Consolidated Financial Statements of

BIRD RIVER RESOURCES INC.
(An Exploration Company)

Years ended July 31, 2018 and 2017

Expressed in Canadian dollars

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, 2018 and July 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2018 and July 31, 2017, 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 consolidated financial position of Bird River Resources Inc. as at July 31, 2018 and July 31, 2017 and its consolidated financial performance and its consolidated cash flows for the years ended July 31, 2018 and July 31, 2017 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

December 21, 2018
Winnipeg, Canada

Chartered Professional Accountants

BIRD RIVER RESOURCES INC.

Consolidated Statements of Financial Position
As at July 31, 2018 and July 31, 2017
(Expressed in Canadian dollars)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (Note 5)	$ 1,724,778	$ 35,456
Accounts receivable	560,078	16,235
Goods and services tax recoverable	204,541	-
Prepaid expenses and deposits	104,726	-
Inventory	-	17,357
Total current assets	2,594,123	69,048
Non-current assets:		
Property and equipment (Note 6)	8,296,375	81,870
Investment in joint arrangements (Note 8)	261,229	-
Total non-current assets	8,557,604	81,870
Total assets	$ 11,151,727	$ 150,918
Liabilities and Equity		
Liabilities:		
Current liabilities:		
Trade payables	$ 1,382,737	$ 140,396
Other payables (Note 9)	219,886	89,678
Flow-through liabilities	45,831	-
Total current liabilities	1,648,454	230,074
Non-current liabilities:		
Decommissioning obligations (Note 10)	407,752	9,663
Deferred income taxes (Note 11(c))	1,065,000	-
Total liabilities	3,121,206	239,737
Equity:		
Share capital (Note 12)	10,273,404	1,012,247
Warrants	862,244	-
Share-based payments reserve	10,713	1,840
(Deficit)	(3,115,840)	(1,102,906)
Total equity (deficit)	8,030,521	(88,819)
Going concern of operations (Note 2(b))		
Commitments (Note 5 and 18)		
Subsequent event (Note 18)		
Total liabilities and equity	$ 11,151,727	$ 150,918

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

Director (signed) Jon Bridgman

Director (signed) Donal Carroll

BIRD RIVER RESOURCES INC.

Consolidated Statements of Loss and Comprehensive Loss

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
Revenue:		
Petroleum and natural gas revenue	$ 34,786	$ 31,215
Expenses:		
Depletion	7,721	12,511
General and administrative (Note 14)	871,889	115,294
Net impairment losses (Note 6)	-	51,288
Production and operating - petroleum and natural gas	14,181	17,213
Royalties - petroleum and natural gas	162	-
Share-based payments (Note 13(c))	8,873	-
	902,826	196,306
Net (loss) from operations	(868,040)	(165,091)
Other income (expenses):		
Accretion expense	(286)	(278)
Write-down of exploration and evaluation assets (Note 7)	-	(35,127)
Debt forgiveness (Note 12(b)(i))	70,529	-
Interest income	5,907	112
Acquisition fees	(275,861)	-
	(199,711)	(35,293)
Net (loss) before discontinued operations	(1,067,751)	(200,384)
Net (loss) income from discontinued operations (Note 19)	(5,978)	16,627
Net (loss) before income taxes	(1,073,729)	(183,757)
Deferred income tax (expense), net of flow-through premiums	(939,205)	-
Net (loss) and comprehensive (loss) for the year	$(2,012,934)	$ (183,757)
Basic and diluted loss per share (Note 12(d))	$ (0.03)	$ (0.02)

See accompanying notes to consolidated financial statements.

BIRD RIVER RESOURCES INC.

Consolidated Statements of Changes in Equity

Years ended July 31, 2018 and July 31, 2017

(Expressed in Canadian dollars)

	2018	2017
Share capital		
Balance, beginning of year	$ 1,012,247	$ 1,012,247
Shares issued for debt extinguishment	138,523	-
Private placements	3,448,546	-
Shares issued	5,790,090	-
Warrant exchange	(49,247)	-
Premium on flow-through shares	(66,755)	-
Balance, end of year	$ 10,273,404	$ 1,012,247
Warrants		
Balance, beginning of year	$ -	$ -
Warrants issued in private placements	672,506	-
Broker warrants issued	140,491	-
Warrants issued for acquisition of High Point Oil Inc.	49,247	-
Balance, end of year	$ 862,244	$ -
Share-based payments reserve		
Balance, beginning of year	$ 1,840	$ 1,840
Share-based payments (Note 13(c))	8,873	-
Balance, end of year	$ 10,713	$ 1,840
(Deficit)		
Balance, beginning of year	$ (1,102,906)	$ (919,149)
Net (loss) and comprehensive (loss) for the year	(2,012,934)	(183,757)
Balance, end of year	$ (3,115,840)	$ (1,102,906)
Total equity (deficit), end of year	$ 8,030,521	$ (88,819)

See accompanying notes to consolidated financial statements.

