BIRD RIVER RESOURCES INC.

2016

Annual Report

Bird River Resources Inc.

December 2016

Dear Shareholders:

The last twelve months or so have been very challenging for the oil industry and your Company. The world's crude oil market has seen continued price volatility and wide swings in supply and demand in North America and around the world. The Canadian economy continues to experience slower growth as business and consumers have tightened their belts. Consequently, it has been extremely difficult for small cap companies and Bird River Resources to raise equity capital for operations and further development of the business.

The Company has investment in 12 production wells of which 10 are currently producing. The other two are awaiting recondition and equipment upgrades. Unfortunately, due to low oil prices, the Company has not been receiving an adequate return on its investment in the oil wells during the 2016 fiscal year.

Management and the board continue to review the Company's strategic plan and explore new opportunities in the environmental and agricultural sectors. During the past fiscal year management reviewed several merger and acquisition proposals which regrettably did not meet the Board's minimum business and operational criteria which are; people, product and process.

The Company's management continues to monitor the economy and the capital markets with respect to business opportunities. We remain focused on growing the environmental division's product line and services. In 2017 the Company intends to arrange financing in order to implement its strategic plan.

I would like to extend a special thanks to my associates, directors and the shareholders for their continued efforts during this very difficult period in the Company's history.

Sincerely,

Bird River Resources Inc.

Nelson Shodine

Per___________________

Nelson Shodine, President & CEO

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Bird River Resources Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bird River Resources Inc., which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2016 and July 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bird River Resources Inc. as at July 31, 2016 and July 31, 2015 and its financial performance and its cash flows for the years ended July 31, 2016 and July 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2(b) to the consolidated financial statements which describes the uncertainty related to Bird River Resources Inc.'s ability to operate as a going concern. Our opinion is not qualified in respect of this matter.

Magnus

November 29, 2016
Winnipeg, Canada

Magnus Chartered Accountants LLP

BIRD RIVER RESOURCES INC.

Consolidated Statements of Financial Position

As at July 31, 2016 and July 31, 2015

(Expressed in Canadian dollars)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	$ 87,845	$ 101,550
Trade receivables	14,283	8,814
Goods and services tax recoverable	3,546	2,000
Inventory	17,468	18,334
Note receivable	-	35,741
Total current assets	123,142	166,439
Non-current assets:		
Property and equipment (Note 5)	146,087	174,679
Exploration and evaluation assets (Note 7)	35,127	126,977
Total non-current assets	181,214	301,656
Total assets	$ 304,356	$ 468,095
Liabilities and Equity		
Liabilities:		
Current liabilities:		
Trade payables	$ 116,202	$ 56,993
Other payables (Note 8)	83,831	63,210
Total current liabilities	200,033	120,203
Non-current liabilities:		
Decommissioning obligations (Note 9)	9,385	9,115
Total liabilities	209,418	129,318
Equity:		
Share capital (Note 11)	1,012,247	1,012,247
Share-based payments reserve	1,840	1,636
(Deficit)	(919,149)	(675,106)
Total equity	94,938	338,777
Going concern of operations (Note 2(b))		
Total liabilities and equity	$ 304,356	$ 468,095

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors on November 29, 2016:

Director (signed) "Nelson Shodine"

Director (signed) "Jon Bridgman"

BIRD RIVER RESOURCES INC.

Consolidated Statements of Loss and Comprehensive Loss

Years ended July 31, 2016 and 2015

(Expressed in Canadian dollars)

	2016	2015
Revenue:		
Petroleum and natural gas revenue	$ 43,877	$ 54,937
Industrial mineral sales	52,034	40,323
	95,911	95,260
Expenses:		
Depletion	15,889	27,609
Depreciation	541	706
General and administrative (Note 13)	156,991	115,570
Net impairment losses (Note 5)	12,162	201,141
Loss on disposal of property and equipment	-	3,389
Production and operating - petroleum and natural gas	27,530	27,551
Production and operating - industrial minerals	40,625	31,081
Share-based payments (Note 12(c))	204	1,227
	253,942	408,274
Net (loss) from operations	(158,031)	(313,014)
Other income (expenses):		
Accretion expense	(270)	(262)
Write-down of exploration and evaluation assets (Note 7)	(91,850)	-
Interest income	6,108	5,480
	(86,012)	5,218
Net (loss) and comprehensive (loss) for the year	$ (244,043)	$ (307,796)
Basic and diluted loss per share (Note 11(c))	$ (0.02)	$ (0.03)

See accompanying notes to consolidated financial statements.

BIRD RIVER RESOURCES INC.

Consolidated Statements of Changes in Equity
Years ended July 31, 2016 and July 31, 2015
(Expressed in Canadian dollars)

	2016	2015
Share capital		
Balance, beginning and end of year	$ 1,012,247	$ 1,012,247
Share-based payments reserve		
Balance, beginning of year	$ 1,636	$ 40,349
Share-based payments (Note 12(c))	204	1,227
Transfer of expired and forfeited amounts to retained earnings	-	(39,940)
Balance, end of year	$ 1,840	$ 1,636
(Deficit)		
Balance, beginning of year	$ (675,106)	$ (407,250)
Net (loss) and comprehensive (loss) for the year	(244,043)	(307,796)
Transfer of expired and forfeited amounts from share-based payments reserve	-	39,940
Balance, end of year	$ (919,149)	$ (675,106)
Total equity, end of year	$ 94,938	$ 338,777

See accompanying notes to consolidated financial statements.

BIRD RIVER RESOURCES INC.

Consolidated Statements of Cash Flows

Years ended July 31, 2016 and July 31, 2015

(Expressed in Canadian dollars)

	2016	2015
Operating activities:		
Net (loss) and comprehensive (loss) for the year	$ (244,043)	$ (307,796)
Adjustments for:		
Depletion and depreciation	16,431	28,315
Interest accrued to principal on note receivable	-	(108)
Net impairment losses	12,162	201,141
Share-based payments	204	1,227
Write-down of exploration and evaluation assets	91,850	-
Accretion expense	270	262
Loss on disposal of property and equipment	-	3,389
	(123,126)	(73,570)
Changes in the following:		
Trade receivables	(5,469)	(27)
Goods and services tax recoverable	(1,546)	(934)
Inventory	866	895
Trade payables	59,208	30,868
Other payables	20,621	3,857
	(49,446)	(38,911)
Investing activities:		
Proceeds on note receivable	35,741	35,000
Investment in note receivable	-	(35,000)
Proceeds on disposal of property and equipment	-	2,000
Investment in petroleum and natural gas properties	-	(67,434)
	35,741	(65,434)
Change in cash and cash equivalents	(13,705)	(104,345)
Cash and cash equivalents, beginning of year	101,550	205,895
Cash and cash equivalents, end of year	$ 87,845	$ 101,550

Supplementary information:

During the year ended July 31, 2016 the company did not pay any interest (2015 - $Nil) or income taxes (2015 - $Nil).

