

## **BIRD RIVER RESOURCES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE INTERIM PERIOD ENDING APRIL 30, 2015**

#### **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 nine month period ending April 30, 2015. 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 April 30, 2015 as well as the audited annual consolidated financial statements for the year ended July 31, 2014 together with the notes thereto. All amounts are in Canadian dollars unless specified. The results for the year then ended are not necessarily indicative of the results that may be expected for any future period. The information contained herein is presented as at June 27, 2015. 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](http://www.sedar.com).

The financial statements for the fiscal year ended July 31, 2014 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 1<sup>st</sup>, 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). 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. The Company has participated in the drilling of 15 oil well joint ventures (JV) with Antler River Resources in southwestern Manitoba near the towns of Sinclair, Pierson and Waskada. As at July 31, 2014 the Company assessed the recoverability of its investment in oil properties by performing an impairment test at the cash generating level, consequently, two wells; HZ 11-26-1-28 and HZ 7-34-1-28 were determined to be impaired and, as result, were written down in amount of \$41,532. Currently there are 10 wells producing including one new well drilled this past September 2014 that is now on pump and is producing. All wells were developed in conjunction with Antler River Resources and 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 latest wells were drilled into the Bakken formation and are producing light sweet crude.

BDR also 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 intends to joint venture drilling on these eight leases in the near future.

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, its environmental services and environmental products. Prices and markets for oil, gas and metals are extremely 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 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. However, management is continually looking at ways to expand the Company's environmental division.

## **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, 2014. 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.

On January 22, 2013, the Company reported that at the 2012 Annual and Special Meeting held on January 17, 2013, Nelson Shodine (President), Jon Bridgman (CFO), Edward Thompson (Secretary Treasurer), Shane Shodine and David Thom were elected to the Board of Directors for the coming 2013 fiscal year. The shareholders also re-appointed Magnus Chartered Accountants LLP as the Company's auditors.

On 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.

On March 14, 2014, the Company reported that it had awarded 100,000 incentive stock options to a director of the Company. This award is in compliance with the terms of the Company's Stock Option Plan and all of the options are subject to vesting over an 18-month period. The stock options are exercisable into common shares at \$0.10 per share for a term expiring March 14, 2019.

On August 29, 2014, the Company paid an initial advance to Antler River Resources of \$47,500 towards the drilling of a new horizontal well located at 4-5-2-27 in southwestern Manitoba. Bird River Resources has a 5% gross interest (4% net) in the new well. The drilling of the new well commenced in September and was completed in early November. Due to drilling cost overruns the Company was required to make a further payment to the operator, Antler River Resources, on November 28, 2014 of \$17,800. The drilling of the well was successful, and subsequently went on pump and is now in production.

On September 9, 2014, the Company issued a news release responding to a news release put out by NWest Energy Corp. (NWest) the previous day announcing its intention to make an offer to acquire all of the outstanding common shares of Bird River Resources Inc. in exchange for an equal number of shares of NWest Energy Corp., common shares. Although

Nelson Shodine, President, and Ed Thompson, Secretary Treasurer, of BDR did meet with Kevin Aylward, President, and Bill Hamilton, CFO, of NWest the previous week, no understanding was reached and no formal proposal was presented for consideration by BDR's board of directors. Consequently, BDR views their verbal offer as an unsolicited matter as it seemed to provide no benefit whatsoever to BDR's shareholders. BDR's board continues to explore other ways to enhance the Company's value on behalf of its shareholders.

On November 27, 2014, the Bird River Resources Inc., 2014 Annual General & Special Shareholder's meeting was held in Winnipeg, Manitoba. At the meeting, the following six directors were elected for the 2015 fiscal year; Nelson Shodine (President), Jon Bridgman (CFO), Ed Thompson (Secretary Treasurer), Shane Shodine, David Thom and Kevin Haney.

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.

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 consisting of 19 claims which covers 446 hectares. Bird River Resources Inc. 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 ten producing 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 7-34-1-28, HZ 11-26-1-28 HZ 12-15-8-28, HZ 16-16-7-28, HZ 3-22-7-28 and HZ 4-5-2-27). 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 the consolidated financial statements. Pursuant to the arrangement, expenditures are limited to costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells. The related expenditures are deferred in the accounts of the company until the technical and commercial viability of extracting resources has been demonstrated. The company has earned an interest equal to 80% of their contribution to the costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells, which represents, approximately, a 4% net interest in the joint operation. As at January 31, 2015, technical and commercial viability of extracting resources has been demonstrated on ten oil wells and as a result the amounts previously capitalized to exploration and evaluation assets have been transferred to petroleum and natural gas properties in property and equipment and are being depleted accordingly.

