Condensed Interim Consolidated Financial Statements of

BIRD RIVER RESOURCES INC.

Three Months Ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

(unaudited)

NOTICE OF DISCLOSURE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	As at October 31, 2019	As at July 31, 2019
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	$ 267,295	$ 202 731
Accounts receivable (Note 9)	156,391	238,663
Prepaid expenses and deposits	-	17,612
Total current assets	423,686	459,006
Non-current assets:		
Deposits	25,000	25,000
Property and equipment (Note 5)	10,133,484	9,623,063
Total non-current assets	10,158,484	9,648,063
Total assets	$ 10,582,170	$ 10,107,069
Liabilities and Equity		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,015,720	$ 822,878
Total current liabilities	1,015,720	822,878
Non-current liabilities:		
Decommissioning liabilities (Note 6)	925,526	596,925
Total liabilities	1,941,246	1,419,803
Equity:		
Share capital (Note 7)	10,273,404	10,273,404
Warrants (Note 7d)	862,244	862,244
Contributed surplus	19,180	19,180
Accumulated deficit	(2,513,904)	(2,467,562)
Total equity	8,640,924	8,687,266
Total liabilities and equity	$ 10,582,170	$ 10,107,069

Going concern of operations (Note 1)
Contingency (Note 11)
Subsequent events (Note 12)

See accompanying notes to unaudited condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors:

(signed) "Jon Bridgman", Director

(signed) "Donal Carroll", Director

BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Three months ended October 31, 2019 and 2018
(Expressed in Canadian dollars)
(unaudited)

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018
Revenue from petroleum and natural gas sales	$ 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 (Note 5)	32,683	79,286
Share-based payments (Note 7c)	-	2,890
	195,813	389,628
Income (loss) before the following:	(44,454)	204,182
Other income (expenses):		
Finance income – interest income	12	1,108
Finance expense	(1,900)	(3,018)
	(1,888)	(1,910)
Income (loss) before income taxes	(46,342)	202,272
Deferred income tax	-	(44,993)
Net income (loss) and comprehensive income (loss) for the period	$ (46,342)	$ 157,279
Basic and diluted loss per share	$ (0.00)	$ 0.00
Weighted average common shares – basic and diluted	116,002,334	116,002,334

See accompanying notes to unaudited condensed interim consolidated financial statements.

BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
(unaudited)

	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total equity
Balance, July 31, 2018 Restated	116,002,334	10,273,404	862,244	10,713	(1,774,979)	9,371,382
Share-based compensation	-	-	-	8,467	-	8,467
Net loss for the year Restated	-	-	-	-	(692,583)	(692,583)
Balance, July 31, 2019	116,002,334	10,273,404	862,244	19,180	(2,467,562)	8,687,266
Net loss for the period	-	-	-	-	(46,342)	(46,342)
Balance, October 31, 2019	**116,002,334**	**$ 10,273,404**	**$ 862,244**	**$ 19,180**	**$(2,513,904)**	**$8,640,924**

See accompanying notes to unaudited condensed interim consolidated financial statements.

BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows
Three months ended October 31, 2019 and 2018
(Expressed in Canadian dollars)
(unaudited)

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018
Operating activities:		
Net income (loss) for the period	$ (46,342)	$ 157,279
Adjustments for:		
Depletion and depreciation	32,683	79,286
Share-based compensation	-	2,890
Deferred income tax recovery	-	44,993
Net finance expense	1,888	1,910
Changes in non-cash working capital	(297,721)	(731,796)
Net cash used in operating activities	(309,492)	(445,438)
Investing activities:		
Additions to property and equipment	(216,403)	(430,541)
Changes in non-cash working capital	590,447	-
Net cash from (used in) operating activities	374,044	(430,541)
Financing activity:		
Interest income	12	1,108
Net cash from financing activities	12	1,108
Change in cash and cash equivalents	64,564	(874,871)
Cash and cash equivalents, beginning of period	202,731	1,724,778
Cash and cash equivalents, end of period	$ 267,295	$ 849,907

See accompanying notes to unaudited condensed interim consolidated financial statements.

1. General business description and ability to continue as a going concern

Bird River Resources Inc. ("Bird River" or the "Corporation") 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 these unaudited condensed interim consolidated financial statements ("interim financial statements") include Bird River Resources Inc. and its wholly owned subsidiaries (see Note 3a to the audited financial statements for the years ended July 31, 2019 and 2018).

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. ("High Point" or the" Company") (see Note 5 to the audited financial statements for the years ended July 31, 2019 and 2018). The Corporation's shares are listed on the Canadian Securities Exchange and are traded under the stock symbol "BDR".

<u>Going concern</u>

These interim financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the three months ended October 31, 2019, the Corporation incurred a net loss of $46,342 (2018 – net income of $157,279) and utilized cash of $309,492 (2018 - $445,438) in operations. The Corporation's working capital deficit has increased from $363,872 as at July 31, 2019 to $592,034 as at October 31, 2019 mainly due to capital expenditures on property, plant and equipment. The commercial production of the oil wells commenced during the year ended July 31, 2019; therefore, management is hopeful that the Corporation will be able to attain profitable operations in the near future. However, the continued operations of the Corporation are dependent on its ability to generate future positive operating cash flows and obtain additional financing. Management is of the opinion that sufficient working capital can be obtained from external financing to settle the Corporation's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Corporation.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern.

