

BIRD RIVER RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTH PERIOD ENDED APRIL 30, 2019

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of Bird River Resources Inc. ("Bird River" or the "Company") is prepared with information as at June 28, 2019 and provides an analysis of the Company's performance and financial condition as at and for the nine month period ended April 30, 2019 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 annual financial statements of the Company for the years ended July 31, 2018 and 2017 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

Oil and Gas

Bird River Resources Inc. is a junior natural resource exploration company incorporated in Canada. It is a reporting issuer in the provinces of Manitoba, Ontario and British Columbia 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 in any material fashion from Canadian corporate legislation with respect to corporate governance principles.

The Company has been engaged in the acquisition, exploration and development of mineral properties since its incorporation in 1958. It 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 Business - Oil and Gas Activities - Manitoba" below).

On February 9, 2018, the Company agreed to acquire all of the issued and outstanding shares of High Point Oil Inc. ("High

Point"), a private Alberta company for consideration of the issuance of 55,172,124 common shares to the shareholders of High Point and the exchange of all of High Point's outstanding common share purchase warrants for 2,958,480 common share purchase warrants of the Company. The acquisition transaction closed on February 12, 2018 (see "Acquisition of High Point" below). At the time of acquisition, High Point had identified 20 drilling targets and has obtained eligibility to hold licenses for all types of wells, facilities and pipelines from the Alberta Energy Regulator. High Point commenced its 2018 drilling program in June of 2018 after spring breakup. As at the date of this MD&A, High Point has had commercial production from this drilling program since August 1, 2018 (see "Narrative Description of the Business – Oil and Gas Activities – Alberta" below).

Related Technologies

One of the Company's reasons to acquire High Point was to use it as a platform to investigate the application of new technologies to the oil and gas business. On December 12, 2017, the Company announced that it had retained API Consulting Inc. (operating as "API Garage") and its BlockX Labs division in the research and development of asset management platforms utilizing its private blockchain technology. BlockX is an arm's length private company that has considerable experience in providing these kinds of services for clients in many industries. For their services, the Company agreed to pay API Consulting Inc. the consideration of the amount of \$50,000, consisting of the issuance of 250,000 common shares of the Company to API Consulting Inc. at the price of \$0.10 per common share and the payment of \$25,000 cash. To date, the Company paid the amount of \$25,000 cash and has reached other arrangements in lieu of the issuance of the 250,000 common shares. This project is presently on hold.

On March 26, 2018, the Company and Divestco Inc. (TSXV: DVT) ("Divestco") announced a cogeneration joint venture (the "Cogen") which would convert natural gas to electricity via a boiler-turbine at a projected industry low cost of 1.4 cents per kilowatt hour (based on current natural gas spot prices). The Company's contribution to the Cogeneration joint venture was \$120,000. This was used to undertake a feasibility and connection study with the transmission company. As a result of this study it was determined that the project would be required to be about 4 times bigger than originally planned with a total cost in the range of \$4.5 million rather than the original estimate of \$800,000. Based on this the Company elected to withdraw from the project and wrote off the \$120,000 invested in the second quarter of 2019.

On April 9, 2018, the Company and Divestco announced a joint venture to create a high volume, cost-effective commercial cryptocurrency mining operation based in Calgary, Alberta using existing infrastructure. Concurrently, the Company was also investigating how Cryptocurrency mining could be used to monetize natural gas stranded in Alberta due to lack of pipeline capacity. The Company's total contribution to the proof of concept phase of this joint venture included the purchase of dedicated computers (rigs) at a total capital cost of \$141,229. Subsequent to the end of the second quarter, the Company sold its interest in this operation to Divestco for \$64,351. Accordingly, the carrying value of this investment at January 31, 2019 was written down to this amount. In the third quarter of 2019 the Company received the \$64,351 via set-off of accounts owing to Divestco and accordingly this amount no longer appears on the Company's financial statements.

