Bird River Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED OCTOBER 31, 2019 & 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with Bird River Resources Inc.'s ("Bird River" or the "Corporation") unaudited condensed interim consolidated financial statements as at and for the three months ended October 31, 2019 and 2018 and the notes thereto. The unaudited condensed interim consolidated financial statements for the three months ended October 31, 2019 and 2018 include the accounts of the Corporation and its wholly owned subsidiaries 2411181 Manitoba Ltd. and High Point Oil Inc ("High Point" or the "Company"). All significant inter-company transactions and balances have been eliminated on consolidation.

The financial data presented herein, including comparative periods, have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". Accordingly, certain information and disclosure normally included in audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

The commentary is as of **June 11, 2020**. The reader should be aware that historical results are not necessarily indicative of future performance.

Bird River is a publicly-listed entity incorporated under the laws of Manitoba on March 7, 1958. The address of the Corporation's corporate and registered office is: 5204 Roblin Blvd, Winnipeg, MB R3R 0H1. References to the Corporation throughout this MD&A include Bird River and its wholly-owned subsidiaries.

The Corporation's principal business activities include the acquisition and exploration of resource properties with the primary focus on petroleum and natural gas properties. During the year ended July 31, 2018, the Corporation acquired all of the issued and outstanding shares of High Point Oil Inc. The Corporation's shares are listed on the Canadian Securities Exchange and are traded under the stock symbol "BDR".

FORWARD-LOOKING STATEMENTS

Certain of the statements set forth under "Management's Discussion and Analysis" including statements which may contain words such as "could", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts, are forward-looking and are based upon the Corporation's current belief as to the outcome and timing of such future events. There are numerous risks and uncertainties, certain of which are beyond Bird River's control, including: the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Bird River's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur.

NON-IFRS MEASUREMENTS

The financial data presented in this MD&A has been prepared in accordance with International Financial Reporting Standards except for the term "field netbacks". The term "field netbacks" should not be considered an alternative to, or more meaningful than, "net loss" as determined in accordance with IFRS as an indication of the Corporation's performance.

Field netbacks are useful supplemental measures as they demonstrate the Corporation's ability to generate cash. The Corporation calculates field netbacks as gross revenues less royalties and operating expenses, including transportation expenses. The Corporation's method of calculating these measures may differ from the methods used by other companies and accordingly may not be comparable to measures used by other companies.

ACQUISITION OF HIGH POINT OIL INC.

On February 9, 2018, Bird River Resources Inc. entered into a share exchange agreement with the owners of High Point Oil Inc. 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, Bird River 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

OUTLOOK

Bird River continues to advance its resource plays in Alberta. During September 2019, High Point entered into an agreement with an industry partner to acquire certain mineral interests and well bores. During November 2019, the High Point recompleted one of the well bores and has successfully brought it on production. During December 2019, the Corporation recompleted a second well bore and has concluded the well was uneconomic.

SELECTED ANNUAL INFORMATION ($)

	Year Ended July 31, 2019	Year Ended July 31, 2018 (Restated)	Year Ended July 31, 2017
Petroleum and gas sales revenue	1,246,172	34,786	31,215
Net loss	(692,583)	(672,073)	(183,757)
per share (basic and fully diluted)	(0.01)	(0.01)	(0.02)
Non-current liabilities:	596,925	407,752	9,663
Total assets	10,107,069	11,427,588	150,918

QUARTERLY DATA ($)

Period	Gross Revenue [1]	Net Income (Loss)	Basic and Fully Diluted	Total Assets
October 31, 2019	158,955	(46,342)	(0.00)	10,582,170
July 31, 2019	229,835	(637,410)	(0.01)	10,107,069
April 30, 2019	204,144	(462,258)	(0.00)	9,971,381
January 31, 2019	178,406	249,806	0.00	10,625,869
October 31, 2018	633,787	157,279	0.00	10,164,995
July 31, 2018 (restated)	15,915	(672,073)	(0.01)	11,427,588
April 30, 2018	9,382	(1,104,810)	(0.00)	9,479,722
January 31, 2018	5,138	(52,054)	(0.00)	4,353,685