BIRD RIVER RESOURCES INC.

Consolidated Statements of Cash Flows

Years ended July 31, 2018 and July 31, 2017

(Expressed in Canadian dollars)

	2018	2017
Operating activities:		
Net (loss) and comprehensive (loss) for the year	$(2,012,934)	$ (183,757)
Adjustments for:		
Depletion and depreciation	7,883	12,929
Gain on disposal of property and equipment	(871)	-
Net impairment losses	-	51,288
Share-based payments	8,873	-
Write-down of exploration and evaluation assets	-	35,127
Accretion expense	286	278
Deferred income tax recovery, net of flow-through premiums	939,205	-
Debt forgiveness	(70,529)	-
Non-cash acquisition fees	272,878	-
	(855,209)	(84,135)
Changes in the following:		
Trade receivables	(531,329)	(1,952)
Goods and services tax recoverable	(204,541)	3,546
Prepaid expenses and deposits	(76,404)	-
Inventory	17,357	111
Trade payables	1,081,263	24,194
Other payables	63,453	5,847
	(505,410)	(52,389)
Investing activities:		
Proceeds on disposal of property and equipment	2,190	-
Investments in joint arrangements	(261,229)	-
Investment in petroleum and natural gas properties	(2,050,351)	-
Cash acquired on share exchange with High Point Oil Inc.	137,708	-
	(2,171,682)	-
Financing activity:		
Proceeds from issuance of common shares, net of share issue costs	4,366,414	-
Change in cash and cash equivalents	1,689,322	(52,389)
Cash and cash equivalents, beginning of year	35,456	87,845
Cash and cash equivalents, end of year	$ 1,724,778	$ 35,456

Supplementary information:

The value of common shares issued as part of the share exchange agreement with High Point Oil Inc. in the amount of $5,517,212 (2017 - $Nil) and the related working capital balances and assets have been excluded from the operating, investing and financing activities on the consolidated statements of cash flows as this is a non-cash transaction (see Note 3).

In addition the value of common shares issued for the extinguishment of debt in the amount of $138,523 (2017 - $Nil) and the related trade payable balance has been excluded from the operating and financing activities on the consolidated statements of cash flows as this is a non-cash transaction.

During the year ended July 31, 2018 the company did not pay any interest (2017 - $Nil) or income taxes (2017 - $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. References to the company throughout these consolidated financial statements include Bird River Resources Inc. and its wholly owned subsidiaries (see Note 2(c)).

The company's principal business activities include the acquisition and exploration of resource properties with the 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. This activity was discontinued on January 31, 2018 when the related assets were sold (Note 19). During the year ended July 31, 2018, the company acquired all of the issued and outstanding shares of High Point Oil Inc. (see Note 3). The company's shares are listed on the Canadian Securities 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, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the company's Board of Directors on December 21, 2018.

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. These financial statements are presented in Canadian dollars which is the company's functional currency.

(b) Going concern of operations

These consolidated financial statements have been prepared on a going concern basis, which assumes that the company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. There is doubt about the appropriateness of the use of the going concern assumption because the company has experienced significant losses and has experienced negative cash flows from operations over a number of years. The company has not yet determined whether all of its exploration and evaluation assets transferred to petroleum and natural gas properties included in property and equipment 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.

Subsequent to year end, commercial production of the oil wells has commenced therefore management is hopeful the company will return to profitable operations in the near future. Therefore 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.

2. Significant accounting policies (continued)

(c) Basis of consolidation

These consolidated financial statements for the year ended July 31, 2018 include the accounts of the company and its wholly-owned subsidiaries 2411181 Manitoba Ltd. and High Point Oil Inc. For the year ended July 31, 2017, these consolidated financial statements include the accounts of the company and 2411181 Manitoba Ltd. All significant inter-company transactions have been eliminated on consolidation.

(d) Inventory

Inventory was 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 $28,320 (2017 - $46,747) of inventory as an expense which is included in production and operating expenses included in the calculation of net (loss) income from discontinued operations (Note 19). 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.

2. Significant accounting policies (continued)

(e) Property and equipment (continued)

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 on disposal of the asset, determined as the difference between the net proceeds and the carrying amount of the asset as at the date of disposition, is recognized in profit or loss.