These interim financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of presentation, significant accounting judgments and estimates

(a) Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Corporation's last annual financial statements as at and for the year ended October 31, 2019 ("last annual financial statements"). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation's financial position and performance since the last annual financial statements.

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

(Expressed in Canadian dollars)

These interim financial statements were approved and authorized for issuance by the Board of Directors on June 11, 2020.

(b) Use of judgments and estimates

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in that last annual financial statements.

3. Significant accounting policies

Please refer to the October 31, 2019 audited consolidated financial statements and accompanying notes for a description of the significant accounting policies used by the Corporation. The policies set out in the Corporation's October 31, 2019 financial statements were consistently applied to all periods presented. These interim financial statements should be read in conjunction with the audited financial statements for the year ended October 31, 2019.

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.

4. Cash and cash equivalents

	October 31, 2019	July 31, 2019
Cash	$ 267,295	$ 202,731
Restricted cash	-	-
Total cash and cash equivalents	$ 267,295	$ 202,731

Cash is deposited at established Canadian financial institutions.

(Expressed in Canadian dollars)

5. Property and equipment

	Petroleum and natural gas properties	Total
	$	$
Cost		
Balance, July 31, 2018	8,703,748	8,703,748
Additions	1,185,990	1,185,990
Decommissioning liability - change in estimates	175,911	175,911
Balance, July 31, 2019	10,065,649	10,065,649
Additions	216,403	216,403
Decommissioning liability - change in estimates	326,701	326,701
Balance, October 31, 2019	10,608,753	10,608,753

	Petroleum and natural gas properties	Total
	$	$
Accumulated depletion, depreciation and impairment		
Balance, July 31, 2018	131,512	131,512
Depletion and depreciation	238,406	238,406
Impairment loss	72,668	72,668
Balance, July 31, 2019	442,586	442,586
Depletion and depreciation	32,683	32,683
Balance, October 31, 2019	475,269	475,269

	Petroleum and natural gas properties	Total
	$	$
Carrying value		
July 31, 2018	8,572,236	8,572,236
July 31, 2019	9,623,063	9,623,063
October 31, 2019	10,133,484	10,133,484

During September 2019, High Point entered into an agreement with an industry partner to acquire certain mineral interests and well bores. During the three months ended October 31, 2019, High Point incurred $216,403 in capital expenditures. $2,443 related to lease rentals, $128,681 related to intangible completion expenses, and $85,279 related to tangible and equipping expenses. During November 2019, the Corporation recompleted one of the well bores and has successfully brought it on production.

(Expressed in Canadian dollars)

Impairment

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%. For Manitoba CGU, management determined that the resources were not commercially viable; therefore, the entire CGU was impaired as at July 31, 2019.

Alberta cash-generating unit:

Based on the impairment test at July 31, 2019, the FVLCD was determined to be higher than the carrying value of the Corporation's petroleum and natural gas properties. Accordingly, there was no impairment to record.

6. Decommissioning liabilities

The Corporation's decommissioning liabilities result from its ownership interest in petroleum and natural gas assets including well sites and gathering systems. The total decommissioning liabilities are estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted cash flows required to settle the provision is $1,019,001 at October 31, 2019 (July 31, 2019 - $655,607), which have been discounted using pre-tax rate of 1.42% to 1.58% at October 31, 2019 (July 31, 2019 – 1.46% to 1.70%).

These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 15 years into the future and will be funded from general corporate resources at the time of abandonment.

The following table summarizes changes in decommissioning liabilities for the three months ended October 31, 2019 year ended July 31, 2019:

	October 31, 2019	**July 31, 2019**
Decommissioning liabilities, beginning of period	$ 596,925	$ 407,752
Provision for decommissioning liabilities	-	-
Accretion	1,900	8,829
Change in estimates	326,701	180,344
Decommissioning liabilities, end of period	$ 925,526	$ 596,925

Changes in estimates and assumptions for the three months ended October 31, 2019 and year ended July 31, 2019 relate to both the change in discount rates used and revisions to abandonment and reclamation cost estimates and future abandonment dates of the Corporation's wells and facilities.

The following assumptions were used to estimate the decommissioning obligation at October 31, 2019 and July 31, 2019:

	October 31, 2019	**July 31, 2019**
Undiscounted cash flows	$ 1,019,001	$ 655,607
Risk free rate	1.42% - 1.58%	1.46% - 1.70%
Inflation rate	2%	2%
Expected timing of cash flows	1 to 15 years	1 to 15 years

Change in estimates totalling $4,434 as at July 31, 2019 related to Manitoba CGU, which was fully impaired during the year; therefore, this amount was recorded directly to profit or loss within finance expenses.

7. 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.

(Expressed in Canadian dollars)

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.

8. Related party transactions

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

(a) Key management personnel compensation

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

(Expressed in Canadian dollars)

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).

9. 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:

a. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
b. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
c. 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.

(Expressed in Canadian dollars)

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.

10. Income taxes

The Corporation has non-capital loss carry forwards of approximately $1,750,764 (July 31, 2019 - $1,739,005) which may be carried forward to apply against future years' income for Canadian income tax purposes, subject to the final determination by taxation authorities.

11. Contingency

During the year ended July 31, 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 July 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.

12. Subsequent events

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 these interim financial statements.

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 these interim financial statements.

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 these interim financial statements.

Subsequent to year-end, 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.

Also see Notes 7d and 11.