SUMMARY OF RESULTS ($, except Boe/d amounts)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Petroleum and gas sales revenue	158,955	633,787
Royalties	(7,596)	(39,977)
Net revenue	151,359	593,810
Expenses		
Operating costs	(77,989)	(98,051)
General and administrative	(85,141)	(209,401)
Depletion and depreciation	(32,683)	(79,286)
Impairment loss on property and equipment	-	-
Impairment loss on investment in joint arrangements	-	-
Share-based payments	-	(2,890)
Other income (expenses)	(1,888)	(1,910)
Net income (loss)	(46,342)	157,279
Income (loss) per share – basic and diluted	(0.00)	0.00
Petroleum and natural gas sales (Boe/d) [1]	33	98
Net cash flow from (used in) operating activities	(309,492)	(445,438)
Total assets	10,582,170	10,164,995

[1] *Average sales for the period*

OIL, NATURAL GAS, AND NATURAL GAS LIQUIDS ("NGL'S") SALES VOLUMES

Sales volumes mcf to boe (6:1 boe conversion)	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Natural Gas (mcf/d)	29	-
NGL's (bbls/d)	2	-
Oil (bbls/d)	26	98
Total boe/d	**33**	**98**

For the three months ended October 31, 2019, oil, natural gas, and NGL's production was generated at the Corporation's operated properties at Huxley, Mikwan, and Weasel in Alberta and its non-operated property at Sinclair in Manitoba.

Overall oil, natural gas, and NGL sales volumes during the three months ended October 31, 2019 was 33 boe/d (October 31, 2018 – 98 boe/d).

During the three months ended October 31, 2018, the Corporation achieved operating results of its investment in Alberta properties with a full quarter of oil sales. Sales volumes were achieved as a result of flush production from the Corporation's spring and summer 2018 drilling program. During the three months ended October 31, 2019, overall production was reduced from the comparative period last year due to normal production declines.

GROSS REVENUE ($)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Oil	152,309	633,787
Natural gas	3,007	-
NGL's	3,639	-
	158,955	**633,787**

During the three months ended October 31, 2019, gross revenues totaled $152,309, representing a decrease of 76% from gross revenues of $633,787 received during the comparative period last year.

Decreased overall gross revenue during the current period was as a result of natural declines on various properties.

GROSS REVENUE PRICING ($)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Oil ($/bbl)	60.59	69.08
Natural gas ($/mcf)	1.11	-
NGL's ($/bbl)	23.91	-

Prices received for the Corporation's oil during the three months ended October 31, 2019 averaged $60.59/bbl (October 31, 2018 - $69.08/bbl).

Prices received for the Corporation's natural gas during the three months ended October 31, 2019 averaged $1.11/mcf (October 31, 2018 – n/a).

Prices received for the Corporation's NGL's during the three months ended October 31, 2019 averaged $23.91/bbl (October 31, 2018 – n/a).

ROYALTIES ($, except percent of total revenue)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Crown	6,588	39,819
Gross overriding	1,008	158
Total royalties	**7,596**	**39,977**
$/boe	$2.52	$4.44
Percent of total revenue	5%	6%

Royalties for the three months ended October 31, 2019 and 2018 averaged $2.52/boe or 5% of gross revenue and $4.44/boe or 6% of gross revenue, respectively.

Overall royalties for the three months ended October 31, 2019 were lower than during the comparative period last year due to decreased average production during the current period due to natural declines.

OPERATING EXPENSES ($)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Operating expenses	**77,989**	**98,051**
$/boe	$25.86	$10.88
Percentage of gross revenue	49%	15%

Operating expenses for the three months ended October 31, 2019 were $77,989 or $25.86/boe (October 31, 2018 - $98,051 or $10.88/boe). Operating expenses as a percentage of gross revenue for the three months ended October 31, 2019 was 49% as compared to 15% from the comparative period last year.

Variance in operating costs year-over-year are due, in part, to periodic repairs and maintenance.

FIELD NETBACKS ($) [1]

	Three Months Ended Oct. 31 2019	**Three Months Ended Oct. 31 2018**
Gross revenue	158,955	633,787
Royalties	(7,596)	(39,977)
Operating expenses	(77,989)	(98,051)
Netback	**73,370**	**495,759**
$/boe	**$24.33**	**$55.02**

(1) See section titled "NON-IFRS MEASUREMENTS".

Field netbacks for the three months ended October 31, 2019 were $73,370 or $24.33/boe (October 31, 2018 - $495,759 or $55.02/boe).

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES ($)

	Three Months Ended Oct. 31 2019	**Three Months Ended Oct. 31 2018**
G&A expenses	85,141	209,401
$/boe	$28.23	$23.24

During the three months ended October 31, 2019, G&A expenses totaled $85,141 ($28.23 per boe) compared to $209,401 ($23.24 per boe) in the comparative period last year, representing an overall decrease of 59%.