## Exploration and evaluation assets

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

	April 30 2015	July 31 2014
Petroleum and natural gas properties:		
Lease holdings (i)	126,704	126,704
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 April 30, 2015. With the exception of the new well HZ 4-5-2-27 drilled in September 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.

(iii) 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:

<b>ANNUAL INFORMATION</b>	<b>Year Ended July 31, 2014</b>	<b>Year Ended July 31, 2013</b>	<b>Year Ended July 31, 2012</b>
	(\$)	(\$)	(\$)
Total revenue	120,510	175,759	190,525
Net income (loss)	(128,963)	(81,477)	(51,280)
Income (loss) per share - basic and fully-diluted	(0.01)	(0.01)	(0.01)
Total assets	739,494	844,048	902,618
Long-term liabilities	8,669	12,820	6,269
Dividends declared	-	-	-

### Results of Operations – Year Ended July 31, 2014

The net loss and comprehensive loss for the 12-months ended July 31, 2014 was \$128,963 as compared to a net loss and comprehensive loss of \$81,477 for the 12-months ended July 31, 2013. The increase of \$47,486 in the net loss for the period is primarily attributable to the decrease in revenue of \$55,249 during the period and the increase in depletion expense and impairment loss. Revenue for the 12 months period ended July 31, 2014 was \$120,510 compared \$175,759 to 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 \$76,223 compared to \$126,493 in 2013. Expenses for the period were \$260,369 compared to \$260,952 in 2013 which represents a decrease in expense of \$583 over last year. At the end of the 2014 fiscal year, management concluded that, two wells should be written down, as they no longer produced and as a result, an impairment loss of \$41,532 was recognized. This increase in impairment loss of \$41,532 was the largest single increase in expense during 2014 (\$Nil in 2013) resulting from the write down of the two wells during the 2014 fiscal year.

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.

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 a environmental division which distributes 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 assesses new potential resource property acquisitions as they are presented.

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

## 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 (\$)	
April 30, 2015	19,022	(24,355)	(0.002)	696,793
January 31, 2015	21,679	(30,104)	(0.003)	713,937
October 31, 2014	28,273	(12,348)	(0.01)	731,662
July 31, 2014	25,742	(77,610)	(0.01)	739,494
April 30, 2014	27,473	(11,077)	(0.01)	809,809
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

### Results of Operations - Interim Period Ended January 31, 2015

The net loss and comprehensive loss for the 2015 third quarter (3-months) ended April 30, 2015 was \$24,355 as compared to net loss and comprehensive loss of 11,077 for the 3-months ended April 30, 2014. Revenue for the 3-months period ended April 30, 2015 was \$19,022 compared to \$27,473 in the same period of the prior year. The current quarter revenue includes \$9,120 from producing oil wells compared to \$19,422 in the same period of the prior year. Revenue from industrial mineral sales was \$9,902 for the three months ended April 30, 2015 compared to \$8,051 for same period in 2014. Expenses for the period were \$44,160 (2014 - \$39,864) an increase of \$4,296 in expenses over the same period last year. The increase in expenses in the quarter is largely attributable to office and general administrative expenses which increased \$6,853 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 the successful development of 10 producing oil wells as of April 30, 2015. 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 April 30, 2015, the Company had capitalized \$126,704 as lease holdings and \$273 for mineral exploration properties. In addition, as at April 30, 2015 the Company had capitalized \$395,578 of petroleum and natural gas properties to Property and Equipment net of accumulated depletion in the amount of \$141,624. This amount is currently being depleted using the unit of productions method which resulted in \$3,700 of depletion expense for the quarter and \$11,100 for the 2015 nine months period. The Company has also recognized a decommissioning liability in the amount of \$8,669 relating to these producing oil wells for the quarter ending April 30, 2015 (July 31, 2014 - \$8,669). During the three month period ended April 30, 2015, the Company recognized \$9,120 of gross revenues from production of ten oil wells.

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 April 30, 2015, the Company had working capital of \$64,653 compared to fiscal year ended July 31, 2014 working capital of \$185,131 a decrease of \$120,478 during this nine month period ended April 30, 2015. This decrease was largely due to the investment in a new oil well HZ 4-5-2-7 of \$65,301 during this six month period. The current quarter oil revenue was \$9,120 a decrease of \$10,740 over the prior quarter oil revenue of \$19,860 ended January 31, 2015. 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 eleven 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 2014 fiscal year, the Company had total revenue of \$25,742 of which \$15,002 was from oil revenue and \$10,740 from industrial mineral sales.

