

Consolidated Interim Financial Statements of  
**BIRD RIVER RESOURCES INC.**

(Formerly Bird River Mines Inc.)

(Unaudited - Prepared by Management)

For the six months ended January 31, 2011

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

# BIRD RIVER RESOURCES INC.

Consolidated Balance Sheets

As at January 31, 2011 (unaudited) and July 31, 2010

Expressed in Canadian dollars

	January 31 2011	July 31 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 734,230	\$ 792,172
Accounts receivable	2,552	8,068
Inventory	16,054	13,799
Income taxes recoverable	-	36,800
Note receivable (Note 3)	25,000	-
	<u>777,836</u>	<u>850,839</u>
Petroleum and natural gas properties (Note 4)	142,624	67,671
Machinery and equipment	7,941	9,000
Mineral exploration properties (Note 5)	273	273
	<u>\$ 928,674</u>	<u>\$ 927,783</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liability:		
Accounts payable and accrued liabilities	\$ 16,486	\$ 40,923
Shareholders' equity:		
Capital stock (Note 6)	998,457	927,687
Contributed surplus (Note 6(e))	65,525	54,155
(Deficit)	(151,794)	(94,982)
	<u>912,188</u>	<u>886,860</u>
Basis of presentation (Note 1(a))		
Subsequent events (Note 10)		
	<u>\$ 928,674</u>	<u>\$ 927,783</u>

See accompanying notes to consolidated financial statements including Basis of Presentation.

## APPROVED ON BEHALF OF THE BOARD:

Director (signed) "Nelson Shodine" President

Director (signed) "Jon Bridgman" CFO

# BIRD RIVER RESOURCES INC.

## Consolidated Statements of Operations and Deficit

Three months ending January 31, 2011 and 2010 and six months ending January 31, 2011 and 2010  
(unaudited)

Expressed in Canadian dollars

	Q2 2011	Q2 2010	YTD 2011	YTD 2010
Revenue	\$ 7,617	\$ 8,843	\$ 13,418	\$ 20,745
Cost of goods sold	2,428	6,865	5,223	13,396
Gross profit	5,189	1,978	8,195	7,349
Expenses:				
Amortization	530	704	1,060	1,410
Automotive	1,677	2,366	4,048	4,534
Management fees	11,400	9,300	22,500	21,000
Miscellaneous	2,337	800	2,785	4,405
Occupancy	2,400	2,400	4,800	4,800
Professional fees	3,786	2,171	8,018	5,063
Repairs and maintenance	-	21	191	471
Stock-based compensation (Note 6(e))	5,685	-	11,370	4,800
Stock transfer and filing fees	8,403	4,077	10,502	8,547
Telephone	1,069	857	2,988	2,406
Travel and entertainment	826	331	979	398
	38,113	23,027	69,241	57,834
(Loss) before the following	(32,924)	(21,049)	(61,046)	(50,485)
Interest income	2,435	307	4,234	1,057
(Loss) on settlement of advance payable	-	-	-	(1,000)
Net (loss) for the period	(30,489)	(20,742)	(56,812)	(50,428)
(Deficit), beginning of period	(121,305)	(39,880)	(94,982)	(10,194)
(Deficit), end of period	\$ (151,794)	\$ (60,622)	\$ (151,794)	\$ (60,622)
Basic and diluted (loss) per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

See accompanying notes to consolidated financial statements including Basis of Presentation.

# BIRD RIVER RESOURCES INC.

## Consolidated Statements of Cash Flows

Three months ending January 31, 2011 and 2010 and six months ending January 31, 2011 and 2010  
(unaudited)