See accompanying notes to consolidated financial statements.

Nature of operations

Bird River Resources Inc. (the "company") is a publicly listed company incorporated under the laws of Manitoba on March 7, 1958. The mailing and office address of its executive office is: 1059 Selkirk Avenue; Winnipeg, MB; R2X 0C2.

The principal business activities include the acquisition and exploration of resource properties with the company's primary focus on petroleum and natural gas properties. The company also engages in secondary activities, from time to time, involving the purchase or acquisition of certain industrial minerals, typically diatomaceous earth and bentonite, for distribution and re-sale or for use in an abandoned water well sealing operation. The company's shares are listed on the Canadian National Stock Exchange.

1. Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements for the year ended July 31, 2016 were reviewed by the Audit Committee and approved and authorized for issue by the company's Board of Directors on November 29, 2016.

2. Significant accounting policies

(a) Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

(b) Going concern of operations

The going concern assumption implies that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. However, there is doubt about the appropriateness of the use of the going concern assumption because the company has experienced losses and negative cash flows from operations over a number of years.

The company has not yet determined whether all of its exploration and evaluation assets contain reserves that are economically recoverable, and accordingly, the success of any further exploration or development prospects cannot be assured. If the company's exploration and development programs are successful, additional funds may be required, and the company may not have sufficient funds to conduct the exploration required. The primary source of future funds available to the company is through the sale of additional equity capital, which may dilute the interests of existing shareholders.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate, then adjustments may be necessary to the carrying value of the assets and liabilities and the reported amounts of revenue and expenses.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiary 2411181 Manitoba Ltd. All significant inter-company transactions have been eliminated on consolidation.

2. Significant accounting policies (continued)

(d) Inventory

Inventory is comprised of finished goods and is valued at the lower of cost and net realizable value, with cost being determined using the first-in, first-out costing basis. Net realizable value is the estimated selling price in the normal course of operations less estimated costs of selling. During the year, the company recognized $40,006 (2015 - $31,081) of inventory as an expense which is included in production and operating - industrial minerals expense on the consolidated statements of loss and comprehensive loss. No inventory has been valued at net realizable value during the current or prior year.

(e) Property and equipment

Recognition and measurement

Exploration and evaluation equipment and vehicles are recorded at historical cost less accumulated depreciation and any impairment losses. Residual values, depreciation methods and useful economic lives are reviewed and adjusted as necessary at the end of each reporting period. Cost includes expenditures that are directly attributable to the acquisition of the asset. When components of exploration and evaluation equipment and vehicles have different useful lives, they are accounted for as a separate item of property and equipment.

Petroleum and natural gas properties represent the cost of developing the commercial reserves and bringing them into production. These assets include the exploration and evaluation costs that are reclassified to property and equipment in accordance with the accounting policy for exploration and evaluation assets as disclosed in Note 2(f) to these consolidated financial statements.

Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the company and its costs can be reliably measured. The carrying amount of the replaced component is derecognized. The costs of servicing property and equipment are recognized in profit or loss as incurred.

Depletion and depreciation

Exploration and evaluation equipment and vehicles are depreciated based on the cost of the asset less its residual value. Depreciation methods and rates are applied consistently within each asset class except where significant individual assets have been identified which have different depreciation patterns.

Petroleum and natural gas properties are depleted using the unit of production method based on the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production.

Depreciation and depletion are recognized in profit or loss. The following rates and methods are used:

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

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

2. Significant accounting policies (continued)

(f) Exploration and evaluation expenditures

Costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are expensed as incurred.

Capitalized costs

Exploration and evaluation expenditures, which include petroleum and natural gas properties and mineral exploration properties, are defined as costs incurred after having obtained the legal right to explore the property and before the technical and commercial viability of extracting resources are demonstrated.

The company follows the full cost method whereby all costs associated with the acquisition, exploration and development of reserves are capitalized in cost centers from the time the company obtains the legal right to undertake exploration and evaluation activities on a project. Such costs include land and lease acquisitions, geological and geophysical expenditures, drilling of productive and non-productive wells, production and gathering equipment and facilities, carrying costs directly related to unproven properties, and corporate costs directly related to the acquisition. Amounts capitalized to these cost centers represent costs to date and are not intended to represent present or future values. The recoverability of the costs is dependent upon the discovery of economically recoverable reserves, confirmation of the company's interests in the underlying claims, the ability to obtain necessary financing to complete development and the development of future profitable production from the properties or realization of sufficient proceeds from the disposition of the properties.

If technical feasibility and commercial viability have been established, the carrying amount of the related exploration and evaluation asset is tested for impairment as discussed below. The carrying value, net of any impairment loss, is then reclassified to property and equipment as mineral exploration properties or petroleum and natural gas properties.

If the company decides not to continue the exploration and evaluation activity, the accumulated costs are expensed in the period in which the event occurs.

Impairment test

Exploration and evaluation assets are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount or when technical feasibility and commercial viability have been established. The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, excluding impairment losses for exploration and evaluation assets reclassified to property and equipment, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

(g) Borrowing costs

The company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset when it is probable that these costs will result in future economic benefits and when they can be reliably measured. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed as incurred.

2. Significant accounting policies (continued)

(h) Provisions

General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is included in profit or loss net of any reimbursement.

Decommissioning obligations

The company recognizes the fair value of a liability for decommissioning obligations in the period in which the company is legally or constructively required to remediate, if a reasonable estimate of fair value can be made, based on an estimated future cash settlement of the decommissioning obligation, discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The decommissioning obligation is capitalized as part of the carrying amount of the associated long-lived asset and a liability is recorded. The decommissioning obligation is depleted on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of any decommissioning obligation cash flows.