The Company plans to continue to seek out undervalued leases with strong potential for oil and gas reserves. The Company also 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 during the past 12 months; however, more recently there is going concerns about the state of 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 years however, management expects the strength of the US economy and the historic low interest will contribute to an improving global economy in the coming years. The recent decline of world oil prices to below \$60 per barrel reflects the slowing global economy and the continued high production of oil worldwide particularly in the US as result of new fracking drilling technology. The growing global supply of oil and the slowing global economies, gives concern to future oil prices in the coming year. Notwithstanding the foregoing the Company's strategy will be to continue to search for undervalued oil and gas properties that may be acquired and research new business opportunities in the environmental sector.

## **DECOMMISSIONING OBLIGATIONS**

The Company has decommissioning obligations resulting from its ownership interest in petroleum and natural gas properties. The total decommissioning provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated undiscounted cash flows required to settle the obligations, before considering salvage, as at April 30, 2015 is approximately \$19,000 (July 31, 2014 - \$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 (2013 – 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 three month period ended April 30, 2015 are as follows:

Balance, July 31, 2014	\$ 8,669
Liability incurred	Nil
Accretion	----
<u>Balance, end of period April 30, 2015</u>	<u>\$ 8,669</u>

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

The Company's authorized share capital consists of an unlimited number of Common voting shares, of which 10,570,225 were outstanding as at July 31, 2014, April 30, 2015 and July 27, 2015.

There were 800,000 stock options outstanding as of April 30, 2015. All of the options outstanding are exercisable into common shares at 10 cents per share. During the previous fiscal year (2014), due to the resignation of directors 200,000 stock 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 July 31, 2014 the Company's incentive stock option plan had granted 800,000 stock options to officers and directors of which 700,000 expire June 10, 2015. The last grant of stock options was 100,000 options approved at a meeting of the Board of Directors on February 26, 2014. This grant of the stock options is 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 1.09 years.

As at April 30, 2015, 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 April 30, 2015. The Company paid management fees of \$7,500 (2014 FYE - \$30,000) to a director and officer of the Company and \$4,500 (2014 FYE - \$18,000) to another director and officer. The Company also paid rent in the amount of \$22,000 (2014 - \$9,600) to a director and officer of the company. These amounts are recorded at the exchange amount which is the amount agreed upon by both parties.

During the nine month period ended April 30, 2015, the Company paid management fees totaling \$36,000 to two directors and officers of the Company and also paid rent totaling \$12,000 to one director and officer of the Company.

As at April 30, 2015, included in the accounts payable are amounts owing to directors and officers of the Company in the amount of \$52,876 (July 31, 2014 - \$39,000). These amounts are unsecured and non-interest bearing with no specified terms of repayment.

## **FUTURE CHANGES IN ACCOUNTING POLICIES PER RECENT ACCOUNTING ANNOUNCEMENTS**

The following standards were effective for fiscal years beginning on or after January 1, 2013 therefore have been adopted by the company during the current year. The adoption of these new standards had no significant impact on the presentation and disclosure in the company's consolidated financial statements.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements

IAS 19 Employee Benefits  
IAS 27 Separate Financial Statements  
IAS 28 Investment in Associates and Joint Ventures

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

#### IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the requirements from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income or loss rather than in profit or loss, unless this creates an accounting mismatch. This standard currently does not have a mandatory effective date but is available for adoption. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued.

#### **RISKS AND UNCERTAINTIES**

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

The 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 \$91 (2014 - \$156).

### *Credit risk*

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

The carrying amount of financial assets recorded in the consolidated financial statements at April 30, 2015 in the amount of \$155,170 (July 31, 2014 - \$251,381) represents the maximum exposure to credit risk at the reporting date.

### *Liquidity risk*

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the Company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. Management is confident that the Company will not have difficulty in raising funds to meet commitments associated with financial instruments. As at April 30, 2015 the Company had working capital in the amount of \$64,653 (July 31, 2014 - \$185,131).

The contractual maturities of financial liabilities, at April 30, 2015, based on the earliest date on which payment can be required, were as follows:

	Total amount	Six months or less	More than six months
Trade payables	\$ 60,342	\$ 60,342	\$ -
Other payables	49,243	49,243	-
	<u>\$109,585</u>	<u>\$109,585</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 \$105,989 (July, 2014 - \$205,895). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by approximately \$1,059 (July 31, 2014 - \$2,059).

**(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, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 105,989	\$ -	\$ -

The Company's financial instruments within the fair value hierarchy as at July 31, 2014 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 205,895	\$ -	\$ -

**(d) Collateral**

The carrying value of financial assets the Company has pledged as collateral is \$Nil (July 31, 2014 - \$Nil).

**CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the Company's objective is to ensure the company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral and petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the company's operations. As at April 30, 2015, the Company had managed capital (being total shareholder's equity) of \$578,539 (July 31, 2014 - \$645,346).

The Company presently has interests in 11 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 April 30, 2015. 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.