Expressed in Canadian dollars

	Q2 2011	Q2 2010	YTD 2011	YTD 2010
<b>Cash flows from (used in)</b>				
<b>Operating activities:</b>				
Net (loss) for the period	\$ (30,489)	\$ (20,742)	\$ (56,812)	\$ (50,428)
Adjustments for:				
Amortization	530	704	1,060	1,410
Stock-based compensation	5,685	-	11,370	4,800
Loss on settlement of advance payable	-	-	-	1,000
	(24,274)	(20,038)	(44,382)	(43,218)
Changes in the following:				
Accounts receivable	3,364	3,669	5,516	(2,585)
Inventory	(4,702)	(1,202)	(2,255)	(2,745)
Income taxes recoverable	36,800	-	36,800	(228,200)
Accounts payable and accrued liabilities	(5,438)	(12,940)	(24,438)	(23,495)
	5,750	(30,511)	(28,759)	(300,243)
<b>Financing activity:</b>				
Proceeds from issuance of common shares, net of share issue costs	70,770	-	70,770	-
<b>Investing activities:</b>				
Investment in petroleum and natural gas properties	-	(20,000)	(74,953)	(20,000)
Short term investment	(25,000)	-	(25,000)	-
	(25,000)	(20,000)	(99,953)	(20,000)
Change in cash	51,520	(50,511)	(57,942)	(320,243)
Cash and cash equivalents, beginning of period	682,710	883,884	792,172	1,153,616
Cash and cash equivalents, end of period	\$ 734,230	\$ 833,373	\$ 734,230	\$ 833,373

### Supplementary information:

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

See accompanying notes to consolidated financial statements including Basis of Presentation.

# BIRD RIVER RESOURCES INC.

Consolidated Statements of Changes in Shareholders' Equity

Six months ending January 31, 2011 and 2010 (unaudited)

Expressed in Canadian dollars

	2011	2010
<b>Capital stock</b>		
Balance, beginning of period	\$ 927,687	\$ 927,687
Shares issued under private placement	70,770	-
Balance, end of period	\$ 998,457	\$ 927,687
<b>Contributed surplus</b>		
Balance, beginning of period	\$ 54,155	\$ 47,460
Fair value of stock options vested	11,370	4,800
Balance, end of period	\$ 65,525	\$ 52,260
<b>(Deficit)</b>		
Balance, beginning of period	\$ (94,982)	\$ (10,194)
Net (loss) for the period	(56,812)	(50,428)
Balance, end of period	\$ (151,794)	\$ (60,622)
<b>Total shareholders' equity, end of period</b>	<b>\$ 912,188</b>	<b>\$ 919,325</b>

See accompanying notes to consolidated financial statements including Basis of Presentation.

# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## General

Bird River Mines Inc. is incorporated under the laws of Manitoba. The principal business activities include the acquisition and exploration of mining 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.

As the company has no revenue producing mines, it is considered a development stage company.

### 1. Significant accounting policies

These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended July 31, 2010.

In the opinion of management, all adjustments considered necessary for the fair presentation have been included in these financial statements. Operating results for the six months ended January 31, 2011 may not be indicative of the results that may be expected for the full year ending July 31, 2011.

The company follows the same accounting policies as the July 31, 2010 year ended audited financial statements. The significant accounting policies are as follows:

#### (a) Basis of presentation

These financial statements have been prepared on a going concern basis with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The company has not yet determined whether its mineral properties 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 mineral exploration required. The primary source of future funds available to the company is through the sale of additional equity capital, which may dilute the interests of existing shareholders.

These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

#### (b) Basis of consolidation

These consolidated financial statements include the accounts of the company and its wholly owned subsidiary 2411181 Manitoba Ltd.

Variable interest entities ("VIE's"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIE's are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The company does not have any entities that qualify for treatment under this guidance.

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 1. Significant accounting policies (continued)

### (c) 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. During the current period, no inventory has been valued at net realizable value.

### (d) Mineral exploration properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Proceeds from the sale of interests in mineral exploration properties that are not yet in the production stage are credited to the cost of the property. Amounts reflected for mineral exploration properties not in commercial production represent costs incurred to date, net of write-downs and proceeds from the sale of interests and are not intended to reflect present or future values. The recoverability of the costs is dependent upon the discovery of economically recoverable ore reserves, confirmation of the company's interests in the underlying mineral claims, the ability to obtain necessary financing to complete development, the receipt of necessary permitting and the future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

The costs relating to identifiable groups of property will be written-down to net realizable value if exploration activities prove unsuccessful or if the groups of property are abandoned.