(i) Joint arrangements

A portion of the company's exploration activities is conducted jointly with others whereby the company enters into agreements that provide for specified percentage interests in petroleum and natural gas properties and exploration and evaluation assets. These joint arrangements are classified as either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement. Joint operations are accounted for by recognizing the company's share of any assets, liabilities, revenue and expenses of the joint operation and joint ventures are accounted for using the equity method. Currently, all of the company's joint arrangements represent interests in joint operations (see Note 6).

(j) Loss per share

Diluted loss per share is calculated using the treasury stock method which assumes all common share equivalents, such as options and warrants had been exercised at the beginning of the reporting period of issue and that the funds obtained therefrom were used to purchase common shares of the company at the estimated average trading price of the common shares during the year.

(k) Revenue recognition

Revenue from sales of petroleum and natural gas is recognized when the significant risks and rewards of ownership are transferred to the buyer, which is when legal title passes to the buyer and when collection is reasonably assured. This is generally at the time product enters the pipeline or is delivered to the refinery.

Revenue from the sale of industrial minerals is recognized when the goods are shipped and when collection is reasonably assured.

Interest income is recognized on the accrual basis.

2. Significant accounting policies (continued)

(l) Income taxes

Income tax expense comprises current and deferred income tax. Current and deferred income tax are recognized in profit or loss except to the extent that the tax relates to items recognized directly in equity or in other comprehensive income or loss.

(i) Current income tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to income taxes payable in respect of previous years.

(ii) Deferred income tax

Deferred tax is recognized in respect of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax is measured at the enacted or substantially enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Share-based payments

The company has implemented a stock option plan to allow the company to grant options to directors, officers, employees and service providers. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors and officers of the company. The maximum number of common shares which may be issued pursuant to those granted under the company's stock option plan are limited to 1,892,000 common shares at a price determined by the Board of Directors. In addition, the number of options issued to any one individual may not exceed 5% of the issued common shares on a yearly basis. For any person providing ongoing services or employed in investor relations activities, the number of options granted may not exceed 2% of the issued common shares on a yearly basis.

The company uses the fair value-based approach to account for share-based payments under its stock option plan. Compensation expense is recognized for these stock options over their vesting period based on their estimated fair values on the date of grant as determined by the Black-Scholes option-pricing model. The fair value of the options is adjusted by the estimate of the number of options that are expected to vest as a result of non-market conditions. At each reporting date, the company revises its estimate of the number of options that are expected to vest.

The fair values of the options issued, if any, are credited to share-based payments reserve in the period they vest. Upon exercise of the share purchase options, consideration paid together with the amount previously recognized in share-based payments reserve is recorded as an increase in share capital. Charges to share purchase options that are forfeited before vesting are reversed from share-based payments reserve. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to retained earnings or deficit.

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the share-based payment.

2. Significant accounting policies (continued)

(n) Financial instruments

(i) Non-derivative financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets are recognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as FVTPL which are initially measured at fair value.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is considered to be held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Held-to-maturity

A financial asset is classified as held-to-maturity if the asset has fixed or determinable payments and fixed maturities that the company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. Any changes to the carrying amount of the asset, including any impairment losses, are recognized in other comprehensive income or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as loans and receivables, held-to-maturity or financial assets at fair value through profit or loss. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income or loss and presented within equity in the fair value reserve. Equity instruments that do not have an active market are recorded at cost. When an investment is derecognized, the cumulative gain or loss in other comprehensive income or loss is transferred to profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Derecognition of financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

(ii) Non-derivative financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

A financial liability is classified at fair value through profit or loss if it is considered to be held-for-trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

Other financial liabilities

Other financial liabilities, including any borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

Derecognition of financial liabilities

The company derecognizes financial liabilities when the company's obligations are discharged, cancelled or they expire.

(iii) The company's financial instruments consist of the following:

Financial instrument	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value
Trade receivables	Loans and receivables	Amortized cost
Goods and services tax recoverable	Loans and receivables	Amortized cost
Trade payables	Other financial liabilities	Amortized cost
Other payables	Other financial liabilities	Amortized cost

(o) Impairment of long-lived assets

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on estimated future cash flows.

Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial assets carried at cost

An impairment loss of a financial asset carried at cost, where its fair value cannot be reliably measured, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of similar financial assets. Such impairment losses are not reversed.

2. Significant accounting policies (continued)

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

(i) Financial assets (continued)

Available-for-sale financial assets

An impairment loss of an available-for-sale financial asset is recognized by transferring the cumulative loss that has been recognized in other comprehensive income or loss, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income or loss and recognized in profit or loss is the difference between acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. If, however, the fair value of an impaired available-for-sale equity security increases, the amount of reversal is recognized in other comprehensive income or loss.

(ii) Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets, other than exploration and evaluation assets, to determine whether there is an indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Exploration and evaluation assets are reviewed for impairment only when facts and circumstances suggest that the carrying amount may exceed the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

(p) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make accounting estimates and assumptions requiring judgment in applying the company's accounting policies. These estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates are as follows:

Depletion and valuation of property and equipment

The amounts recorded for depletion of petroleum and natural gas properties and the valuation of petroleum and natural gas properties are based on estimates. These estimates include proven and probable reserves, future production rates, future petroleum and natural gas prices, remaining lives and period of future benefits of the related assets and other relevant assumptions.

2. Significant accounting policies (continued)

(p) Use of estimates and judgments (continued)

The company's reserve estimates are evaluated annually. Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs, future development costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated. Changes in reserve estimates impact the financial results of the company as reserves and estimated future development costs are used to calculate depletion and are also used in impairment calculations.

The determination of cash-generating units, used in assessing impairment, requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash-generating units are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

The discount rate used to calculate the net present value of cash flows for impairment testing is based on estimates of market conditions, recent asset sales and an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to these estimates.

Valuation of exploration and evaluation assets

The valuation of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves which in turn is dependent on future petroleum and natural gas prices, future capital expenditures and environmental and regulatory restrictions.

The decision to transfer assets from exploration and evaluation assets to property and equipment is based on estimated proven and probable reserves which are in part used to determine a project’s technical feasibility and commercial viability.

Deferred income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the company utilizing certain tax pools and assets which, in turn, is dependent on estimates of proven and probable reserves, production rates, future petroleum and natural gas prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and further interpretations by taxation authorities. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Decommissioning obligations

The company's decommissioning obligations are estimated based on assumptions relating to the company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon any wells and facilities and the estimated timing of the costs to be incurred in future years using estimated discount rates. Changes to environmental laws and regulations may also impact the amount of the company's decommissioning obligations.