Discontinued Operations

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

The Company formerly operated an environmental division which distributed various industrial minerals and absorbent products for use in abandoned water well sealing operations, animal bedding, odor control and animal waste management. This division was sold effective April 30, 2018.

The Company formerly had joint ventures in Cogeneration and Crypto currency mining (see above under Related Technologies).

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.

The Company currently has two active business segments, being Oil interests in Alberta and Oil interests in Manitoba.

Accordingly, all related line items in the Consolidated Statements of Loss and Comprehensive Loss have been removed and replaced with a single line item called "Income (loss) from discontinued operations" as follows:

| | three months ended | | nine months ended | |
|---|--------------------|------------------|-------------------|------------------|
| | April 30 2019 | April 30 2018 | April 30 2019 | April 30 2018 |
| Industrial mineral sales | \$ - | \$ 20,122 | \$ - | \$ 24,880 |
| Production and operating expense - industrial minerals | - | (26,535) | - | (27,939) |
| Depreciation | - | (81) | - | (161) |
| Bad debt expense' | - | (3,248) | - | (3,248) |
| Gain on disposal of property and equipment | - | 871 | - | 871 |
| Write down of Investment in Joint Arrangements (Note 5) | - | - | (196,878) | - |
| Income (loss) from discontinued operations | \$ - | \$ (8,871) | \$ (196,878) | \$ (5,597) |

Capital and Working Capital

As at April 30, 2019, the Company had an estimated consolidated working capital deficiency of approximately \$157,545 (July 31, 2018 – surplus of \$945,669). The Company expects its oil and gas operations to be sufficient to remedy this working capital deficiency and has currently allocated any surplus working capital it generates entirely towards development and expansion of its oil interests in Alberta. In the absence of additional equity or debt financing, the Company will have to finance expansion entirely out of operations, which will be slow.

NARRATIVE DESCRIPTION OF THE COMPANY'S BUSINESS

Oil and Gas Activities - Manitoba

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. Since then, the Company has participated in the drilling of additional wells in that area, most of which remain producing.

The following table summarizes the Company's Manitoba oil well holdings:

| Well ID and Location | Dir | Location | Oper | Company's Interest | Formation | Status |
|----------------------|-----|----------------|------|---------------------|------------------|--------|
| LSD 6-13-7-29 | V | W of Sinclair | ARR | 5% well only | Bakken | P |
| LSD 14-15-8-28 | V | E of Sinclair | ARR | 5% well only | Bakken/Lodgepole | P |
| HZ 13-15-8-28 | H | E of Sinclair | ARR | 5% well only | Bakken/Lodgepole | P |
| HZ 11-26-1-28W | H | Pierson | AB | 5% gross, 4% net | Spearfish | P |
| HZ 12-15-8-28W1 | H | NE of Sinclair | ARR | 5% gross, 4% net | Bakken | P |
| HZ 15-30-1-27 | V | | ARR | 5% gross, 4% net | Spearfish | P |
| HZ 13-23-1-28W | H | E of Pierson | AB | 5% gross, 4% net | Spearfish | NP |
| HZ 7-34-21-28 | H | | ARR | 2.5% gross, 4% net | Bakken | P |
| HZ 3-15-8-28 | H | E of Sinclair | RFM | 2.5% gross, 2% net | Bakken | P |
| HZ 3-22-7-28 | H | SW Manitoba | ARR | 5% gross, 4% net | Mississippi MC3 | P |
| HZ 4-5-2-27 | H | SW Manitoba | ARR | 4% profit, 5% costs | Bakken/Lodgepole | NP |
| HZ 16-16-7-28 | H | E of Sinclair | ARR | 2.5% gross, 2% net | Mississippi MC3 | P |

Legend

| | |
|-----|--|
| ARR | Antler River Resources Ltd. |
| AB | 1885683 Alberta Ltd. (formerly held by Atikwa Resources) |
| RFM | Riflemen |
| H | horizontal |
| V | vertical |
| P | producing |
| NP | not producing |

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.