During the current period, decreased salaries and consulting fees as well as decreased office expenses assisted in lowering overall G&A.

The Corporation has re-located their offices effective October 1, 2019 and this has resulted in monthly rent expense of approximately $750 as compared to $8,735, representing a 91% reduction.

In addition, under new management, the Corporation has also made significant reductions in office and computer services and software and filing fees.

The following table breaks down G&A expenses by category ($):

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Salaries, Consulting, and Director's fees	49,439	160,140
Audit and legal	15,188	-
Rent and parking	(5,355)	16,855
Office, computer services & software	4,269	16,099
Reserve report	9,307	3,443
Transfer Agent & filing fees	5,180	12,610
Insurance and safety	12,120	3,743
Travel, meals and entertainment	3,021	1,080
Overhead recovery	(8,028)	(4,569)
	85,141	**209,401**

EXPLORATION AND EVALUATION EXPENSES

During the three months ended October 31, 2019 and year ended July 31, 2019, the Corporation did not record any exploration and evaluation expenses.

OTHER INCOME AND EXPENSES ($)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Finance income – interest income	12	1,108
Finance expense	(1,900)	(3,018)
	(1,888)	**(1,910)**

DEPLETION, DEPRECIATION, DISPOSALS, AND IMPAIRMENT (“DDDI”) ($)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
DDDI	32,683	79,286
DDDI ($/boe)	**$10.84**	**$8.80**

Using the unit-of-production method based on total estimated proved plus probable reserves, depletion for the three months ended October 31, 2019 was $32,683 (October 31, 2018 - $79,286). Lower depletion during the current period was as a result of decreased production volumes due to natural declines.

EXPLORATION AND EVALUATION ASSETS

During the three months ended October 31, 2019 and year ended July 31, 2019, the Corporation did not record any exploration and evaluation assets.

PROPERTY AND EQUIPMENT

The Corporation has two CGUs: Alberta and Manitoba. As at July 31, 2019, the Corporation determined that indicators of impairment existed for its Alberta CGU. Accordingly, an impairment test was performed. The recoverable amount of each cash generating unit was estimated based on the higher of the value in use ("VIU") and the fair value less costs to sell. The estimated fair value less cost to disposal ("FVLCD") was used and was determined using estimated future cash flows based on estimated reserves, discounted at 15% (2018 - 10%). For Manitoba CGU, management determined that the resources were not commercially viable; therefore, the entire CGU was impaired as at July 31, 2019.

DECOMMISSIONING EXPENSES

During the three months ended October 31, 2019, the Corporation recorded accretion of $1,900 (July 31, 2019 - $8,829) and change in estimates of $326,701 (July 31, 2019 - $180,344).

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:

During the three months ended October 31, 2019 and year ended July 31, 2019, no shares were issued. Total number of shares issued and outstanding as at October 31, 2019 is 116,002,334 (July 31, 2019 - 116,002,334).

On December 22, 2017, the Corporation 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 Corporation at an exercise price of $0.20 per warrant expiring on December 22, 2019. In addition, the Corporation 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 Corporation at an exercise price of $0.20 per warrant expiring on December 22, 2019.

On December 29, 2017, the Corporation 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 Corporation at an exercise price of $0.20 per warrant expiring on December 29, 2019. In addition, the Corporation 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 Corporation at an exercise price of $0.20 per warrant expiring on December 29, 2019.

(c) Options

The Corporation has implemented a share option plan to allow the Corporation 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 Corporation. 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 Corporation 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 Corporation. 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 following is a summary of changes to the Corporation's share option plan:

	October 31, 2019		**July 31, 2019**	
	Number	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
Outstanding, beginning of period	-	-	1,500,000	$0.10
Granted	-	-	-	-
Expired	-	-	(1,500,000)	($0.10)
Outstanding, end of period	-	-	-	-
Exercisable, end of period	-	-	-	-

For the year ended July 31, 2019, share-based compensation in the amount of $8,467 was recognized in the Corporation's audited statements of loss and comprehensive loss.