(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.

2. Significant accounting policies (continued)

(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.

(h) Provisions

General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events when 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) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. To account for flow-through shares, the company allocates total proceeds from the issuance of flow-through shares between the offering of shares and the sale of tax benefits.

The total amount allocated to the offering of shares is based on the quoted price of the underlying shares. In situations where there is an absence of compelling evidence supporting a comparable value of the underlying shares, the company allocates management's estimate of the prevailing flow-through premium in current market conditions at the time of issuance to the sale of tax benefits. The amount which is allocated to the sale of tax benefits is recorded as a liability and is reversed proportionately and recognized as after-tax income when the tax benefits are renounced. The tax effect of the renunciation is recorded at the time the company makes the renunciation, which may differ from the effective date of renunciation and on renunciation the value of the tax assets renounced is recorded as a deferred tax expense.

(j) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to capital transactions are recorded as deferred capital costs until the capital transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred capital costs related to capital transactions that are abandoned or are considered unlikely to be completed are recognized in profit or loss.

2. Significant accounting policies (continued)

(k) Business combinations

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recognized in profit or loss.

(l) 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.

(m) Per share amounts

Basic and diluted earnings (loss) per share is computed by dividing the net earnings (loss) for the period available to common shareholders by the weighted average number of common shares outstanding during the period. The company applies the treasury stock method in calculating diluted earnings (loss) per share. Diluted earnings (loss) per share excludes all dilutive potential common shares if their effect is anti-dilutive. For the years ended July 31, 2018 and 2017, the existence of stock options and warrants causes the calculation of diluted loss per share to be anti-dilutive. Accordingly, diluted loss per share is equal to basic loss per share.

(n) 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)

(o) Income taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred 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 in the future. 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.

(p) 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 set aside for issue under the plan is 10% of the issued and outstanding common shares of the company and would fluctuate to such number that would be 10% of the issued and outstanding common shares at any particular time at a price determined by the Board, provided that the Board has the right, from time to time, to increase such number subject to the approval of the shareholders of the company. The maximum number of common shares which may be reserved for issuance to any one eligible participant is 5% of the common shares outstanding at the time of grant (calculated on a non-diluted basis) less the number of shares reserved for issuance to such person under any option to purchase common shares granted as a compensation or incentive mechanism.

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)

(q) 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 FVTPL 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 FVTPL 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)

(q) 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

(r) 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)

(r) Impairment of long-lived 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.

2. Significant accounting policies (continued)

(s) 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.

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.

2. Significant accounting policies (continued)

(s) Use of estimates and judgments (continued)

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.

(t) 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*

IFRS 9, as issued, addresses the classification and measurement of financial assets and liabilities and requires any financial assets or liabilities to be classified into one of three measurement categories. The measurement categories are: (1) fair value through profit and loss; (2) fair value through other comprehensive income or loss; and (3) amortized cost. Investments in equity instruments must be measured at fair value through profit or loss; however, there is an irrevocable option to present the changes in fair value in other comprehensive income or loss. For financial liabilities, the majority of the requirements from IAS 39 have been retained. The main difference is where the fair value option is chosen for financial liabilities, the portion of the fair value change relating to an entity's own credit risk is recorded in other comprehensive income or loss as opposed to profit or loss. The standard is effective for annual periods beginning on or after January 1, 2018. This amendment will be adopted by the Corporation on August 1, 2018 and the Corporation has completed its review of financial instruments has determined that there will be no material change to the consolidated financial statements other than enhanced disclosures.

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 15 will be adopted by the company on August 1, 2018. The company has completed its review of sales contracts with customers and has determined that there will be no material change to the consolidated financial statements.

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(t) Recent accounting announcements (continued)

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose information relating to leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. This standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will be adopted by the company on August 1, 2019 and the company is currently reviewing contracts that are currently identified as leases and evaluating the impact of this standard on the consolidated financial statements.

3. Acquisition of High Point Oil Inc.

On February 9, 2018, Bird River Resources Inc. ("Bird River") entered into a share exchange agreement with the owners of High Point Oil Inc. ("High Point") of Calgary, Alberta. Pursuant to the share exchange agreement Bird River acquired all of the issued and outstanding shares of High Point in exchange for Bird River issuing 55,172,124 non-flow-through common shares at a deemed value of $0.10 per non-flow-through common share. In addition the company paid a finders' fee related to this acquisition in the amount of $272,878 which was settled by the issuance of an additional 2,728,776 non-flow-through common shares of Bird River at a deemed value of $0.10 per non-flow-through common shares. This acquisition is an arm’s length transaction and as a result High Point has become a wholly-owned subsidiary of Bird River.