Oil and Gas Activities – Alberta

Acquisition of High Point

On February 12, 2018, the Company announced that it had entered into a definitive agreement with the owners of High Point to acquire all of the issued capital of High Point by way of a share exchange of common shares. Pursuant to the share exchange agreement dated February 9, 2018 among the Company, High Point, and the shareholders of High Point, the Company acquired all of the issued and outstanding shares of High Point. In consideration for the purchased shares, Bird River issued to the shareholders of High Point an aggregate of 55,172,124 common shares at a deemed value of \$0.10 per common share and the issuance of 2,958,480 common share purchase warrants of the Company in exchange for the outstanding warrants of High Point. The Acquisition was an arm's length transaction and High Point became a wholly-owned subsidiary of the Company. The share exchange did not result in a new controlling shareholder group.

Bird River engaged First Republic Capital Corporation ("FRCC") to act as its financial advisor in connection with one or more possible transactions, including any financings, joint venture, merger, or other business combination. In this capacity, FRCC assisted the Company in the analysis and review of the acquisition of High Point. Accordingly, the Company paid an M&A fee of 5% of the transaction value of the acquisition paid on closing by the issuance of 2,728,776 common shares of the Company to FRCC.

As a result of obtaining 100% of the shares of High Point, Bird River has accounted for this transaction by including High Point in its consolidated results. The Acquisition was an arm's length transaction and High Point has become a wholly-owned subsidiary of Bird River. The purpose of the transaction was to add additional assets and opportunity to Bird River's oil and gas operations.

Business of High Point

High Point is in the business of exploring for and producing oil and gas in Alberta. The current focus of this business is on light oil (primarily in the Nisku formation) due to continued strong market demand and pricing for this product. It is worth

noting that as of the date of this report, although remaining stronger than heavier crude prices, even light oil prices have been hindered by the lack of pipeline capacity, See "Risks and Uncertainties" below. High Point acquires or purchases 3D seismic which it interprets to determine prospective locations which then allows it to acquire targeted lands upon which to drill.

The business objectives achieved by High Point during the period ended April 30, 2019 are as follows:

- Completed a third full quarter of production. 68 gross barrels of oil equivalent per day ("boepd") was averaged during this quarter down from the 208 boepd and 122 boepd which were averaged during the first and second quarters respectively. The decline from the first quarter was expected as the first quarter benefitted from flush production and very low water cuts. The decline from the second quarter was the result of weather induced reduction in run times at the producing wells. February and March saw record cold periods in Alberta. Subsequent to the quarter, gross sales for May 2019 were 88 boepd. The increase was the result of improved weather and operational changes made in the field. The Company's net share of the above sales volumes is 50%. Water cuts have stabilized for the present at between 70 and 74 percent.
- Achieved an average price oil per barrel of \$67 Canadian as compared to \$69 and \$32 Canadian in the first and second quarters respectively. Subsequent to the quarter the Company received \$71 per barrel for its oil production. These drastic changes in price are the result of a significant lack of pipeline capacity in Alberta. (See subsequent events).

The business objectives planned for High Point subsequent to the third quarter are as follows:

- Attempt to improve stabilized sales levels to 90 boepd (gross) 45 boepd net from existing wells. This level of sales is dependent on the wells operating 100% of the time and on reducing water cuts and is not an easy task.
- Continue to reduce the working capital deficit by careful use of the proceeds of operations and by continued reductions in general and administrative costs.
- Use any surplus cash flow (beyond what is needed to reduce the working capital deficit) to recomplete existing wells to improve production.
- If additional equity becomes available to drill up to 3 wells total in the balance of the 2019 calendar year at approximately \$800,000 to \$950,000 per well. The individual well cost is anticipated to be lower if a greater number of wells are drilled at a time or if partners participate in the wells.