### (e) Impairment of long-lived assets

The company regularly reviews whether there are any indicators of impairment of its long-lived assets, primarily being its mineral exploration properties. If such indicators are present, the company assesses the recoverability of the long-lived assets or group of assets by determining whether the carrying value of such assets can be recovered through undiscounted future cash flows. If the sum of undiscounted future cash flows is less than the carrying amount or if long-lived assets are abandoned, the excess of the carrying amount over the estimated fair value, based on discounted future cash flows, is recorded as a charge to net income. The current review concluded that no write-down was necessary.

### (f) Asset retirement obligations

The company measures the expected costs required to retire its mining interests at a fair value which approximates the cost a third party would incur in performing the tasks necessary to abandon the field and restore the site. The fair value is recognized in the financial statements at the present value of expected future cash outflows to satisfy the obligation.

The asset retirement costs, if any, are subsequently allocated in a rational and systematic method over the underlying asset's useful life, and are included in amortization expense. The initial fair value of the present value liability is accreted, by charges to operations, to its estimated nominal future value. The liability is also adjusted due to revisions in either the timing or amount of the estimated costs.

As at January 31, 2011, the company has not incurred or committed to any asset retirement obligations related to its exploration properties.

### (g) Machinery and equipment

Machinery and equipment are recorded at cost. Amortization is provided using the following methods and annual rates:

	<u>Rate</u>	<u>Method</u>
Mining equipment	20%	Declining balance
Vehicles	30%	Declining balance

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 1. Significant accounting policies (continued)

### (h) Petroleum and natural gas properties

#### Capitalized costs

The company follows the full-cost method of accounting for oil and gas activities whereby all costs associated with the acquisition of, the exploration for and the development of oil and gas reserves relating to the exploration for and development of oil and natural gas reserves, whether productive or unproductive, are capitalized. 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 unproved properties, and corporate costs directly related to acquisition. The carrying value, based on a ceiling test calculation, is limited to a recoverable amount as determined by estimating the present value of future net revenue from proven properties based on forecast prices, costs and the value of unproven properties at the lower of cost and net realizable value.

The costs (including exploratory dry holes) related to wells from which there has been no commercial production are not subject to depletion until commercial production commences.

Proceeds from disposal of properties are normally applied as a reduction of the costs of the remaining assets unless the disposal would alter the rate of depletion by more than 20%, in which case a gain or loss on disposal is recorded.

#### Depletion and depreciation

Capitalized costs are depleted and depreciated using the unit-of-production method based on gross proved reserves of petroleum and natural gas as determined by independent engineers. For purposes of this calculation, oil and natural gas reserves are converted to a common unit of measurement. In determining its depletion base, the company includes estimated future costs to be incurred in developing proved reserves and excludes estimated salvage values and the cost of unproved properties. Costs of acquiring and evaluating unproved properties are excluded from the depletion base until it is determined whether proved reserves are attributable to the properties or impairment occurs. Unproved properties are assessed for impairment at least annually.

#### Ceiling test

Impairment is determined when the carrying amount of property and equipment exceed the sum of the undiscounted cash flows expected to result from the company's proved reserves (determined pursuant to evaluation by independent engineers as dictated by National Instrument 51-101), based on future pricing. If the carrying value is impaired, the amount of impairment is measured by comparing the carrying amounts of property and equipment to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves. This calculation incorporates risks and uncertainties in the expected future cash flows that are discounted using a risk-free rate. Any excess carrying value above the net present value of the future cash flows would be recorded as a permanent impairment and the property is written down to its fair value.

The company applies this test at least annually or more frequently as events or circumstances dictate. As at quarter end, meaningful production has not yet commenced.

#### Joint interests

Substantially all of the exploration, development and production activities of the company are conducted jointly with others and, accordingly, the financial statements reflect only the company's proportionate interest in such activities (Note 1(n)).