Details of the net assets of High Point as at the date of acquisition are as follows:

Consideration		
Common shares (55,172,124 shares at $0.10 per share)	$	5,517,212
Fair value of nets assets acquired:		
Cash and cash equivalents		137,708
Accounts receivable		12,514
Prepaid expenses and deposits		28,322
Exploration and evaluation assets		5,775,558
Less:		
Trade payables		(370,135)
Flow-through liabilities		(66,755)
Net assets acquired	$	5,517,212

4. Exploration and evaluation expenses

During the year ended July 31, 2018, the company has directly expensed exploration and evaluation costs in the amount of $Nil (2017- $Nil).

(Expressed in Canadian dollars)

5. Cash and cash equivalents

	2018	2017
Cash	$ 1,343,976	$ 35,456
Restricted cash	380,802	-
Total cash and cash equivalents	$ 1,724,778	$ 35,456

Cash is deposited at an established Canadian financial institution.

Restricted cash represents proceeds from the issuance of flow-through shares in the amount of $360,802 and a guaranteed investment certificate in the amount of $20,000. The company is committed to spend the proceeds from the issuance of flow-through shares on qualifying expenditures by December 31, 2018 and the guaranteed investment certificate is security against the corporate credit card.

6. Property and equipment

	Exploration and evaluation equipment	Vehicles	Petroleum and natural gas properties	Total
Cost				
Balance, July 31, 2016	$ 52,333	$ 11,342	$ 255,469	$ 319,144
Impairment losses	-	-	(51,288)	(51,288)
Balance, July 31, 2017	$ 52,333	$ 11,342	$ 204,181	$ 267,856
Additions	-	-	2,282,779	` 2,282,779
Transfers from exploration and evaluation assets (Note 7)	-	-	5,940,927	5,940,927
Disposals	(52,333)	(11,342)		(63,675)
Balance, July 31, 2018	$ -	$ -	$ 8,427,887	$ 8,427,887
Accumulated depletion and depreciation				
Balance, July 31, 2016	$ 50,810	$ 10,967	$ 111,280	$ 173,057
Depletion and depreciation for the year	305	113	12,511	12,929
Balance, July 31, 2017	$ 51,115	$ 11,080	$ 123,791	$ 185,986
Depletion and depreciation for the year	122	39	7,721	7,882
Disposals	(51,237)	(11,119)	-	(62,356)
Balance, July 31, 2018	$ -	$ -	$ 131,512	$ 131,512
Carrying value				
At July 31, 2017	$ 1,218	$ 262	$ 80,390	$ 81,870
At July 31, 2018	$ -	$ -	$ 8,296,375	$ 8,296,375

(Expressed in Canadian dollars)

6. Property and equipment (continued)

Impairment analysis

At July 31, 2018, 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.

Alberta cash-generating unit:

Based on the impairment test, the carrying amount of the investment in petroleum and natural gas properties was determined not to be impaired.

The benchmark and company's forecast prices used in the impairment test calculations for the year ended July 31, 2018 were primarily based on the following future commodity prices:

Light Sweet Crude landed in Edmonton	(Cdn$/bbl)
2018	$84.18
2019	$85.63
2020	$88.80
2021	$93.24
2022	$92.81
Thereafter, 2% increase for inflation	

Alberta Gas Reference Price	(Cdn$/GJ)
2018	$1.73
2019	$1.94
2020	$2.16
2021	$2.27
2022	$2.38
2023	$2.50
2024	$2.62
2025	$2.62
Thereafter, 2% increase for inflation	

Manitoba cash-generating unit:

Based on the impairment test, the carrying amount of the investment in petroleum and natural gas properties was determined not to be impaired (2017 - impairment of $51,288). These net impairment losses in the amount of $Nil (2017 - $51,288) 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, 2018 were primarily based on the following future commodity prices:

Cromer Light Oil	(Cdn$/bbl)
2019	$74.40
2020	$73.58
2021	$73.24
Thereafter, 2% increase for inflation	

During the year the company made the decision to use Cromer prices as this is a better comparison to the company's actual commodity prices realized on production.