NI 51-101 Disclosure

Chapman Petroleum Engineering Ltd., independent qualified reserves evaluators of Calgary, Alberta, prepared an independent evaluation of the Company's oil and natural gas properties effective July 31, 2018, which is contained in a report dated November 15, 2018 (the "2018 Reserves Report"). On February 12, 2018, the Company completed the acquisition (the "Acquisition") of High Point Oil Inc. ("High Point"). High Point was a wholly-owned subsidiary of the Company as at July 31, 2018 and its Alberta properties are covered in the 2018 Reserves Report. Bird River's previously owned Manitoba resource properties were not included in the above reserve report as they are not significant to the Company's future activities producing only 1 barrel of oil per day. Copies of the Company's recent Forms 51-101F1, 51-101F2 and 51-101F3 are available on SEDAR under the Company's profile on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Exploration and evaluation assets

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. At the time the Bird River acquired High Point it had not yet established technical and commercial viability of its Central Alberta project. Accordingly, the costs assigned to these assets were added to Exploration and Evaluation assets. As were additional costs incurred prior to the completion of High Point's spring and summer drilling program.

| | Manitoba | Alberta | Total |
|--|-------------|---------------|-------------|
| Balance, July 31, 2016 | \$ 35,127 | \$ - | \$ 35,127 |
| Writedowns | (35,127) | - | (35,127) |
| Balance, July 31, 2017 | - | - | - |
| Exploration and evaluation assets of subsidiary | - | 5,775,558 | 5,775,558 |
| Costs incurred during the period | - | \$ 165,369.00 | 165,369 |
| Transfers to Property and Equipment | - | (5,940,927) | (5,940,927) |
| Balance, July 31, 2018 and April 30, 2019 | \$ - | \$ - | \$ - |

- (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.

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 2018 (\$) | Year Ended July 31, 2017 (\$) | Year Ended July 31, 2016 (\$) |
|--|------------------------------------|-------------------------------------|-------------------------------------|
| Total revenue (1) | 34,786 | 31,215 | 43,877 |
| Net income (loss) from discontinued operations (1) | (5,978) | 16,627 | 10,868 |
| Net loss and comprehensive loss | (2,012,934) | (183,757) | (244,043) |
| Loss per share - basic and fully-diluted | (0.03) | (0.02) | (0.02) |
| Total assets | 11,151,727 | 150,918 | 304,356 |
| Non-current financial liabilities | (1,472,752) | (9,663) | (9,385) |
| Working capital (deficiency) | 945,669 | (161,026) | (76,891) |
| Dividends declared | - | - | - |

- (1) Petroleum and natural gas only; restated to remove discontinued operations.

Total revenue during the three year period has stayed relatively constant.

Net income (loss) from discontinued operations relates to the industrial minerals division which was sold effective January 31, 2018. The loss in 2018 relates to selling the inventory for less than their carrying value and to reduced industrial minerals sales prior to the sale of the division.

The net loss and comprehensive loss for the year ended July 31, 2018 was \$2,012,934 as compared to \$183,757 for 2017 and \$244,043 for 2016. The primary causes of this increase in losses are: \$275,861 in acquisition fees paid by Bird River on Bird River's acquisition of High Point, \$188,800 in High Point salaries as the Company has not within the previous two years had full time employees, \$291,974 paid to various consultants and \$939,205 in deferred income tax expenses. The large deferred income tax expense is the result of the acquisition of High Point and the issuance of Flow Through shares. Both of these items resulted in assets being recorded at a higher value than their tax base, thus leading to deferred taxes.

The decrease of \$60,286 from 2016 to 2017 in the net loss for the year is primarily attributable to the decrease in general and administrative expenses due to lower professional fees and the decline in a write down of the remainder of Manitoba exploration and evaluation assets as the Company's remaining leases had expired.

Loss per share is up in 2018 due primarily to the factors affecting net loss as discussed above.