Share-based payments

The amounts recorded relating to the fair value of stock options and warrants issued are based on estimates of the future volatility of the company’s share price, market price of the company's shares at grant date, expected lives of the options, expected forfeiture rate, expected dividends and other relevant assumptions.

2. Significant accounting policies (continued)

(q) Recent accounting announcements

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 these new standards 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 July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. 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 underlying financial 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. The required adoption date for IFRS 9 is annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires entities to follow a five-step model for the recognition of revenue upon the transfer of control of a good or service to the customer. The five steps are: (1) contract is identified with the customer; (2) performance obligations are identified; (3) transaction price is determined; (4) transaction price is allocated; and (5) revenue is recognized when the performance obligation is satisfied. In addition, there are enhanced revenue disclosures to provide investors with a more comprehensive understanding of the nature, amount, timing and uncertainty of revenue and cash flows from contracts. This standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations on revenue recognition. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles of IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset. The standard is effective for annual periods beginning on or after January 1, 2019.

3. Exploration and evaluation expenses

During the year ended July 31, 2016, the company has directly expensed exploration and evaluation costs in the amount of $Nil (2015- $Nil).

(Expressed in Canadian dollars)

4. Cash and cash equivalents

	2016	2015
Cash	$ 30,092	$ 8,900
Treasury bills - Money market fund	57,753	92,650
Total cash and cash equivalents	$ 87,845	$ 101,550

Cash is deposited at an established Canadian financial institution.

5. Property and equipment

	Exploration and evaluation equipment	Vehicles	Petroleum and natural gas properties	Total
Cost				
Balance, July 31, 2014	$ 52,333	$ 11,342	408,226	$ 471,901
Additions	-	-	67,434	67,434
Decommissioning obligations	-	-	1,206	1,206
Impairment losses	-	-	(201,141)	(201,141)
Disposals	-	-	(8,094)	(8,094)
Balance, July 31, 2015	$ 52,333	$ 11,342	$ 267,631	$ 331,306
Impairment losses, net of reversals	-	-	(12,162)	(12,162)
Balance, July 31, 2016	$ 52,333	$ 11,342	$ 255,469	$ 319,144
Accumulated depletion and depreciation				
Balance, July 31, 2014	$ 49,954	$ 10,576	$ 69,464	$ 129,994
Depletion and depreciation for the year	476	230	27,609	28,315
Disposals	-	-	(1,682)	(1,682)
Balance, July 31, 2015	$ 50,430	$ 10,806	$ 95,391	$ 156,627
Depletion and depreciation for the year	380	161	15,889	16,430
Balance, July 31, 2016	$ 50,810	$ 10,967	$ 111,280	$ 173,057
Carrying value				
At July 31, 2015	$ 1,903	$ 536	$ 172,240	$ 174,679
At July 31, 2016	$ 1,523	$ 375	$ 144,189	$ 146,087

(Expressed in Canadian dollars)

5. Property and equipment (continued)

Impairment analysis

At July 31, 2016, the company assessed the recoverability of its investment in petroleum and natural gas properties by performing an impairment test at the cash-generating unit level. The recoverable amount of each cash-generating unit was estimated based on the higher of the value in use and the fair value less costs to sell. The estimated fair value less costs to sell was used and was determined using estimated future cash flows based on estimated reserves, discounted at 10%, with prices as noted below. Based on the impairment test, the carrying amount of the investment in petroleum and natural gas properties was determined to be impaired in the amount of $40,103 (2015 - $201,141) relating to wells HZ 13-15-8-28, HZ 7-34-1-28, HZ 16-16-7-28, HZ 3-22-7-28 and HZ 4-5-2-27 (2015 - wells LSD 6-13-7-29, LSD 14-15-8-28, HZ 13-15-8-28, HZ 11-26-1-28, HZ 12-15-8-28, HZ 3-15-8-28, HZ 16-16-7-28 and HZ 3-22-7-28). In addition, based on the impairment test, it was determined that previously recognized impairment losses on well HZ 4-5-2-27 of $27,941 (2015 - $Nil) should be reversed due to changes in expected future production. These net impairment losses in the amount of $12,162 (2015 - $201,141) are recognized in profit or loss.

The benchmark and company's forecast prices used in the impairment test calculations for the year ended July 31, 2016 were primarily based on the following future commodity prices:

	Light oil (Cdn$/bbl)
2017	$50.16
2018	$52.07
2019	$53.26
Thereafter, 2% increase for inflation	

The benchmark and company's forecast prices used in the impairment test calculations for the year ended July 31, 2015 were primarily based on the following future commodity prices:

	Light oil (Cdn$/bbl)
2016	$50.10
2017	$53.44
2018	$55.93
Thereafter, 2% increase for inflation	

6. Interests in joint arrangements

The company has entered into a joint operation with Antler River Resources Ltd. and other parties relating to twelve oil wells in southwestern Manitoba (LSD 6-13-7-29, 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, 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 these 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% interest in the joint operation. As at July 31, 2016, these amounts are included in petroleum and natural gas properties in property and equipment and are being depleted accordingly (see Note 5).

(Expressed in Canadian dollars)

7. Exploration and evaluation assets

(a) The company has capitalized the following amounts:

	2016	2015
Petroleum and natural gas properties:		
Lease holdings (i)	$ 35,127	$ 126,704
Mineral exploration properties (ii)	-	273
	$ 35,127	$ 126,977

(i) As at July 31, 2016 the company has invested in three lease holdings as follows:

1) Northeast quarter 17-1-27, 33 1/3% owned with a renewable one-year lease term;
2) Northeast quarter 23-1-28, 15% owned with a renewable one-year lease term;
3) Northeast quarter 30-1-27, 15% owned with a renewable one-year lease term.

During the year ended July 31, 2016 various leases expired resulting in write-downs of exploration and evaluation assets totaling $91,850 (2015 - $Nil) relating to leases Northwest quarter 23-1-28, Southwest quarter 23-1-28, Northeast quarter 14-4-22, Northeast quarter 2-3-26 and Southeast quarter 2-3-26.