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 1. Significant accounting policies (continued)

(i) Revenue recognition

Revenue is recognized when goods are shipped.

Interest income is recognized as earned.

(j) Future income taxes

The company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to be recovered or settled. The effect on future 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.

(k) Stock-based payments to non-employees

Stock-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 the goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument.

(l) Stock-based compensation

The company adopted the fair value-based approach to accounting for stock-based compensation applying to options granted after August 1, 2003. Estimated 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 using the Black-Scholes option-pricing model.

The fair values of the options issued are credited to contributed surplus over the period they vest. When these options are exercised, the consideration paid by employees and the fair value of the options previously credited to contributed surplus are credited to share capital.

(m) Government assistance

The company periodically applies for financial assistance under available government incentive programs. All government assistance received is reflected as a reduction of the related asset value.

(n) Joint ventures

A portion of the company's exploration activities may be conducted with others wherein the company enters into agreements that provide for specified percentage interest in mineral exploration properties. The company accounts for its investments in joint ventures using proportionate consolidation method.

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 1. Significant accounting policies (continued)

### (o) Financial instruments - recognition and measurement

Transaction costs are expensed as incurred for financial instruments designated as held for trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost.

Loans and Receivables, Held-to-maturity Investments and Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Gains or losses resulting from revaluation, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period. The company does not have any financial instruments designated as Loans and Receivables, Held-to-maturity Investments or Other financial liabilities.

Available-for-sale Financial Assets are initially and subsequently recorded at fair value, except for equity instruments that do not have a quoted market price in an active market as they are recorded at cost. Gains and losses resulting from revaluation are included in Other Comprehensive Income and are transferred to net earnings when the asset is derecognized. Impairment write-downs are included in net earnings for the period. The company does not have any financial instruments designated as Available-for-sale Financial Assets.

Held-for-trading financial instruments include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities and are initially and subsequently recorded at fair value. Gains or losses on revaluation are included in net earnings for the period.

### (p) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ from these estimates.

### (q) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have maturity dates of three months or less from the date of purchase.

## 2. Future accounting changes

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

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. The use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises.

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 2. Future accounting changes (continued)

### (b) Business Combinations, Consolidated Financial statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations" ("Section 1582"), Section 1601, "Consolidated Financial Statements" ("Section 1601") and Section 1602, "Non-Controlling Interests" ("Section 1602"). These new standards will be effective for fiscal years beginning on or after January 1, 2011. The company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 - "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The company is currently assessing the impact of these new accounting standards on its financial statements.

## 3. Note receivable

The note receivable bears interest at 13%, is due in December 2011 and is secured by a general security agreement.

## 4. Petroleum and natural gas properties

The company has entered into a jointly controlled operation with Antler River Resources Ltd. The joint operation has no liabilities or revenues and the assets are limited to four oil wells. Expenditures are limited to costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells which are deferred in the accounts of the company. The cash flows of the joint operations are limited to the expenditures as outlined above and are equal to the amounts of these expenditures. 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.

As at January 31, 2011 the company has invested \$142,624 in the petroleum and natural gas properties and the properties have commenced minimal production. (Note 1(h)).

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

## 5. Mineral exploration properties

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

The company held an exploration property known as the Ore Fault property located on the Bird River Greenstone Belt, 125 kilometers northeast of Winnipeg, Manitoba. On August 19, 2008 Marathon PGM acquired the balance of the Ore Fault property consisting of 19 claims which covers 446 hectares. Under the joint 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 Mines Inc. retains a 1% net smelter return ("NSR") royalty on the Ore Fault Property.

## 6. Capital stock

### (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, 2010	9,470,558	\$ 927,687
Shares issued under private placement (i)	999,667	70,770
Balance, January 31, 2011	10,470,225	\$ 998,457

The weighted average number of common shares outstanding during the three month period was 9,666,145 (six month period - 9,568,352).