Total assets increased primarily due to \$4.5 million in funds being raised on private placements and due to \$5.5 million of assets being acquired as part of the High Point acquisition.

Working capital at the end of 2018 is higher due to funds raised in the above private placements not yet being fully expended on drilling and other expenditures. The cash balance at July 31, 2018 was \$1,724,778 (2017 - \$35,456).

The Company issued approximately 105 million shares in 2018 in various transactions resulting in a significant increase in shareholders equity.

SELECTED QUARTERLY INFORMATION

The following is selected information from the Company's eight most recently completed quarters:

| Quarter Ended | Total Revenue ⁽¹⁾ | Net Income (Loss) | | Total Assets |
|------------------|------------------------------|-------------------|-----------|--------------|
| | | Total | Per Share | |
| | \$ | \$ | \$ | \$ |
| April 30, 2019 | 204,144 | (462,258) | (0.004) | 9,971,381 |
| January 31, 2019 | 178,406 | 249,806 | 0.002 | 10,625,869 |
| October 31, 2018 | 633,787 | 157,279 | 0.001 | 10,164,995 |
| July 31, 2018 | 15,915 | (882,468) | (0.008) | 11,151,727 |
| April 30, 2018 | 9,382 | (1,104,810) | (0.010) | 9,479,722 |
| January 31, 2018 | 5,138 | (52,054) | (0.002) | 4,353,685 |
| October 31, 2017 | 4,351 | 26,398 | 0.002 | 124,168 |
| July 31, 2017 | 10,388 | (117,403) | (0.011) | 150,918 |

1. Petroleum and Natural Gas only. Restated to remove the effect of discontinued operations from net income (loss) from operations.

The quarter just ended saw an improvement in prices but was negatively impacted by record cold for much of February and March which resulted in lower sales volumes. The quarter ended January 31, 2019 had better sales volumes but was hampered by extremely low oil prices received and accordingly, net income before income taxes was a loss of \$441,018. This became a net income of \$249,806 after income taxes as a result of recovery of deferred tax and flow through premium in the amount of \$690,824. The quarter ended October 31, 2018 showed the first operating results of the Company's investment in Alberta properties with a full quarter of production much of which was flush production. As a result, quarterly revenue was \$633,787, production and operating costs related to petroleum and natural gas were \$98,051, for a net of \$535,736. Associated with this increase was also an increase in depletion to \$79,286. The jump in these figures were the result of producing 18,021 barrels of oil (9,010 net). This level of production was achieved as a result of flush production from the Company's spring and summer 2018 drilling program. Subsequent to the first quarter of 2019, total fluid production has remained constant but the percentage of water has increased. Management cannot predict with certainty what the water percentages will be on a go forward basis but expects that they will average 70 to 74 percent for the balance of the year.

As discussed in the "Discontinued Operations" section above, effective April 30, 2018, the company sold the operations, inventory and related equipment of its environmental (industrial minerals) division for proceeds of \$7,247 which resulted in a loss of \$5,978. Accordingly, the total revenue figures above have been adjusted to remove revenue received by the environmental division. Revenues have fluctuated as a result in production fluctuations as wells decline or improve as a result of workovers. Significant changes in the price received for oil has also impacted this variability.

The third and fourth quarters of 2018 showed a significant increase in net loss. This was mostly due to onetime costs related to the acquisition of High Point including: \$275,861 in acquisition fees paid by Bird River on Bird River's acquisition of High Point and \$291,974 paid to various consultants. The fourth quarter was also impacted by the recognition of deferred taxes of 939,205. This was due to the fact that the bump in value associated with the acquisition of High Point comes with no commensurate tax base. In addition, High Point is an operating oil company and as a result has a full time staff, this increased the final two quarters of the year by \$188,800 in High Point salaries which are included in the consolidated results over the final two quarters of 2018. Previously Bird River was strictly a non-operator and had no need of full time personnel.