(d) Warrants

	Number of Warrants	**Weighted Average Exercise Price**
Balance, July 31, 2017	25,416,960	0.20
Warrants expired	(1,930,880)	0.04
Balance, July 31, 2019	23,486,080	0.19
Warrants expired	-	-
Balance, October 31, 2019	**23,486,080**	**$ 0.19**

As at October 31, 2019, the warrants outstanding and exercisable were as follows:

Expiry date	Exercise price	Number of warrants at October 31, 2019
November 10, 2019	$ 0.0714	467,600
December 15, 2019	$ 0.0714	560,000
December 22, 2019	$ 0.20	16,719,950
December 28, 2019	$ 0.20	5,012,500
December 29, 2019	$ 0.20	726,030
		23,486,080

Subsequent to October 31, 2019, the outstanding warrants were expired without exercise.

NET INCOME (LOSS) & CASH USED IN OPERATING ACTIVITIES ($)

	Three Months Ended Oct. 31 2019	Three Months Ended Oct. 31 2018
Net income (loss)	(46,342)	157,279
Per share – basic and diluted	(0.00)	0.00
Net cash flow from (used in) operating activities	(309,492)	(445,438)

During the three months ended October 31, 2019, the Corporation recorded a net loss of $46,342 (October 31, 2018 – net income of $157,279). On a per share basis, this loss equates to $0.00 per share (October 31, 2018 - $0.00 per share).

SUPPLEMENT TO THE FINANCIAL STATEMENTS

The outstanding common shares, warrants, and stock options are summarized below (also see note 7 to the unaudited condensed interim consolidated financial statements for the three months ended October 31, 2019 and 2018):

	June 11, 2020	October 31, 2019	July 31, 2019
Common shares	116,002,334	116,002,334	116,002,334
Warrants	-	23,486,080	23,486,080
Stock options	-	-	-

RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

As at July 31, 2019, comparative amounts have been restated as follows:

(i) Deferred income taxes expenses for the year ended July 31, 2018 and deferred income taxes liabilities as at that date have been decreased by $1,065,000 to correct for an error in calculation of deferred income taxes in relation to the acquisition of High Point Oil Inc.;

(ii) Acquisition cost have been decreased by $275,861 and property and equipment has been increased by the same amount to correct an error in connection to the acquisition of High Point Oil Inc.

The total impact of these adjustments was that total asset increased by $275,861, total liabilities decreased by $1,065,000, accumulated deficit reduced by $1,340,861 and net loss was reduced by $1,340,861.

Also refer to note 4 to the audited consolidated financial statements for the years ended July 31, 2019 and 2018.

CONTINGENCY

During 2019, the Company was served with a Statement of Claim issued by the Court of Queen's Bench of Alberta that named the Company as the defendant. The Statement of Claim sought full payment to the invoice issued by the former drilling contractor for a total of $296,157. The Corporation's accounts payable and accrued liabilities as at July 31, 2019 has included payable balance of $296,157.

Subsequent to October 31, 2019, the Company entered into a settlement agreement with the former drilling contractor whereby both parties agreed to resolve the dispute regarding the payment of the invoice. The settlement agreement provides the Corporation's payment of the invoice for a total of $296,157 and legal costs for a total of $42,452. No other provision has been recorded in the interim financial statements. As at October 31, 2019, the Corporation recorded $296,157 and $42,452 in accounts payable and accrued liabilities.

On September 20, 2019, the Company entered into a letter agreement (the "Letter Agreement") with an industry partner regarding the proposed recompletion of three potential development prospects near the Company's area of activity. On October 28, 2019, the Company completed the acquisition, which included mineral interests and well bores. During November 2019, the Company successfully recompleted one of the well bores it had acquired, and the well is currently producing.

MATERIAL TRANSACTIONS

During December 2019, the Company received a legal letter from its industry partner respecting the Letter Agreement dated September 20, 2019 and the default by the industry partner regarding default on funds payable to the Company. On March 30, 2020, the Company was served with a Statement of Claim issued by the Court of Queen's Bench of Alberta that named the Company as the defendant. The Statement of Claim sought an interest and related revenue in certain the Company's assets. The Company is currently reviewing its options in resolving the matter. The likelihood of the outcome of this claim cannot be estimated as at the date of this MD&A.

During December 2019, the former CEO and CFO of the Company, have expressed formal grievances concerning their former employment. On January 7, 2020. the Company received legal letters from the former CEO and CFO. The Company is currently reviewing its options in resolving the matter. No provision or liability has been recorded since the outcome cannot be estimated as at the date of this MD&A.

