest in petroleum and natural gas properties. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated undiscounted cash flows required to settle the provisions, before considering salvage, is approximately \$19,000 as at January 31, 2014 (July 2013 - \$19,000), which has been discounted using a pretax 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 ending January 31, 2014, is as follows:

Balance, July 31, 2013	\$ 8,420
Liability incurred	Nil
Accretion	125
<u>Balance, January 31, 2014</u>	<u>\$ 8,545</u>

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Common voting shares, of which 10,570,225 were outstanding as at January 31, 2014 and March 28, 2014.

There were 700,000 stock options outstanding as of January 31, 2014. During the past year, as a result of the resignation of directors 200,000 of these options were forfeited on June 30, 2013 and 100,000 options were forfeited on December 31, 2013 in accordance with the company's stock option plan.

As of March 28, 2014 the Company's incentive stock option plan has granted 800,000 stock options to officers and directors. The last grant was 100,000 options approved at a meeting of the Board of Directors on February 26, 2014. The stock options are exercisable into common shares at 10 cents per share for a term expiring March 14, 2019. The options have a weighted average remaining contractual life of 1.37 years.

On a fully diluted basis there would be 11,370,225 common shares issued and outstanding. There are no warrants presently outstanding.

TRANSACTIONS WITH RELATED PARTIES

The following is a summary of the related party transactions of the Company during the three month period ended January 31, 2014. The Company paid management fees of \$7,500 (2013 - \$7,500) to a director and officer of the Company and \$4,500 (2013 - \$4,500) to another director and officer. The Company also paid rent in the amount of \$2,400 (2013 - \$2,400) to a director and officer during the period. These amounts are recorded at the exchange amount which is the amount agreed upon by both parties.

As at January 31, 2014 included in the accounts payable are amounts owing to directors and officer of the company in the amount of \$14,000 (2013 - \$2,500). These amounts are unsecured, non-interest bearing with no specified terms of repayment.

FUTURE CHANGES IN ACCOUNTING POLICIES PER 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 1st, 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the company's financial assets.

RISKS AND UNCERTAINTIES

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

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

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:

Currency risk

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

Price risk

The Company is exposed to price risk with respect to commodity prices of oil and gas. The Company monitors commodity prices in order to manage their exposure to these risks. An annual average change of 1% in crude oil prices would affect the reported net income by \$156.

Credit risk

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

The carrying amount of financial assets recorded in the financial statements in the amount of \$263,074 (July 31, 2013 - \$278,107) represents the maximum exposure to credit risk at the reporting date.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the Company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. 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, 2014 the Company has working capital in the amount of \$223,125 (July 31, 2013 - \$242,944).

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 <u>amount</u>	Six months or less	More than <u>six months</u>
Trade payables	\$ 20,347	\$ 20,347	\$ -
Other payables	<u>38,404</u>	<u>38,404</u>	<u>-</u>
	<u>\$ 58,751</u>	<u>\$ 58,751</u>	<u>\$ -</u>

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 \$215,119 (July 31, 2013 \$217,347). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by \$2,151 (July 31, 2013 - \$2,173).

(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, 2014 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 215,119	\$ -	\$ -

The Company's financial instruments within the fair value hierarchy as at July 31, 2013 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 217,347	\$ -	\$ -

(d) Collateral

The carrying value of financial assets the Company has pledged as collateral is \$Nil (2013 - \$Nil).

CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the Company's objective is to ensure that it will have sufficient financial capacity to fund its current obligations and pursue exploration opportunities as they arise as well as maintain optimal returns to shareholders and benefits for other stakeholders. Management regularly monitors its available working capital and as necessary, adjusts to changing economic circumstances in order to support the acquisition, exploration and development of resource 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, 2014, the Company had managed capital (being total shareholder's equity) of \$743,624 (July 31, 2013 - \$772,831).

The Company presently has interests in 12 production wells and ongoing exploration and assessment on properties that it intends to drill in the future. As such the Company is dependent on external financing to fund its activities and or joint ventures. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties 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, 2014. The Company is not subject to externally imposed capital requirements.

DISCLOSURE AND INTERNAL FINANCIAL CONTROLS

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

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

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

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