(Expressed in Canadian dollars)

6. Property and equipment (continued)

The benchmark and company's forecast prices used in the impairment test calculations for the year ended July 31, 2017 were primarily based on the following future commodity prices:

Nymex Light Oil	(Usd$/bbl)
2018	$55.37
2019	$52.36
2020	$50.89
Thereafter, 2% increase for inflation	

7. Exploration and evaluation assets

(a) The company has capitalized the following amounts related to petroleum and natural gas properties:

	Manitoba	Alberta	Total
Balance, July 31, 2016	$ 35,127	$ -	$ 35,127
Write-downs (i)	(35,127)	-	(35,127)
Balance, July 31, 2017	$ -	$ -	$ -
Exploration and evaluation assets of subsidiary (Note 3)	-	5,775,558	` 5,775,558
Costs incurred during the period	-	165,369	165,369
Transfers to property and equipment (ii)	-	(5,940,927)	(5,940,927)
Balance, July 31, 2018	$ -	$ -	$ -

(i) During the year ended July 31, 2017 various leases expired resulting in write-downs of exploration and evaluation assets totaling $35,127 relating to leases Northeast quarter 17-1-27, Northeast quarter 23-1-28 and Northeast quarter 30-1-27.

(ii) During the year ended July 31, 2018, the technical and commercial viability of extracting resources was demonstrated for all Alberta oil wells. As a result, the company transferred the costs associated with these oil wells to property and equipment. The company assessed the recoverability of its investment based on an externally prepared reserve and economic evaluation report resulting in no impairment. Therefore the full amount of the carrying value of exploration and evaluation assets related to the Alberta oil wells have been transferred to property and equipment. Commercial production of the oil wells commenced in August 2018.

(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.

(Expressed in Canadian dollars)

8. Interests in joint arrangements

The company's petroleum and natural gas activities and other investments involve joint operations. These consolidated financial statements include the company's share of the jointly controlled assets and their share of the relevant revenue and expenses. The company participates in the following joint operations:

(a) The company participates in a joint operation with Antler River Resources Ltd. and other parties relating to nine (2017 - twelve) oil wells in southwestern Manitoba. 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. The technical and commercial viability of extracting resources of these oil wells have been demonstrated in prior years and as a result the amounts have been transferred to petroleum and natural gas properties in property and equipment and are being depleted accordingly (see Note 6).

(b) The company participates in a joint operation with DEL Canada GP Ltd. relating to oil wells in Alberta with the company being the operator. The company holds a 50% interest in the joint operation.

(c) In addition, the company has entered into two memorandums of understanding with Divestco Inc. which sets out the structure of the relationship and commitment of the parties prior to the formalization of the joint arrangement. One is to create and operate a cryptocurrency ("Crypto") joint mining operation and the second is to enter into a formal joint operation to create and operate a natural gas cogeneration ("CoGen") facility to provide electricity to Divestco. As at July 31, 2018 and 2017 the company has invested the following amounts pursuant to the memorandum of understanding:

	2018	2017
Cryptocurrency joint venture (i)	$ 141,229	$ -
Cogeneration joint venture (ii)	120,000	-
	$ 261,229	$ -

(i) The company's total contribution to the proof of concept phase of this joint operation included the purchase of dedicated computers at a total capital cost of $141,229. The company has no further capital commitments pursuant to this arrangement. The company will earn 80% of the revenue earned by any machines the company purchases until the company recovers its capital investment at which time the company's share of revenue of the machines revert to 50%. The company is responsible for their proportionate share of operating costs to be determined as part of the joint arrangement. Testing of the first machine types was completed and provided evidence that dedicated crypto mining machines are the most effective and efficient tool compared to other computer types. Testing is underway to determine the true energy and cooling costs of a small scale commercial operation. This project is still in the early stages of operations and there have been no financial results reported by the operator.

(ii) The company's contribution of $120,000 covered its share of the first phase of engineering and design costs. The company will pay 2/3 of the cost of the equipment and installation necessary to produce up to one megawatt of electricity and will earn 50% of the net revenues from the joint arrangement. The total cost of equipment is estimated to be less than $850,000. Any subsequent additions to equipment will be on a 50/50 cost sharing basis. The company has no further capital commitments pursuant to this arrangement.

(Expressed in Canadian dollars)

9. Other payables

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

	2018	2017
Accrued liabilities	$ 219,886	$ 89,095
Provincial sales taxes payable	-	513
Goods and services tax payable	-	70
Total other payables	$ 219,886	$ 89,678

10. 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.

These obligations been discounted using a pre-tax rate of 2.96% (2017 - 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 (2017 - 25 years) into the future and will be funded from general corporate resources at the time of abandonment.

The total estimated undiscounted cash flows required to settle the obligations related to the Manitoba cash-generating unit before considering salvage value, as at July 31, 2018 is approximately $19,000 (2017 - $19,000)

The total estimated undiscounted cash flows required to settle the obligations related to the Alberta cash-generating unit before considering salvage value, as at July 31, 2018 is approximately $459,000. The Alberta additions all occurred in July 2018 and accordingly no accretion has been recognized for the year ended July 31, 2018.