On February 7, 2020, the Company was served with a Statement of Claim issued by the Court of Queen's Bench of Alberta that named the Company as the defendant. The Statement of Claim sought a transfer of certain the Company's assets and payment of all revenues from the Assets to a private company controlled by various former the Company's management (the "plaintiff"). During March 2020, the Company's legal counsel filed in the Court of Queen's Bench of Alberta, a Statement of Defence and a Counterclaim against the plaintiff. The likelihood of the outcome of this claim cannot be estimated as at the date of this MD&A.

Subsequent to October 31, 2019, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. As a result, global equity markets and oil prices have experienced significant volatility and weakness. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended October 31, 2019, the Corporation incurred a net loss of $46,342 (October 31, 2018 – net income of $157,279) and had net funds used in operating activities of $309,492 (October 31, 2018 – $445,438).

As at October 31, 2019, the Corporation had a working capital deficit of $592,034, which included cash of $267,295 (July 31, 2019 – working capital deficit of $363,872, which included cash of $202,731) and an accumulated deficit of $2,513,904 (July 31, 2019 - $2,467,562).

During the three months ended October 31, 2019 and year ended July 31, 2019, the Corporation financed its capital expenditure program from a combination of cash flow and from the proceeds of its private placements.

The Corporation anticipates it will fund its current year's capital expenditures through a combination of cash on hand and revenue received from operations.

RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Key management personnel include the directors and executive officers of the Corporation.

During the three months ended October 31, 2019, the Corporation paid salaries, consulting fees, and director fees to its executive officers in the amount of $37,025 (2018 - $105,100) which is included general and administrative expenses.

	October 31, 2019	October 31, 2018
Management fee to CEO	$ 14,125	$ 7,500
Management fee to CFO	-	6,600
Compensation to former CEO	-	45,000
Compensation to former CFO	17,400	39,000
Management fee to a director	4,500	4,500
Consulting fee to a director	-	-
Director fees	1,000	2,500
	$ 37,025	**$ 105,100**

(b) Other related party transactions

During the three months ended October 31, 2019, the Corporation paid relatives of a former director of the Corporation for IT administration, geo technical support and wellsite geology in the amount of $450 (2018 $28,200). All amounts are included in general and administrative expenses. These amounts are recorded at the exchange amount, which is the amount agreed upon by the related parties. As at October 31, 2019, included in trade payables and other payables are amounts owing to directors and officers of the Corporation in the amount of $Nil (2018 - $2,200).

FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Corporation's financial assets consist of cash and cash equivalent, accounts receivable, and accounts payable and accrued liabilities. The estimated fair values of cash and cash equivalent, accounts receivable, and accounts payable and accrued liabilities approximate their respective carrying values due to the short period to maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. The Corporation employs risk management strategies and polices to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, management has the responsibility to administer and monitor these risks.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's financial instruments that subject it to credit risk relate to cash in Canadian chartered banks, accounts receivable. The Corporation does not use any derivatives or similar instruments to mitigate its exposure to credit risk.

Substantially all of the Corporation's accounts receivable are due from marketers of the Corporation's petroleum and natural gas production, joint interest partners and government agencies, and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of the Corporation believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

Accounts receivable due from joint interest partners are typically collected within one to three months of the joint interest bill being issued to the partners.

The Corporation attempts to mitigate the risk from joint interest receivables by obtaining partner approval of significant capital expenditures prior to expenditure and, in certain circumstances, may elect to cash call a joint interest partner in advance of the work. However, the receivables are from participants in the oil and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalation costs and the risk of unsuccessful drilling. The Corporation does not typically obtain collateral from oil and natural gas marketers or joint interest partners, however, the Corporation does have the ability to withhold production from joint interest partners in the event of non-payment.

Receivables from petroleum and natural gas marketers are generally collected on the 25th day of the month following production and sale. Management of the Corporation believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Corporation has not experienced any collection issues with its marketers.

As at October 31, 2019 and July 31, 2019, the Corporation's accounts receivable was comprised of the following:

	October 31, 2019	July 31, 2019
Joint interest partners	$ 45,979	$ 109,357
Petroleum and natural gas marketers	82,621	107,606
Goods and services tax receivable	27,791	21,700
	$ 156,391	$ 238,663

Aging analysis of receivables are as follows:

	October 31, 2019	July 31, 2019
Current	$ 74,828	$ 105,553
31 – 60 days	2,701	1,746
61 – 90 days	3,455	(71)
Greater than 90 days	75,407	131,435
	$ 156,391	$ 238,663

No expected credit loss is recorded given the majority of the balance under greater than 90 days aging category is collected in a form of withhold production from the joint interest partner.