(i) On January 14, 2011 999,667 common shares were issued through a private placement at a price of \$0.075 per common share. The amount recorded to share capital in the amount of \$70,770 represents gross proceeds of \$74,975 less share issue costs of \$4,205.

### (c) Options:

The following table summarizes the 900,000 outstanding options as at January 31, 2011:

	Number outstanding	Exercise price	Expiry date
Directors' options	900,000	\$0.10	June 10, 2015

### (d) Income (loss) per share:

Income (loss) per share is computed using the weighted average number of common shares outstanding during the period (Note 6(b)). Diluted income (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 thereby were used to purchase common shares of the company at the estimated average trading price of the common share during the year.

# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 6. Capital stock (continued)

(e) Contributed surplus:

A summary of the contributed surplus activity for the period ended January 31, 2011 is as follows:

Balance beginning of period	\$ 54,155
Stock-based compensation	11,370
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Balance end of period	\$ 65,525

During the three month period ended January 31, 2011 \$5,685 (six month period ended January 31, 2011 - \$11,370) of stock options issued on June 18, 2010 vested and are included in contributed surplus and stock based compensation for the period.

## 7. Financial instruments

(i) 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:

- (a) **Currency risk**  
The company does not hold any assets or liabilities denominated in a foreign currency.
- (b) **Market risk**  
The company is not exposed to any meaningful market risk.
- (c) **Credit risk**  
The company is exposed to credit risk on accounts receivable. Management monitors credit exposure on a specific creditor basis and does not have significant concentrations of credit risk. Cash and cash equivalents consist of cash, short term deposits and money market funds held with a chartered Canadian bank from which management believes the risk of loss to be minimal.
- (d) **Liquidity risk**  
Management monitors the company's liquidity and is of the opinion that it is unlikely that the company will encounter difficulty in meeting commitments associated with financial instruments.
- (e) **Interest rate risk**  
The company's cash and cash equivalents are exposed to interest rate risk, management monitors the company's return on investments against similar risk level investments.

(ii) Sensitivity analysis

The company has cash and cash equivalents subject to interest rate risk of approximately \$734,000. A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by \$7,340.

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 7. Financial instruments (continued)

### (iii) Fair values

The fair values of the company's financial instruments approximate their carrying value due to the relatively short term period to maturity. 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 prioritized into three levels as per the fair value hierarchy in Canadian generally accepted accounting principles.

- 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.

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 734,230	\$ -	\$ -

## 8. Related party transactions

During the three month period ending January 31, 2011, the company paid management fees in the amount of \$7,500 to a director and officer of the company and \$3,900 to another director and officer of the company. The company also paid rent in the amount of \$2,400 to a director and officer of the company during the period. During the six month period ending January 31, 2011, the company paid management fees in the amount of \$15,000 to a director and officer of the company and \$7,500 to another director and officer of the company. The company also paid rent in the amount of \$4,800 to a director and officer of the company during the six month period. These amounts are recorded at the exchange amount, which is the amount agreed upon by both parties.

As at January 31, 2011, included in accounts payable are amounts due to directors and officers of the company in the amount of \$3,800 (2010 - \$3,700). These amounts are non-interest bearing with no specified terms of repayment.

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# BIRD RIVER RESOURCES INC.

Notes to Consolidated Financial Statements

For the period ended January 31, 2011 (unaudited)

Expressed in Canadian dollars

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## 9. Capital management

The company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the company's management to sustain future development of the business. As at January 31, 2011 the company had managed capital (being total Shareholders' equity) of \$912,188 (January 31, 2010 - \$919,325).

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 management believes 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 six months ended January 31, 2011. The company is not subject to externally imposed capital requirements.

## 10. Subsequent events

In February 2011, the company purchased a five year lease of Crown and Gas Rights held by the Government of Manitoba on a 160 acre (94 hectare) oil and gas parcel located at NE 1/4 of 14-22WPM for \$26,624. In addition, the company entered into another joint venture agreement with Antler River Resources Ltd. for another oil well with an initial investment of \$59,000. 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 well.

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