(ii) The company held one Quarry Lease, QL - 1530, located 85 kilometers southwest of Winnipeg near Miami, Manitoba. The 8 hectare lease hosts a narrow bed of bentonite. This lease expired and was not renewed during the year resulting in a write down in the amount of $273 (2015 - $Nil).

(iii) The company previously 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 arrangement, 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. The company retains a 1% net smelter return ("NSR") royalty on the Ore Fault Property.

8. Other payables

The company's other payables at July 31 are comprised of the following:

	2016	2015
Provincial sales taxes payable	$ 116	$ 164
Accrued liabilities	83,715	63,046
Total other payables	$ 83,831	$ 63,210

(Expressed in Canadian dollars)

9. Decommissioning obligations

The company's decommissioning obligations result from its ownership interest in petroleum and natural gas properties. The total provision for decommissioning obligations 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 value, as at July 31, 2016 is approximately $19,000 (2015 - $19,000), which has been discounted using a pre-tax rate of 2.96% (2015 - 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 (2015 - 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 year ended July 31, 2016 and July 31, 2015 are as follows:

	2016	2015
Balance, beginning of year	$ 9,115	$ 8,669
Provisions incurred	-	1,206
Accretion	270	262
Disposals	-	(1,022)
Balance, end of year	$ 9,385	$ 9,115

10. Income taxes

(a) Canadian development and exploration expenditures

As at July 31, 2016, the company has $123,670 (2015 - $123,670) of unused Canadian exploration and development expenses and $462,649 (2015 - $462,649) of unused Canadian oil and gas property expenses available to offset future taxable income of the company. The tax benefit of these expenses carries forward indefinitely and have not been recognized due to the uncertainty that the benefits will be realized.

(b) Losses

The company has non-capital tax losses available for carryforward to reduce future years' taxable income totaling $307,108 which expire as follows:

2032	$ 1,128
2033	50,797
2034	58,062
2035	73,724
2036	123,397
Total loss carryforwards	$ 307,108

The company has not recorded in its accounts the potential deferred income tax benefit that may be derived from these tax losses due to the uncertainty that the benefits will be realized.

(Expressed in Canadian dollars)

10. Income taxes (continued)

(c) Income tax (expense) recovery differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate of 27% (2015 - 27%). The reasons for the differences are as follows:

	2016	2015
Income tax recovery computed at statutory rates	$ 65,800	$ 83,000
Permanent differences	(100)	(300)
Change in unrecognized deferred tax assets	(28,000)	(63,400)
	37,700	19,300
Valuation allowance	(37,700)	(19,300)
	$ -	$ -

The components of the company's net deferred income tax asset (liability) at July 31, 2016 and July 31, 2015 are as follows:

	2016	2015
Deferred income tax assets:		
Exploration and evaluation assets	$ 148,700	$ 124,600
Deferred income tax liability:		
Property and equipment	(38,000)	(45,700)
Net deferred income tax asset	110,700	78,900
Valuation allowance	(110,700)	(78,900)
Net deferred income tax liability	$ -	$ -

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

11. Share capital

(a) Authorized

Authorized share capital consists of an unlimited number of common voting shares.

(b) Changes in issued common shares are summarized below:

Year ended July 31, 2016	Number of common shares	Amount
Balance, July 31, 2015 and 2016	10,570,225	$ 1,012,247

Year ended July 31, 2015	Number of common shares	Amount
Balance, July 31, 2014 and 2015	10,570,225	$ 1,012,247

(Expressed in Canadian dollars)

11. Share capital (continued)

(c) Loss per share

The calculation of basic and diluted loss per share for the years ended July 31, 2016 and July 31, 2015 is based on the following losses and number of shares:

	2016	2015
(Loss) for the year	$ (244,043)	$ (307,796)
Weighted average number of shares	10,570,225	10,570,225

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

12. Share-based payments

(a) Outstanding options

The following table summarizes the 100,000 outstanding options as at July 31, 2016 and July 31, 2015:

	Number outstanding	Exercise price	Expiry date
Directors' options	100,000	$0.10	March 14, 2019

On March 14, 2014 the company issued 100,000 incentive stock options to a director of the company. The exercise price is $0.10 per common share and the options expire on March 14, 2019. These options have a vesting period of 18 months with 1/6 vesting every three months beginning April 1, 2014.

The estimated fair value of the stock options vested during the year in the amount of $204 has been recorded as an expense.

The estimated fair value of stock options granted was estimated using the Black-Scholes option pricing model on the date of grant with the following assumptions:

Expected stock price volatility	18.64%
Expected option life	5 years
Risk free interest rate	0.89%
Expected dividend yield	-
Stock price at grant	$0.10
Exercise price	$0.10

(b) Changes in stock options

A summary of the changes in stock option activity for the years ended July 31, 2016 and July 31, 2015 is as follows:

	2016		2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding, beginning of year	$ 0.10	100,000	$ 0.10	800,000
Expired	-	-	0.10	(700,000)
Outstanding and exercisable, end of year	$ 0.10	100,000	$ 0.10	100,000

The options outstanding at the end of the year have an exercise price of $0.10 per share (2015 - $0.10 per share) and a weighted average remaining contractual life of 2.62 years (2015 - 3.62 years).

(Expressed in Canadian dollars)

12. Share-based payments (continued)

(c) Effects on profit or loss

The total estimated fair value of the options vested and recognized as an expense for the year ending July 31, 2016 is $204 (2015 - $1,227).

13. General and administrative expenses

The general and administrative expenses incurred by the company for the years ended July 31, 2016 and July 31, 2015 are as follows:

	2016	2015
Advertising and promotion	$ -	$ 1,040
Automotive	303	3,479
Bad debt expense	-	507
Director's fees	6,000	6,000
Management fees	48,000	48,000
Office	8,985	13,224
Professional fees	57,644	14,836
Rent	9,600	9,600
Repairs and maintenance	1,462	731
Share transfer and filing fees	16,004	13,413
Telephone	3,762	3,035
Travel	5,231	1,705
	$ 156,991	$ 115,570

14. Related party transactions

(a) Key management personnel compensation

The company did not pay employment based remuneration to directors, officers and other members of key management for the years ended July 31, 2016 and July 31, 2015. However, the company did pay contract based remuneration to directors, officers and other members of key management as disclosed in Note 14 (b).