At October 31, 2019, the Corporation and its subsidiaries' cash is held at three financial institutions, which are Canadian Chartered Banks, as well as a trust account. Management believes that the risk of loss is minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation’s approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn.

The Corporation expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as through future equity and debt financings. The Corporation's accounts payable and accrued liabilities as at October 31, 2019 and 2018 are due within 30 to 60 days.

(c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation’s profit or loss or the value of financial instruments. These risks are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

Commodity price risk

Commodity price risk is the risk that the fair value of the future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian dollar and United States dollar, but also world economic events that dictate the levels of supply and demand. As at and during the three months ended October 31, 2019 and year ended July 31, 2019, the Corporation had no contracts in place to reduce its exposure to commodity price risk. As at October 31, 2019, an annual average change of 1% in crude oil prices would affect the Corporation’s report net income by $14,558 (July 31, 2019 - $12,462).

Foreign currency risk

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

Interest rate risk

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

(d) Capital management

The Corporation considers its capital structure to consist of share capital, share options and warrants. When managing capital, the Corporation's objective is to ensure the Corporation 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 Corporation monitors its working capital and expected capital spending and issues share capital to manage its development plans. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the Corporation's operations. As at October 31, 2019, the Corporation had managed capital, being total equity on the interim statement of financial position of $8,640,924 (July 31, 2019 - $8,687,266).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the current or prior year. The Corporation is not subject to externally imposed capital requirements.

CHANGES TO ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS

Changes to accounting policies

IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Corporation has adopted IFRS 16, “Leases”, on August 1, 2019 using modified retrospective. The Corporation does not have any leases and therefore, the transition to IFRS 16 had no material effect on the Corporation’s financial statements.

CRITICAL ACCOUNTING ESTIMATES

The following discussion sets forth management’s significant judgments, estimates and assumptions made in the preparation of these financial statements:

Critical judgments in applying accounting policies

The following are the critical judgments that management has made in the process of applying the Corporation’s accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

(i) Identification of cash-generating units

Property and equipment is aggregated into cash-generating-units (“CGUs”) based on the ability to generate largely independent cash flows and are used for impairment testing. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors the Corporation’s operations.

(ii) Impairment of petroleum and natural gas assets

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of petroleum and natural gas reserves, production rates, future oil and natural gas prices, future costs, discount rates and other relevant assumptions.

(iii) Joint operations

The Corporation is party to various joint interest, operating and other agreements in conjunction with its petroleum and natural gas activities. The revenues and expenses allocated between partners are governed by the terms of these agreements and are subject to interpretation and audit by the appropriate parties.

(iv) Deferred taxes

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that 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 and loss in the period in which the change occurs.

Key sources of estimation uncertainty:

The following are the key estimates and their assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities.

(i) Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts. During this review, historical experience, age of accounts receivable and the credit worthiness of the account are considered.

(ii) Reserves

The assessment of reported recoverable quantities of proved and probable reserves include estimates regarding production volumes, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Corporation's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning liabilities, and the recognition of deferred tax assets due to changes in expected future cash flows. The Corporation's petroleum and natural gas reserves were determined pursuant to National Instrument 51 -101, *"Standard of Disclosures for Oil and Gas Activities",* at least annually by independent reserve engineers, for the year ended July 31, 2019 and 2018.

(iii) Decommissioning liabilities

The calculation of decommissioning liabilities and related accretion expense includes management's estimates of current risk-free interest rates, future inflation rates, future restoration and reclamation expenditures and the timing of those expenditures. In most instances, removal of assets occurs many years in the future.

(iv) Share-based payments

The amounts recorded for share-based compensation expense relating to the fair value of share options issued are estimated using the Black-Scholes option pricing model including management's estimates of the future volatility of the Corporation's share value, expected forfeiture rates, expected lives of the share options (based on historical experience and general holder behaviour) and the risk-free interest rate (based on government bonds).

(v) Taxes

The amounts recorded for deferred tax asset are based on management's estimate as to the timing of the reversal of temporary differences and tax rates currently substantively enacted and the likelihood of tax assets being realized. The availability of tax pools and other deductions are subject to audit and interpretation by taxation authorities.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

BASIS OF BARREL OF OIL EQUIVALENT

For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent (boe) using 6,000 cubic feet (“6 mcf”) equal to one barrel (6:1), unless otherwise stated. The boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method and does not represent a value equivalency; therefore, boe may be misleading if used in isolation. This conversion conforms to the Canadian Securities Regulators’ National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.