The company's decommissioning obligations for the year ended July 31, 2018 and July 31, 2017 are as follows:

	2018	2017
Manitoba cash-generating unit:		
Balance, beginning of year	$ 9,663	$ 9,385
Plus: Accretion	286	278
Balance, end of year	$ 9,949	$ 9,663
Alberta cash-generating unit:		
Balance, beginning of year	$ -	$ -
Provisions incurred	397,803	-
Balance, end of year	$ 397,803	$ -
Total, end of year	$ 407,752	$ 9,663

(Expressed in Canadian dollars)

11. Income taxes

(a) Canadian development and exploration expenditures

As at July 31, 2018, the company has $1,328,692 (2017 - $123,670) of unused Canadian exploration and development expenses and $738,608 (2017 - $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

As at July 31, 2018 the company has non-capital tax losses available for carryforward to reduce future years' taxable income totaling $2,115,308 (2017 - $391,521) which expire as follows:

2032	$ 1,128
2033	50,797
2034	58,062
2035	73,724
2036	123,397
2037	608,200
2038	1,200,000
Total loss carryforwards	$ 2,115,308

(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% (2017 - 27%). The reasons for the differences are as follows:

	2018	2017
Income tax recovery computed at statutory rates	$ 290,000	$ 49,600
Change in unrecognized deferred tax assets	(1,355,000)	(23,300)
	(1,065,000)	26,300
Valuation allowance	-	(26,300)
Income tax expense	$ 1,065,000	$ -

The components of the company's net deferred income tax asset (liability) at July 31, 2018 and July 31, 2017 are as follows:

	2018	2017
Deferred income tax assets:		
Non-capital loss carry-forwards	$ 571,000	$ -
Exploration and evaluation assets	558,000	158,300
	1,129,000	158,300
Deferred income tax liability:		
Property and equipment	(2,194,000)	(20,700)
Net deferred income tax (liability) asset	(1,065,000)	137,600
Valuation allowance	-	(137,600)
Net deferred income tax liability	$(1,065,000)	$ -

(Expressed in Canadian dollars)

11. Income taxes (continued)

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.

12. 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, 2018	Number of common shares	Amount
Balance, July 31, 2017	10,570,725	$ 1,012,247
Shares issued for debt extinguishment (i)	2,308,709	138,523
Private placement (ii)	32,587,000	2,746,207
Private placement (iii)	12,635,000	702,339
Shares issued on acquisition of High Point Oil Inc. (iv)	57,900,900	5,790,090
Warrant exchange	-	(49,247)
Premium on flow-through shares	-	(66,755)
Balance, July 31, 2018	116,002,334	$ 10,273,404

Year ended July 31, 2017	Number of common shares	Amount
Balance, July 31, 2016 and 2017	10,570,225	$ 1,012,247

(i) During the year ended July 31, 2018, the company issued 2,308,709 non-flow-through common shares at a value of $0.06 per share for the extinguishment of debt in the amount of $209,052 resulting in debt forgiveness in the amount of $70,529.

(ii) On December 22, 2017, the company closed the first tranche of a private placement issuing 5,457,000 flow-through common shares at a purchase price of $0.13 per flow-through common share and 27,130,000 units at a purchase price of $0.10 per unit for total cash proceeds of $3,422,410. Each unit consists of one non-flow-through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional non-flow-through common share of the company at an exercise price of $0.20 per warrant expiring on December 22, 2019. The fair value of the warrants issued as part of this private placement were valued using the Black-Scholes pricing model resulting in a value of $491,053 which is disclosed as a separate component of shareholders' equity (Note 12(c)). In addition the company issued 3,154,950 Broker warrants valued using the Black-Scholes pricing model resulting in a value of $114,209. Each Broker warrant entitles the holder to acquire one additional non-flow-through common share of the company at an exercise price of $0.20 per warrant expiring on December 22, 2019. The amount recorded to share capital of $2,746,207 represents gross proceeds of $3,422,410 less the value of warrants issued of $605,262 less flow-through premiums of $70,941.