(b) Other related party transactions

During the year ended July 31, 2016, the company paid management fees in the amount of $30,000 (2015 - $30,000) to a director and officer of the company and $18,000 (2015 - $18,000) to another director and officer. The company also paid rent in the amount of $9,600 (2015 - $9,600) to a director and officer of the company and director's fees in the amount of $6,000 (2015 - $6,000) during the year. These amounts are recorded at the exchange amount, which is the amount agreed upon by the related parties.

As at July 31, 2016, included in trade payables and other payables are amounts owing to directors and officers of the company in the amount of $116,698 (2015 - $71,500).

(Expressed in Canadian dollars)

15. Financial instruments

(a) Risk management and hedging activities

In the normal course of operations the company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The company does not meaningfully participate in the use of financial instruments to control these risks. The company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

(i) Currency risk

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

(ii) Price risk

The company is exposed to price risk with respect to commodity prices of oil and gas. The company monitors commodity prices in order to manage its exposure to these risks. An annual average change of 1% in crude oil prices would affect the company's reported net income by $439 (2015 - $549).

(iii) Credit risk

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

The carrying amount of financial assets recorded in the consolidated financial statements of $105,674 (2015 - $148,105) represents the maximum exposure to credit risk at the reporting date.

(iv) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. It is management's opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with its financial instruments. As at July 31, 2016, the company has working capital deficiency in the amount of $76,891 (2015 - working capital of $46,236).

The contractual maturities of financial liabilities, at July 31, 2016 and July 31, 2015, based on the earliest date on which payment can be required, are as follows:

As at July 31, 2016	Total amount	Six month or less	More than six months
Trade payables	$ 116,202	$ 116,202	$ -
Other payables	83,831	83,831	-
	$ 200,033	$ 200,033	$ -

As at July 31, 2015	Total amount	Six month or less	More than six months
Trade payables	$ 56,993	$ 56,993	$ -
Other payables	63,210	63,210	-
	$ 120,203	$ 120,203	$ -

(Expressed in Canadian dollars)

15. Financial instruments (continued)

(a) Risk management and hedging activities (continued)

(v) Interest rate risk

The company is not exposed to any meaningful interest rate risk due to the short term nature of its interest generating assets.

(b) Sensitivity analysis

The company has cash and cash equivalents subject to interest rate risk of $87,845 (2015 - $101,550). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by $878 (2015 - $1,016).

(c) Fair values, carrying amounts and changes in fair value

The fair values of the company’s financial instruments approximate their carrying values 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 consolidated statement of financial position, have been prioritized 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 July 31, 2016 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 87,845	$ -	$ -

The company's financial instruments within the fair value hierarchy as at July 31, 2015 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 101,550	$ -	$ -

(d) Collateral

The carrying value of financial assets the company has pledged as collateral is $Nil (2015 - $Nil).

16. 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 its other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of industrial minerals 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 July 31, 2016, the company had managed capital, being total equity on the consolidated statement of financial position, of $94,938 (2015 - $338,777).

A number of the properties in which the company currently has an interest are in the exploration stage. As such, the company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay administrative expenses, the company will use 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 current or prior year. The company is not subject to externally imposed capital requirements.

BIRD RIVER RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2016

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Bird River Resources Inc. ("BDR" or the "Company") is dated November 28, 2016 and provides an analysis of the Company's performance and financial condition for the for the year ended July 31, 2016 as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised of independent directors. The audit committee reviews this disclosure and recommends its approval by the Board of Directors.

This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the years ended July 31, 2016 and 2015 together with the notes thereto. All amounts are in Canadian dollars unless otherwise specified. The financial statements, along with Certifications of Annual Filings, news releases and other information, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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 Company's Registered and Head offices are located at 1059 Selkirk Avenue, Winnipeg, Manitoba, R2X 0C2. 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 platinum group 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 held a Quarry Lease near Miami, Manitoba which is approximately 85 km southwest of Winnipeg. During the 2016 fiscal year management did not renew the quarry lease.

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. The Company has participated in the drilling of 15 oil well joint ventures (JV) with Antler River Resources near the towns of Sinclair, Pierson and Waskada. The company has a joint operation with Antler River Resources and other parties relating to twelve oil wells of which 10 wells are producing. The wells were drilled into the Bakken., Mission Canyon and Spearfish formations. These oil formations are part of the Williston Basin which includes areas in 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 interests in three oil leases in southwestern Manitoba ranging from 15% to 33.33%, on which the Company intends to participate in joint venture drilling on these three leases in the future.

The Company’s environmental division distributes various industrial minerals which includes diatomaceous earth and bentonite. These industrial minerals are also used in the division’s abandoned water well sealing operation. The well sealing service can generally be conducted from the early spring through to the early winter. Additionally, the Company also is a distributor of various other absorbent products that are sold to industry and agricultural businesses for animal bedding, odor control and animal waste management.

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. 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 has 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 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 competed by the end of the month. The drilling of the well was successful, and subsequently went on pump and is now production.

On August 29, 2014, the Company paid an initial advance to Antler 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 competed in early November. Due to drilling cost overruns, the Company was required to make a further payment to Antler 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 August 21, 2015: the Company paid an advance to Antler River Resources of $4,400 towards the work-over of well 11-26-1-28 HZ. The work over procedure uses an acid activation process that cleans out the bore hold in order to increase oil recovery.

On December 21, 2016: the Company participated in the successful work-over of well 12-15-8-28 HZ. As a result the well's production of oil doubled from approximately 10 bpd to 20 bpd.

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 by the Company's shareholders 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 giving it 100% ownership of the Ore Fault Property consisting of 19 claims which covers 446 hectares. The Company retains a 1% net smelter return royalty (the "NSR") on all minerals and metals extracted from the property.

Quarry Lease

The Company held an 8-hectare Quarry Lease that contained a narrow bed of bentonite near Miami, Manitoba. The lease was not renewed during the 2016 fiscal year.

Interests in joint arrangements

The Company participates in a joint operation with Antler and other parties relating to twelve oil wells of which ten of the oil wells are producing. All of the wells are located in southwestern Manitoba (LSD 6-13-7-29, 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, 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 July 31, 2016, these amounts are included 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:

	July 31, 2016 ($)	**July 31, 2015 ($)**
Petroleum and natural gas properties		
Lease holdings (i)	35,127	126,704
Mineral exploration properties (ii)	-	273
	35,127	126,977

(i) The Company currently holds interests in three lease holdings as follows:

1) Northwest quarter 17-1-27 - 33 1/3% owned with a renewable one-year lease term;
2) Northeast quarter 23-1-28 - 15% owned with a renewable one-year lease term; and
3) Northeast quarter 30-1-27 - 15% owned with a renewable one-year lease term.