Total assets increased significantly over the final 3 quarters of 2018. In the second quarter of 2018, total assets increased primarily as a result of \$4.5 million raised in private placements. In the third quarter, the Company acquired High Point resulting in \$5.8 million being added to exploration and evaluation assets. In the final quarter of the year, a 50% owned drilling program was well underway resulting in a commensurate increase in receivables from partners and accounts payable. In the first quarter of 2019, total assets dropped somewhat as cash on hand was used to reduce accounts payable also on hand at July 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2019, the Company had a working capital deficit in the amount of \$157,545 (July 31, 2018 - \$945,669). The decrease in working capital was due to completion of the 2018 spring and summer drilling program, the drilling of the Company's fourth well in November and December of 2018, ongoing operating and general and administrative costs and due to the poor revenues received for oil production in November and December of 2018. The Company continues to receive revenue from its interests in oil wells in Manitoba and began receiving revenue from Alberta wells on August 1, 2018. The Company incurs ongoing general operating expenses relating to the management of a public reporting issuer, such as office expenses, stock transfer, filing fees, stock exchange fees, and management and professional fees.

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 financial markets have improved in recent years, there continues to be ongoing concern about the demand for Canadian commodities and therefore availability of funding for junior resource companies.

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. See the discussion under the title "Subsequent events". 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.

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 have 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 CGU before considering salvage value, as at April 30, 2019 is approximately \$19,000 (July 31, 2018 - \$19,000).

The total estimated undiscounted cash flows required to settle the obligations related to the Central Alberta CGU before

considering salvage value, as at April 30, 2019 is approximately \$499,500 (July 31, 2018 - \$459,500).

The Company's decommissioning obligations as at April 30, 2019 and July 31, 2018 were as follows:

| | April 30, 2019 | | July 31, 2018 | |
|---|-----------------------|----------------|----------------------|----------------|
| Manitoba cash-generating unit: | | | | |
| Balance, beginning of the period/year | \$ | 9,949 | \$ | 9,663 |
| Accretion | | 222 | | 286 |
| Balance, end of the period | | 10,171 | | 9,949 |
| Alberta cash-generating unit: | | | | |
| Balance, beginning of period/year | | 397,802 | | - |
| Provisions incurred | | 31,648 | | 397,802 |
| Accretion | | 6,603 | | - |
| Balance, end of year | | 436,053 | | 397,802 |
| Consolidated total, end of period/year | \$ | 446,224 | \$ | 407,751 |

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company's outstanding capital was as follows as at the dates indicated:

| | July 31 2018 | | July 31 2017 | |
|---------------|----------------------|----------------------|----------------------|----------------------|
| | Basic | Fully Diluted | Basic | Fully Diluted |
| Common shares | 116,002,334 | 142,919,294 | 10,570,725 | 10,770,725 |
| Options | 1,500,000 | - | 200,000 | - |
| Warrants | 25,416,960 | - | - | - |
| | April 30 2019 | | June 28, 2019 | |
| | Basic | Fully Diluted | Basic | Fully Diluted |
| Common shares | 116,002,334 | 141,419,294 | 116,002,334 | 141,419,294 |
| Options | - | - | - | - |
| Warrants | 25,416,960 | - | 25,416,960 | - |

TRANSACTIONS WITH RELATED PARTIES

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

Key management includes the directors of the Company and the Executive Officers of both the Company and High Point.

During the period ended April 30, 2019, High Point paid salaries to its Executive Officers in the amount of \$238,000 (2017 - \$77,000). High Point also paid relatives of a director in the amount of \$76,175 (2017-\$6,685) for administrative, IT, geo-technical support and geological services.

During the period ended April 30, 2019, the Company paid contract based remuneration to its Executive Officers (or to companies controlled by them) in the amount of \$54,000 (2017 - \$43,000).

The Company also paid director's fees in the amount of \$2,500 (2017 - \$9,000) during the period ended April 30, 2019.