(Expressed in Canadian dollars)

12. Share capital (continued)

(iii) On December 29, 2017, the company closed the second tranche of a private placement issuing 2,610,000 flow-through common shares at a purchase price of $0.13 per flow-through common share and 10,025,000 units at a purchase price of $0.10 per unit for total cash proceeds of $1,341,800. Each unit consists of one non-flow-through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional non-flow-through common share of the company at an exercise price of $0.20 per warrant expiring on December 29, 2019. The fair value of the warrants issued as part of this private placement were valued using the Black-Scholes pricing model resulting in a value of $181,453 which is disclosed as a separate component of shareholders' equity (Note 12(c)). In addition the company incurred share issue costs in the amount of $397,796 and issued 726,030 Broker warrants valued using the Black-Scholes option pricing model resulting in a value of $26,282. Each Broker warrant entitles the holder to acquire one additional non-flow-through common share of the company at an exercise price of $0.20 per warrant expiring on December 29, 2019. The amount recorded to share capital of $702,339 represents gross proceeds of $1,341,800 less cash share issue costs of $397,796 less the value of warrants issued of $207,735 less flow-through premiums of $33,930.

(iv) On February 9, 2018, the company issued 55,172,124 non-flow-through common shares at a deemed value of $0.10 per share for a total value of $5,517,212 for the acquisition of High Point Oil Inc. and an additional 2,728,776 non-flow-through common shares as a deemed value of $0.10 per share for a total value of $272,878 for finders's fees related to the acquisition of High Point Oil Inc. (Note 3).

(c) Warrants

The following table summarizes the 25,416,960 outstanding warrants as at July 31, 2018:

	Number outstanding	Fair value	Exercise price	Expiry date
Private placement warrants	13,565,000	$ 491,053	$0.20	December 22, 2019
Private placement warrants	5,012,500	$ 181,453	$0.20	December 28, 2019
Broker warrants	3,154,950	$ 114,209	$0.20	December 22, 2019
Broker warrants	726,030	$ 26,282	$0.20	December 29, 2018
Exchange warrants	1,930,880	$ 26,405	$0.0357	June 5, 2019
Exchange warrants	467,600	$ 7,428	$0.0714	November 10, 2019
Exchange warrants	560,000	$ 15,414	$0.0714	December 15, 2019

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

Expected stock price volatility	70% to 100%
Expected option life	2 years
Risk free interest rate	0.56% to 1.66%
Expected dividend yield	-
Stock price at grant	$0.10
Exercise price	$0.0357 to $0.20

(Expressed in Canadian dollars)

12. Share capital (continued)

(d) Loss per share

The calculation of basic and diluted loss per share for the years ended July 31, 2018 and July 31, 2017 is based on the following losses and number of shares:

	2018	2017
(Loss) for the year	$ (2,012,934)	$ (183,757)
Weighted average number of shares	66,470,616	10,570,225

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

13. Share-based payments

(a) Outstanding options

The following table summarizes the outstanding options as at July 31, 2018 and July 31, 2017:

	Number outstanding	Exercise price	Expiry date
Directors' options (i)	100,000	$0.10	March 14, 2019
Directors' options (ii)	100,000	$0.10	March 14, 2019
Balance outstanding at July 31, 2017	200,000		
Directors' options (iii)	1,300,000	$0.10	March 14, 2019
Balance outstanding at July 31, 2018	1,500,000		

(i) 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. These options were fully vested as at July 31, 2016.

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

(ii) On July 7, 2017 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 August 1, 2017.

The estimated fair value of the stock options vested during the year in the amount of $813 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	33.71%
Expected option life	1.67 years
Risk free interest rate	0.68%
Expected dividend yield	-
Stock price at grant	$0.09
Exercise price	$0.10

(Expressed in Canadian dollars)

13. Share-based payments (continued)

(a) Outstanding options (continued)

(iii) On November 27, 2017 the company issued 1,300,000 incentive stock options to directors and officers 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 December 1, 2017.

The estimated fair value of the stock options vested during the year in the amount of $8,060 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	50%
Expected warrant life	1.33 years
Risk free interest rate	1.41%
Expected dividend yield	-
Stock price at grant	$0.08
Exercise price	$0.10

(b) Changes in stock options

A summary of the changes in stock option activity for the years ended July 31, 2018 and July 31, 2017 is as follows:

	2018		2017	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding, beginning of year	$ 0.10	200,000	$ 0.10	100,000
Granted	0.10	1,300,000	0.10	100,000
Outstanding, end of year	$ 0.10	1,500,000	$ 0.10	200,000

The options outstanding at the end of the year have an exercise price of $0.10 per share (2017 - $0.10 per share) and a weighted average remaining contractual life of 0.62 years (2017 - 1.62 years). As at July 31, 2018, 816,669 (2017 - 100,000) of the outstanding options are exercisable.

(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, 2018 is $8,873 (2017 - $Nil).