During the year, 5 other leases expired resulting in the write down of exploration and evaluation assets in the amount of $(91,577) (2015 - $Nil) relating to leases Northwest quarter 23-1-28, Southwest quarter 23-1-28, Northeast quarter 14-4-22, Northeast quarter 2-3-26 and Southeast quarter 2-3-26.

(ii) The Company held one Quarry Lease, QL - 1530, located 85 kilometres southwest of Winnipeg near Miami, Manitoba. The 8 hectare lease hosts a narrow bed of bentonite and the Company allowed this lease to expire during fiscal 2016 resulting in a write-down in the amount of $273.

(iii) The Company retains a 1% net smelter return ("NSR") royalty on the Ore Fault Property. The previously held exploration property is located on the Bird River Greenstone Belt, 125 kilometers northeast of Winnipeg.

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, 2016 ($)	Year Ended July 31, 2015 ($)	Year Ended July 31, 2014 ($)
Total revenue	95,911	95,260	120,510
Net income (loss)	(244,043)	(307,796)	(128,963)
Income (loss) per share - basic and fully-diluted	(0.02)	(0.03)	(0.01)
Total assets	304,356	468,095	739,494
Long-term liabilities	9,385	9,115	8,669
Dividends declared	-	-	-

Results of Operations – Year Ended July 31, 2016

The net loss and comprehensive loss for the 12-months ended July 31, 2016 was $244,043 as compared to a net loss and comprehensive loss of $307,796 for the 12-months ended July 31, 2015. The decrease of $63,753 in the net loss for the period is primarily attributable to the decrease in depletion expense of $11,720 during the period and the decline in the impairment charge relating to the investment in petroleum and natural gas properties by $188,979 from the previous year (2015 -$201,141) to $12,162 in 2016. Total Revenue during the year (2016 – 95,911) increased modestly from the previous year (2015 - 95,260). Revenue from the producing oil wells decline by $11,060 to $43,877 due to lower oil prices compared to petroleum revenue of $54,937 in 2015. Expenses for the period were $253,942 compared to $408,274 in 2015 which represents a decrease in expenses of $154,332 during 2016 fiscal year. During the year General and Administrative expenses increased by $41,421 to $156,991 (2015 - $115,570) this was due to increase in professional fees of $42,808.

The net loss and comprehensive loss for the 12-months ended July 31, 2015 was $307,796 as compared to a net loss and comprehensive loss of $128,963 for the 12-months ended July 31, 2014. The increase of $178,833 in the net loss for the period is primarily attributable to the decrease in revenue of $25,250 during the period and the impairment charge relating to the investment in petroleum and natural gas properties in the amount of $201,141 (2014 - $41,532). This decrease in revenue is attributable to the decline in revenue from the producing oil wells to $54,937 due to lower oil prices compared to petroleum revenue of $76,223 in 2014. Expenses for the period were $408,274 compared to $260,369 in 2014 which represents an increase in expenses of $147,905 over last year. At the end of the 2015 fiscal year, management was advised that an impairment loss on the petroleum and natural gas properties should be recognized. The impairment loss of $201,141 was the largest single increase in expenses during 2015. During the period general and administrative expenses decreased $13,477 to $115,570 (2014 - $129,047).

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.

During the year management decided not to renew the bentonite quarry lease it held near Miami, Manitoba. However, the Company's environmental division 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 environmental division 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 regularly review the Company's business strategy as it relates to prevailing economic conditions. Management actively assesses potential resource properties and business opportunities on an ongoing basis.

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 ($)	Net Income (Loss) Total ($)	Net Income (Loss) Per Share ($)	Total Assets ($)
July 31, 2016	21,119	(154,122)	(0.002)	304,629
April 30, 2016	29,715	(25,491)	(0.002)	397,451
January 31, 2016	24,983	(38,566)	(0.004)	407,135
October 31, 2015	29,715	(25,491)	(0.002)	455,494
July 31, 2015	26,276	(240,989)	(.02)	468,095
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

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2016, the Company had working capital deficiency of ($76,891) compared to $46,236 positive working capital at the fiscal year ended July 31, 2015. The decrease in working capital of $123, 127 during the fiscal year was due to continued low crude oil prices and low oil production. This resulted in revenue being less than the operating expenses giving a Net (loss) for year of $244,043. The industrial products revenue increased by $11,711 during the year to $52, 034 and the inventory remained stable $17,468 compared to $18,334 in 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 totalling $253,942 during the 2016 fiscal year.

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 interests ranging from 15% to 33-1/3% in three oil and gas leases (properties) which are planned to be drilled in the future.

The Company reviews business propositions regularly seeking an M&A opportunity that will enable the Company to grow its revenue and thereby increase shareholder value.

The Company’s ability to raise funds for future development is largely tied to the Canadian capital markets and investor interest in resource exploration and development companies. The US financial markets have improved during the past 12 months; however, there continues to be ongoing concern about the Canadian economy. Demand by the world’s major consumers of raw materials, particularly in China and India has declined over the past two years; however, management remains optimistic that the recent election of a new government in the US may lead to improved economic growth in the North American economy in the coming year.

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 July 31, 2016 is approximately $19,000 (July 31, 2015 - $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 (2015–25 years) into the future and will be funded from general corporate resources at the time of abandonment.

The Company's decommissioning obligations for the year ended July 31, 2016 were as follows:

	Amount ($)
Balance, July 31, 2015	9,115
Provisions incurred	-
Accretion	270
Disposals	-
Balance, July 31, 2016	9,385

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, 2016 and November 28, 2016.

There were 100,000 stock options outstanding as of July 31, 2016. All of the options outstanding are exercisable into common shares at 10 cents per share to expire March 14, 2019.

As at July 31, 2016 and November 28, 2016, on a fully diluted basis there were 10,670,225 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 year ended July 31, 2016. The Company paid management fees of $30,000 (2015 - $30,000) to a director and officer of the Company and $18,000 (2015 - $18,000) to another director and officer. The Company also paid rent in the amount of $9,600 (2015 -$9,600) to a director and officer of the company and director's fees in the amount of $6,000 (2015 - $6,000) during the year. These amounts are recorded at the exchange amount which is the amount agreed upon by both parties.

