# BIRD RIVER RESOURCES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE INTERIM PERIOD ENDING JANUARY 31, 2017

### INTRODUCTION

The following Management Discussion and Analysis (“MD&A”) of Bird River Resources Inc. (the “Company”) is dated March 31, 2017 and provides an analysis of the Company’s performance and financial condition as at and for the six months ending January 31, 2017 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

Bird River Resources Inc. (formerly Bird River Mines Inc.) is a junior natural resource exploration company in Canada. It 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 is currently in the oil and gas business in southwestern Manitoba and has been since 2009, mainly through joint ventures with experienced oil and gas exploration operators. Initially, the Company agreed to participate as to a five percent interest in the drilling of a three oil well drilling program near the towns of Sinclair and Pierson in southwestern Manitoba, all of which remain producing. Since then, the Company has participated in the drilling of additional wells in that area, most of which remain producing (see "Narrative Description of the Company's Business - Oil and Gas Activities" below).

The Company operates an environmental division which distributes various industrial minerals and absorbent products for use in abandoned water well sealing operations, animal bedding, odor control and animal waste management (see "Narrative Description of the Company's Business - Environmental Division" below).

The Company formerly held an exploration property known as the Ore Fault Property, located in the Bird River Sill area of Manitoba approximately 125 km northeast of Winnipeg. This property was prospective for base and PGM metals. In 2008, the Company sold its working interest in this property for cash and now retains a 1% net smelter return royalty on this property (see "Narrative Description of the Company's Business - Ore Fault Property" below).

The Company held an 8 hectare Quarry Lease located 85 km southwest of Winnipeg near Miami, Manitoba. This lease hosts a narrow bed of bentonite that the Company previously used in an abandoned water well sealing operation. The leased expired during the 2016 fiscal year (see "Narrative Description of the Company's Business – Quarry Lease" below).

## NARRATIVE DESCRIPTION OF THE COMPANY'S BUSINESS

### Oil and Gas Activities

In March 2009, the Company entered into a joint venture agreement with Antler River Resources Ltd. ("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. The well commenced pumping in January 2010 and all four wells are still in production.

In March 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 Inc. (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.

In September 2011, the Company reported its participation in the drilling of a new horizontal oil well located at 12-15-8-28W1 east of Sinclair. 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.

In October 2011, the Company announced that the drilling portion of a new well northeast of Sinclair 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. 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 shut in due to water problems.

In January 2012, the Company announced the completion of a new Antler horizontal well at 12-15-8-28 northeast of Sinclair. 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, working 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.

In February 2012, the Company reported an update of the last five oil wells drilled and their 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. (see yellow above)

In July 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 at 16-16-7-28 and 3-15-8-28 were each drilled with 600 meter legs and were fully cased. The wells initially produced approximately 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.

In February 2013, the Company participated with Antler in drilling a new horizontal well located at 3-22-7-28 in southwestern Manitoba. The Company has a 5% gross interest (4% net) in the well. The drilling of the well was successful and is now production.

In September 2014, the Company participated with to drill a new horizontal well located at 4-5-2-27 in southwestern Manitoba, with the Company having a 5% gross interest (4% net) in the new well. The drilling of the new well was competed in early November 2014 and is now in production.

During 2015 fiscal year the Company participated in the drilling of one new well HZ 4-5-2-17 for a total cost of $67,433.

In August 2015, the Company paid $4,400 towards the work-over of well 11-26-1-28 HZ, using an acid activation process that cleans out the bore hold to increase oil recovery.

In December 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.

Historically, oil production in southwest Manitoba typically shows a decline in production rates from year to year, however, many wells have been known to produce over 25 years.

NI 51-101 Disclosure

Pursuant to the requirements of NI 51-101 - Standards of Disclosure for Oil and Gas Activities, copies of the Company's recent Forms 51-101F1 and 51-101F3 are available on SEDAR under the Company's profile at www.sedar.com.

### Environmental Division

The Company operates an environmental division which distributes various industrial minerals, including 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.

The Company distributes various industrial and environmental products (e.g. Dexpan and CanDry absorbents) and is also a distributor of various other absorbent products that are sold to industry and agricultural businesses for animal bedding, odor control and animal waste management

### Quarry Lease

The Company held an 8 hectare Quarry Lease (QL-1530) located 85 km southwest of Winnipeg near Miami, Manitoba. This lease hosts a narrow bed of bentonite that the Company previously used in a water well sealing operation. The Company allowed the lease to expire during the 2016 fiscal year.

## Ore Fault Property

In 2004, the Company acquired the remaining 80% of 2411181 Manitoba Ltd. which owned the original Ore Fault Property (the "Property") located in the Bird River Sill area of southeastern Manitoba for total consideration of $23,000 in cash and shares of the Company. The Company already owned the other 20% of 2411181 Manitoba Ltd. In 2006, the Company acquired all of the underlying smelter rights to the Property for consideration of 700,000 common shares. As a result, the Company held a 100% interest in the Property at that time. In 2005, the Company acquired 3 additional adjacent claims for consideration of $5,000 and 50,000 common shares. The Property was then comprised of 19 claims.