These amounts are recorded at the exchange amount, which is the amount agreed upon by the related parties and were reflected in the financial statements as follows:

| | April 30 2019 | April 30 2018 |
|--------------------------------------|------------------|------------------|
| General and administrative (Note 11) | \$ 364,300 | \$ 120,000 |
| Property and Equipment | 2,375 | - |
| Accounts payable | 18,800 | 9,500 |

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:

- (a) the recoverability of accounts receivable that are included in the statement of financial position;
- (b) the recoverability of exploration and evaluation expenditures incurred on the Company's property interests;
- (c) 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;
- (d) 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;
- (e) the inputs used in accounting for share based payment transactions included in financial assets at fair value through profit or loss;
- (f) management's judgment in determining the functional currency of the Company as Canadian Dollars;
- (g) The actual cost and timing of well abandonment activities which impacts the decommissioning obligation;
- (h) The actual life and volume of petroleum reserves which impacts the calculation of depletion, and decommissioning obligations; and
- (i) The amount and timing of the reversal of temporary timing difference which impacts the calculation of deferred taxes.

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

Reference is made to the Company's audited financial statements for a full discussion of its significant accounting policies.

RISKS AND UNCERTAINTIES

Many risks are discussed below, but these risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from forecast results.

Risk Inherent in Oil and Gas

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop, and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. Any future increase in the Company's reserves will depend not only on the Company's ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by the Company. The Company's principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program.

Marketing Risk

Perhaps one of the most significant risks facing the oil and gas industry in Alberta at present is the ability to market its product effectively. Severe pipeline constraints have resulted in extreme reductions in value of all weights of crude oil and in natural gas. The Company is currently targeting light oil (which has not been as affected by these constraints) in an effort to mitigate this risk but there is no guarantee that such constraints will not have increasing adverse effects on light oil. This risk is almost impossible to predict as it is highly impacted by policy decisions of all levels of governments in Canada and indeed by world governments and the actions of the Organization of Petroleum Exporting Countries (or "OPEC"). The Company had hoped to reduce the impact of the constraints on gas prices through investigating additional ways in which to monetize natural gas (see the discussions of the Cogeneration and Technology verticals above). This would increase the Company's exposure to risks associated with natural gas but may also increase opportunities available to the Company. During the quarter just completed the company elected to discontinue its joint ventures in these technologies. See related technologies above.

Capital Risk

The Company's need for capital is both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. In the short term, the Company anticipates that capital requirements will be funded by cash on hand and through internally generated cash flow. In the longer term it anticipates that capital requirements will be met through a combination of internal adjusted funds flow, debt and/or equity financing. There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements.

Interrelation of Business Components

If any components of the Company's business plan are missing or incomplete, the Company may not be able to execute its' entire business plan.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial, and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil, or water may give rise to liabilities to governments and third parties and may require the Company's operating entities to incur costs to remedy such discharge. Although the Company intends to be in material compliance with current applicable environmental regulations, no assurance can be given that changes in environment laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects. The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Prior to drilling, the Company obtains insurance in accordance with industry standards to address certain of these risks. However, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liability. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, The Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that was not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects and will reduce income otherwise used to fund operations.

Price Risk

The Company's financial performance and condition are substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on the Company's operations and financial condition and the value and amount of its reserves. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of the Company including, but not limited to, the world economy and OPEC's ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources. Decreases in oil and natural gas prices typically result in a reduction of a Company's net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of the Company's reserves. Declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in the Company's net production revenue, cash flows and profitability causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company will in part be determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available. The Company may utilize financial derivatives contracts to manage market risk. All such transactions would be conducted in accordance with a risk management policy that has been approved by the Board of Directors.

Legislative Risk

Included in the above risks is legislative risk. However, the oil and gas industry internationally and particularly in Canada is becoming increasingly subject to public scrutiny. It is virtually impossible to predict how this scrutiny may result in new and unexpected legislation which may adversely affect the Company's ability to obtain capital, its valuations and/or its operations.