As at July 31, 2016 included in trade payable and other payables are amounts owing to directors and officers of the Company in the amount of $116,698 (2015 - $71,500). These amounts are unsecured and non-interest bearing with no specified terms of repayment.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ACCOUNTING POLICIES

Critical Accounting Estimates

Significant assumptions about the future that management has made could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) the recoverability of accounts receivable that are included in the statement of financial position;

(ii) the recoverability of exploration and evaluation expenditures incurred on the Company's property interests;

(iii) although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title and such properties may be subject to prior agreements or transfers and title may be affected by undetected issues;

(iv) the estimated useful lives and residual value of property and equipment which are included in the financial statements and the related depreciation included in profit or loss;

(v) the inputs used in accounting for share based payment transactions and in valuation of warrants included in financial assets at fair value through profit or loss; and

(vi) management's judgment in determining the functional currency of the Company as Canadian Dollars.

Critical accounting judgments

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Restoration, rehabilitation and environmental obligations

Management's assumption of no material restoration, rehabilitation and environmental exposure, is based on the facts and circumstances that existed in the current and prior periods.

Going concern assumption

Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Accounting policies

Please refer to the Company's audited financial statements for a full discussion of its significant accounting policies.

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 ability of the Company to sell, and profit from the sale of any eventual production from any of the Company's properties will be subject to the prevailing conditions in the marketplace at the time of sale. The global marketplace is unregulated and subject to changing attitudes of consumers and other end-users on the basis of economic conditions. Many of these factors are beyond the control of the Company therefore represent a market risk which could impact the long term viability of Company and its operations.

Capitalization and commercial viability

The Company will require additional funds to further explore and, if successful, develop its oil and gas interests and any additional properties or business venture that may be acquired. The Company may not have sufficient funds to carry out the completion of its exploration program, and may have to obtain other financing or raise additional funds. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all the activities of its program, for additional exploration or for the substantial capital that is typically required in order to place a property into commercial production. 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 the delay or indefinite postponement of further exploration and evaluation of its properties.

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.

Title matters

While the Company has performed its own due diligence with respect to title of its property interests, this should not be construed as a guarantee of title. Properties and interests may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects.

Competition

Significant and increasing competition exists for oil and gas opportunities internationally. There are a number of large established companies with substantial capabilities and far greater financial and technical resources than the Company. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable and there can be no assurance that the Company's exploration and acquisition programs will yield any new reserves or result in any commercial producing operations.

Limited history of earnings

The Company has a limited history of earnings, and there is no assurance that any other properties that it may acquire will generate earnings, operate profitably or provide a return on investment in the future. The Company has no plans to pay dividends for the foreseeable future. The future dividend policy of the Company will be determined by its directors.

Potential profitability depends upon factors beyond the control of the Company

The potential profitability of mineral properties is dependent upon many factors beyond the Company's control. For instance, world prices of and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Company.

Environmental risks and other regulatory requirements

The current or future operations of the Company require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mineral resources and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of facilities and conduct of its operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in oil and gas operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new properties.

Operating hazards and uninsurable risks

In the course of exploration, development and production of properties, certain risks, including unexpected or unusual geological operating conditions including fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company.

The Company is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. The Company periodically evaluates the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Company has to pay such liabilities and result in bankruptcy. Should the Company be unable to fund fully the remedial cost of an environmental problem, it might be required to enter into interim compliance measures pending completion of the required remedy.

Foreign countries and regulatory requirements

The Company may acquire properties located in other countries where exploration activities may be affected by varying degrees of political instability and haphazard changes in government regulations such as tax laws, business laws and laws pertaining to oil and gas and mining. Any changes in regulations or shifts in political conditions would be beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety.

Currency fluctuations

The Company maintains its accounts in Canadian currency. If the Company acquires properties in other countries, its operations may be subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company does not engage in currency hedging activities.

First Nations Issues

The Company's management regularly consults with and informs the local First Nations band regarding any issues that may have an impact on them, and has received continued support for the Company's current and proposed future activities. However, unforeseen circumstances in the future could potentially have an effect on the Company's operations.

FINANCIAL INSTRUMENTS

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 and 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 $439 (2015 - $549).

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 July 31, 2016 in the amount of $105,674 (2015 - $148,105) 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 be successful in raising funds to meet commitments associated with financial instruments. As at July 31, 2016 the Company had working capital deficiency in the amount of -$76,891 (2015 working capital +$46,236).

The contractual maturities of financial liabilities, at July 31, 2016 and 2015, based on the earliest date on which payment can be required, were as follows:

	Total amount ($)	**6 months or less ($)**	**More than 6 months ($)**
As at July 31, 2016:			
Trade payables	116,202	116,202	-
Other payables	83,831	83,831	-
	200,033	200,033	-
As at July 31, 2015:			
Trade payables	56,993	56,993	-
Other payables	63,210	63,210	-
	120,203	120,203	-

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.

Sensitivity analysis

The Company has cash and cash equivalents of $87,845 subject to interest rate risk (2015 - $101,550). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by approximately $878 (2015 - $1,016).

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:

(i) Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities,
(ii) Level 2 includes inputs that are observable other than quoted prices included in level one, and
(iii) Level 3 includes inputs that are not based on observable market data.

The Company's financial instruments within the fair value hierarchy were as follows:

	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**
As at July 31, 2016:			
Cash and cash equivalents	87,845	-	-
As at July 31, 2015:			
Cash and cash equivalents	101,550	-	-

Collateral

The carrying value of financial assets the Company has pledged as collateral is $Nil (2015 - $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 July 31, 2016, the Company had managed capital, being total shareholder's equity of $94,938 (2015 - $338,777).

The Company presently has interests in 10 production wells and ongoing exploration and assessment on 3 oil leases that it intends to drill with its joint venture partner Antler River Resources 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 it if 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 July 31, 2016. 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.

CORPORATE DIRECTORY

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DIRECTORS AND OFFICERS	Nelson Shodine	Director & President
	Jon Bridgman	Director & CFO
	Edward Thompson	Director & Secretary Treasurer
	David Thom	Director
	Shane Shodine	Director
	Alan Bell	Director
AUDITOR	Magnus Chartered Accountants LLP. 430 – Five Donald Street Winnipeg, Manitoba R3L 2T4	
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STOCK SYMBOL	BDR	