In 2007, the Company entered into an option and joint venture arrangement with Marathon PGM Corporation (MAR:TSX) (“Marathon”) to create a joint venture to actively explore and earn an interest in the Property, whereby Marathon had the option to earn up to a 100% interest in the Property by a combination of exploration expenditures and cash payments to the Company. The Property, being adjacent to Gossan Resources’ Bird River Sill property, was also under option to Marathon.

In 2008, Marathon earned a 50% participation interest in the Ore Fault Property by spending $549,000 in exploration expenditures and payments to the Company totaling $200,000 cash. Later in 2008, Marathon acquired the remaining interest in the Property for the cash consideration of $1,450,000. The Company retained and continues to retain a 1% net smelter return royalty (the “NSR”) on all minerals and metals extracted from the Property.

## Exploration and evaluation assets

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

| | January 31, 2017 ($) | July 31, 2016 ($) |
|---|---|---|
| Petroleum and natural gas leases (i) | 35,127 | 35,127 |
| Mineral exploration properties (ii)(iii) | - | - |
| | 35,127 | 35,127 |

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

1) NE 17-1-27 (District Coulter/Vale) - 33 1/3% owned with a renewable one-year lease term;
2) NE 23-1-28 (District Lyleton) - 15% owned with a renewable one-year lease term; and
3) NE 30-1-27 (District Cameron) - 15% owned with a renewable one-year lease term.

During the fiscal year ended July 31, 2016, 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 formerly held one Quarry Lease which lapsed 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.

## 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) | (243,770) | (307,796) | (128,963) |
| Income (loss) per share - basic and fully-diluted | (0.02) | (0.03) | (0.01) |
| Total assets | 304,629 | 468,095 | 739,494 |
| Long-term liabilities | 9,385 | 9,115 | 8,669 |
| Dividends declared | - | - | - |

The net loss and comprehensive loss for the year ended July 31, 2016 was $243,770 as compared to a net loss and comprehensive loss of $307,796 for the year ended July 31, 2015. The decrease of $64,026 in the net loss for the year is primarily attributable to the decrease in depletion expense of $11,720 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 declined by $11,060 to $43,877 due to lower oil prices compared to petroleum revenue of $54,937 in 2015. Expenses for the year were $253,942 compared to $408,274 in 2015 which represents a decrease in expenses of $154,332 during 2016. During the year, general and administrative expenses increased by $41,421 to $156,991 (2015 - $115,570) due to increases in professional fees of $42,808.

The net loss and comprehensive loss for the year ended July 31, 2015 was $307,796 as compared to a net loss and comprehensive loss of $128,963 for the year ended July 31, 2014. The increase of $178,833 in the net loss is primarily attributable to the decrease in revenue of $25,250 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 year were $408,274 compared to $260,369 in 2014 which is an increase in expenses of $147,905 over last year. At the end of the 2015 fiscal year, management recognized an impairment loss of $201,141 on its oil and gas properties. During the year, general and administrative expenses decreased $13,477 to $115,570 (2014 - $129,047).

The net loss and comprehensive loss for the year ended July 31, 2014 was $128,963 as compared to a net loss and comprehensive loss of $81,477 for the year ended July 31, 2013. The increase of $47,486 in the net loss is primarily attributable to the decrease in revenue of $55,249 and the increase in depletion expense and impairment loss. Revenue for the year ended July 31, 2014 was $120,510 compared $175,759 in 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 year were $260,369 compared to $260,952 in 2013. 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).

## 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 ($) | Total Assets ($) |
|---|---|---|---|---|
| January 31, 2017 | 17,507 | (38,080) | (0.004) | 249,084 |
| October 31, 2016 | 21,580 | (28,687) | (0.002) | 265,869 |
| July 31, 2016 | 21,119 | (154,122) | (0.016) | 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) | (0.023) | 468,095 |
| April 30, 2015 | 19,022 | (24,355) | (0.002) | 696,793 |

The net loss and comprehensive loss for the 3 months ended January 31, 2017 was $38,080 as compared to a net loss and comprehensive loss of $38,566 for the 3 months ended January 31, 2016. Revenue for the 3 months period ended January 31, 2017 was $17,507 compared to $24,983 in the same period of the prior year. The current quarter revenue includes $3,029 from producing oil wells compared to $10,816 in the same period of the prior year. Revenue from industrial mineral sales was steady at $14,478 compared to $14,167 for same period in 2016. Expenses for the period were $55,699 (2016 - $66,673), a decrease over the same period last year. The decrease in expenses in the quarter is largely attributable to lower depletion, cost of goods sold for industrial mineral sales and oil production costs.

The net loss and comprehensive loss for the 6 months ended January 31, 2017 was $66,766 as compared to a net loss and comprehensive loss of $64,057 for the 6 months ended January 31, 2016. Revenue for the 6 month period ended January 31, 2017 was $39,087 compared to $54,698 in the same period of the prior year, due to lower oil and industrial mineral sales. Total expenses for the period were $105,985 (2016 - $122,652), a decrease due to lower costs of sales and production even though general and administrative costs increased due to increased professional fees.