Technology Risk

Technological advances are happening at ever increasing rates. The Company believes that there will be a market for its products for the foreseeable future. However, there is no guarantee that new technologies will not largely supplant the need

for the Company's products in certain or all industries at some indeterminate point in the future.

Personnel Risk

There is no guarantee that the personnel employed by the Company will continue to be employed in such a manner. They may experience health and or life changes that make this difficult. The Company mitigates against this risk by sufficiently documenting its actions such that an appropriately trained and skilled replacement employee should be functional within a reasonable time period. However, there is no guarantee that all knowledge or skill of existing or future employees would be retained should they depart the Company for any reason. The Company may retain the services of outside consultants from time to time.

Partnership Risk

The Company has entered into joint venture partnerships with other companies and entities in an effort to help finance and minimize financial risk in the drilling and development of certain planned oil wells. There is no guarantee that the personnel employed by joint venture partners will continue to be employed in such a manner. They may experience health and or life changes that make this difficult. There is also no guarantee that the Company's joint venture partners will continue to operate as it has in the past.

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, 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 \$10,163 for the period ended April 30, 2019 (2018 - \$189).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company is exposed to credit risk on its financial assets. Cash is held with established Canadian financial institutions 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 interim financial statements of \$579,203 (July 31, 2018 - \$2,489,397) 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. It is management's opinion that it is unlikely that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As at April 30, 2019, the Company had a working capital deficiency in the amount of \$157,545 (July 31, 2018 - \$945,669 surplus).

The contractual maturities of financial liabilities total \$796,342 at April 30, 2019 (July 31, 2018 - \$1,602,623) are all six months or less.

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 had cash and cash equivalents subject to interest rate risk of \$206,751 (July 31, 2018 - \$1,724,778). A 1% change in the primary interest rate would affect the reported net income on an annualized basis by \$2,067 (2018 - \$17,248).

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 consolidated interim 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; and
- Level three includes inputs that are not based on observable market data.

The Company's financial instruments within the fair value hierarchy as at April 30, 2019 and July 31, 2018 were as follows:

| | Level 1 | Level 2 | Level 3 |
|---------------------------|--------------|---------|---------|
| April 30, 2019 | | | |
| Cash and cash equivalents | \$ 206,751 | \$ - | \$ - |
| July 31, 2018 | | | |
| Cash and cash equivalents | \$ 1,724,778 | \$ - | \$ - |

Collateral

The carrying value of financial assets the Company has pledged as collateral is \$20,000 (2017 - \$ nil).

CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, stock options and warrants. When managing capital, the Company's objective is to ensure the company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral and petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the company's operations. As at April 30, 2019, the Company had managed capital, being total equity on the consolidated interim statement of financial position of \$7,983,815 (July 31, 2018 - \$8,030,521).

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, funds from operations 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.

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 consolidated 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.

SUBSEQUENT EVENTS

The Company received an average of \$67 per barrel for oil sold in the third quarter. This was much higher than in November and December of 2018 when the Company only received \$28 and \$13 per barrel respectively. The November/December 2018 price drop caused the government of Alberta to impose production cutbacks on all producers with more than 10,000 barrels of production per day. The Company was not impacted by the production limitations as it does not produce more than 10,000 barrels per day, however, the Company was significantly impacted by the price reductions. It appears that the actions of the Alberta government along with a general improvement in price has worked as the second quarter average price recovered to \$32.10 with a further recovery in Q3 to the \$67 mark. Subsequent to the third quarter end, the Company received \$70.80 per barrel for its May oil production. It is unknown how long the price improvement will last or how effective the actions of the Alberta government will be on a sustained basis in particular in the face of international trade difficulties and uncertainties. The low price received in the second quarter has slowed the Company's development and has resulted in some planned projects being cancelled or delayed indefinitely.