(Expressed in Canadian dollars)

14. General and administrative expenses

The general and administrative expenses incurred by the company for the years ended July 31, 2018 and July 31, 2017 are as follows:

	2018	2017
Automotive	$ -	$ 2,925
Consulting fees	291,974	-
Director's fees (Note 15(b))	12,500	3,000
Insurance	25,818	-
Management fees (Note 15(b))	79,500	44,000
Office	29,314	8,669
Professional fees	132,088	24,046
Rent (Note 15(b))	47,180	8,800
Repairs and maintenance	-	884
Salaries (Note 15(b))	188,800	-
Share transfer and filing fees	20,876	19,918
Software fees	17,075	-
Telephone	8,165	2,589
Travel	18,599	463
	$ 871,889	$ 115,294

15. Related party transactions

In addition to related party balances and transactions separately presented or disclosed, these financial statements include the following transactions with related parties in the normal course of operations:

(a) Key management personnel compensation

Key management personnel includes the directors and executive officers of the company.

During the year ended July 31, 2018 the company paid salaries to its executive officers in the amount of $154,000 (2017 - $Nil) included in total salaries in general and administrative expenses.

(b) Other related party transactions

During the year ended July 31, 2018, the company paid management fees in the amount of $79,500 (2017 - $44,000), rent in the amount of $3,200 (2017 - $8,800) and director's fees in the amount of $12,500 (2017 - $3,000) to director's and officers of the company. In addition, the company paid relatives of a director of the company for IT administration, geo-technical support and wellsite geology in the amount of $37,038 (2017 - $Nil). All amounts are included in general and administrative expenses with the exception of $18,538 which were capitalized to petroleum and natural gas properties included in property and equipment. These amounts are recorded at the exchange amount, which is the amount agreed upon by the related parties.

As at July 31, 2018, included in trade payables and other payables are amounts owing to directors and officers of the company in the amount of $6,000 (2017 - $162,923).

(Expressed in Canadian dollars)

16. 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 $348 (2017 - $312).

(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 which are cash which is held with an established Canadian financial institution and the company's trade receivables, 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 $2,489,397 (2017 - $51,691) 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, 2018, the company has working capital in the amount of $945,669 (2017 - working capital deficiency of $161,026).

The contractual maturities of financial liabilities, at July 31, 2018 and July 31, 2017, based on the earliest date on which payment can be required, are as follows:

As at July 31, 2018	Total amount	Six month or less	More than six months
Trade payables	$ 1,382,737	$ 1,382,737	$ -
Other payables	219,886	219,886	-
	$ 1,602,623	$ 1,602,623	$ -

As at July 31, 2017	Total amount	Six month or less	More than six months
Trade payables	$ 140,396	$ 140,396	$ -
Other payables	89,678	89,678	-
	$ 230,074	$ 230,074	$ -

(Expressed in Canadian dollars)

16. 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 $1,724,778 (2017 - $35,456). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis, by $17,248 (2017 - $355).

(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, 2018 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,724,778	$ -	$ -

The company's financial instruments within the fair value hierarchy as at July 31, 2017 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 35,456	$ -	$ -

(d) Collateral

The carrying value of financial assets the company has pledged as collateral is $20,000 being a guaranteed investment certificate as security of the company's corporate credit card (2017 - $Nil).

(Expressed in Canadian dollars)

17. 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, 2018, the company had managed capital, being total equity on the consolidated statement of financial position of $8,030,521 (2017 - net deficit of $88,819).

A number of the properties in which the company currently has an interest are in the development 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.

18. Subsequent event

On November 21, 2018 the company entered into an agreement with an industry partner. Under the terms of the agreement the company is committed to drilling a well on property in Southern Alberta owned by the industry partner by February 15, 2019 or pay a penalty of $50,000. If the well is successful, the company is committed to drill a second well within 90 days of the completion of drilling operations of the first well. The industry partner has the option to participate in the wells by agreeing to pay for 40% of the completion and equipping costs of the wells and as a result will earn a 40% interest in the wells.

19. Discontinued operations

Effective January 31, 2018, the company sold the operations, inventory and related equipment of its environmental (industrial minerals) division. The gain on disposal of the assets is included in the net (loss) income from discontinued operations on the consolidated statements of loss and comprehensive loss. The net (loss) income from discontinued operations for the current and prior year is comprised of the following:

	2018	2017
Revenue from the sale of industrial minerals	$ 24,880	$ 63,792
Expenses:		
Bad debt expense	3,248	-
Depreciation	161	418
(Gain) on disposal of property and equipment	(871)	-
Production and operating expenses	28,320	46,747
	30,858	47,165
Net (loss) income from discontinued operations	$ (5,978)	$ 16,627