As discussed in the "Narrative of the Company's Business" section above, the Company has joint venture agreements with Antler and Atikwa in oil and gas drilling programs in southwest Manitoba for a participation of five percent gross interest on average. Through these joint ventures, the Company has participated in the successful development and completion of 10 producing oil wells as of January 31, 2017. Deferred expenditures include costs of surface access, building location, drilling, completing, equipping and operating or abandoning the oil wells. The cash flows of the joint operations include the expenditures as outlined above as well as the company's proportionate share of the joint venture's revenues and operating expenses. As at January 31, 2017, the Company carried a net amount of $166,587 of property, equipment and petroleum and natural gas properties. These assets are being depleted and depreciated based on time and production. During the six month period ended January 31, 2017, the Company recognized $13,183 of gross revenues from production of ten oil wells.

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

## LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2017, the Company had a working capital deficiency of $129,030 compared to a working capital deficiency of $76,891 as at the fiscal year ended July 31, 2016. The decrease in working capital 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 of $66,766 for the period. The industrial products revenue decreased slightly to $25,904 during the period and the inventory remained stable at $15,599. The Company incurs ongoing general operating expenses relating to the management of a public reporting issuer, such as office rent, telephone and internet services, stock transfer and filing fees, stock exchange fees and professional fees.

Presently, the Company holds percentage interests (5% gross - 4% net) and (2.5% gross - 2% net) in a total of twelve oil wells of which ten are in production. The Company also owns 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 M&A and other opportunities 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. Even though the US financial markets have improved during the past 12 months, there continues to be ongoing concern about the Canadian economy and therefore availability of funding for junior resource companies. 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.

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

The Company presently anticipates that its general and administrative costs for its current fiscal year ending July 31, 2017 will be approximately $100,000 and continues to seek additional working capital to pursue its objectives.

## 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 was approximately $19,000 (July 31, 2015 - $19,000). These amounts have been discounted using a pretax rate of 2.96% reflecting the time value of money and the risks specific to the obligations.

These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 25 years into the future and will be funded from general corporate resources at the time of abandonment.

The Company's decommissioning obligations as at January 31, 2017 and July 31, 2016 were as follows:

| | **January 31, 2017 ($)** | **July 31, 2016 ($)** |
|---|---:|---:|
| Balance, beginning of period/year | 9,385 | 9,115 |
| Accretion | - | 270 |
| Balance, end of period/year | 9,385 | 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, January 31, 2017 and March 31, 2017.

There were 100,000 stock options outstanding as of July 31, 2016, January 31, 2017 and March 31, 2017. All of the options outstanding are exercisable into common shares at $0.10 per share to expire March 14, 2019.

As at July 31, 2016, January 31, 2017 and March 31, 2017, there were 10,670,225 common shares issued and outstanding on a fully diluted basis.

## TRANSACTIONS WITH RELATED PARTIES

The Company did not pay employment based remuneration to directors, officers and other members of key management for the six month periods ended January 31, 2017 and 2016, however, the Company did pay contract based remuneration to directors, officers and other members of key management as discussed below.

During the six month period ended January 31, 2017, the Company paid management fees in the amount of $15,000 (2016 - $15,000) to a director and officer of the Company and $9,000 (2016 - $9,000) to another director and officer. The Company also paid rent in the amount of $4,800 (2015 - $4,800) to a director and officer of the Company. These amounts are recorded at the exchange amount, which is the amount agreed upon by the related parties.

As at January 31, 2017, included in trade and other payables are amounts owing to directors and officers of the Company in the amount of $111,362 (2016 - $85,000). These amounts are unsecured and non-interest bearing with no specified terms of repayment.

## CRITICAL ACCOUNTING ESTIMATES, 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 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 for the year ended July 31, 2016.

*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 January 31, 2017 in the amount of $66,898 (July 31, 2016 - $105,674) 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 January 31, 2017, the Company had a working capital deficiency in the amount of $129,030 (July 31, 2016 - $76,891 deficiency).

The contractual maturities of financial liabilities as at January 31, 2017 and July 31, 2016, 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 January 31, 2017: | | | |
| Trade payables | 127,476 | 127,476 | - |
| Other payables | 84,051 | 84,051 | - |
| | 211,527 | 211,527 | - |
| As at July 31, 2016: | | | |
| Trade payables | 116,202 | 116,202 | - |
| Other payables | 83,831 | 83,831 | - |
| | 200,033 | 200,033 | - |

*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 $58,060 subject to interest rate risk (July 31, 2016 - $87,845). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by approximately $580.

*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 January 31, 2017: | | | |
| Cash and cash equivalents | 58,060 | - | - |
| As at July 31, 2016: | | | |
| Cash and cash equivalents | 87,845 | - | - |

*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 January 31, 2017, the Company had managed capital, being total equity on the consolidated interim statement of financial position of $28,172 (July 31, 2016 - $94,938).

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 January 31, 2017. 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.