Condensed Interim Consolidated Financial Statements of

BIRD RIVER RESOURCES INC.

Three and Nine Months Ended April 30, 2020 and 2019

(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 April 30, 2020 *(unaudited)*	As at July 31, 2019
Assets		
Current assets:		
Cash and cash equivalents (Note 4)	$ 113,485	$ 202 731
Accounts receivable (Note 9)	160,426	238,663
Prepaid expenses and deposits	13,458	17,612
Total current assets	287,369	459,006
Non-current assets:		
Deposits	25,000	25,000
Property and equipment (Note 5)	10,112,420	9,623,063
Total non-current assets	10,137,420	9,648,063
Total assets	$ 10,424,789	$ 10,107,069
Liabilities and Equity		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 957,247	$ 822,878
Total current liabilities	957,247	822,878
Non-current liabilities:		
Decommissioning liabilities (Note 6)	999,907	596,925
Long-term loan – (Note 1)	40,000	-
Total liabilities	1,997,154	1,419,803
Equity:		
Share capital (Note 7)	11,135,648	10,273,404
Warrants (Note 7d)	-	862,244
Contributed surplus	19,180	19,180
Accumulated deficit	(2,727,193)	(2,467,562)
Total equity	8,427,635	8,687,266
Total liabilities and equity	$ 10,424,789	$ 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 and Nine Months ended April 30, 2020 and 2019
(Expressed in Canadian dollars)
(unaudited)

	Three-Month Period Ended		Nine-Month Period Ended	
	April 30, 2020	**April 30, 2019**	**April 30, 2020**	**April 30, 2019**
Revenue from petroleum and natural gas sales	$ 105,007	$ 204,144	$ 774,750	$ 1,016,337
Royalties	(20,833)	(8,873)	(33,149)	(57,679)
Net revenue	84,174	195,271	741,601	958,658
Expenses:				
Operating costs	208,156	130,562	414,952	348,184
General and administrative	133,873	216,057	394,248	664,889
Depletion and depreciation (note 7)	60,383	28,045	186,394	157,539
Share-based payments (Note 11c)	-	2,687	-	8,467
	402,412	377,351	995,594	1,179,079
Loss from operations:	(318,238)	(182,080)	(253,993)	(220,421)
Other income (expenses):				
Finance income – interest income	-	613	58	3,120
Finance expense	(1,897)	(791)	(5,696)	(6,825)
	(1,897)	(178)	(5,638)	(3,705)
Loss from continuing operations	(320,135)	(182,258)	(259,631)	(224,126)
Net loss from discontinued operations	-	-	-	(196,878)
Loss before income taxes	(320,135)	(182,258)	(259,631)	(421,004)
Deferred income tax recovery, net of flow-through premiums	-	(280,000)	-	365,831
Net loss and comprehensive loss for the period	$ (320,135)	$ (462,258)	$ (259,631)	$ (55,173)
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Weighted average common shares – basic	116,002,334	116,002,334	116,002,334	116,002,334
Weighted average common shares – diluted	116,002,334	116,002,334	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
Warrants	-	862,244	(862,244)	-	-	-
Net income for the period	-	-	-	-	(259,631)	(259,631)
Balance, April 30, 2020	**116,002,334**	**$ 11,135,648**	**$ -**	**$ 19,180**	**$ (2,727,193)**	**$ 8,427,635**

See accompanying notes to unaudited condensed interim consolidated financial statements.

BIRD RIVER RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows
Three and Nine Months ended April 30, 2020 and 2019
(Expressed in Canadian dollars)
(unaudited)

	Three Months Ended		Nine Months Ended	
	April 30, 2020	**April 30, 2019**	**April 30, 2020**	**April 30, 2019**
Operating activities:				
Net loss for the period	$ (320,135)	$ (462,258)	$ (259,631)	$ (55,173)
Adjustments for:				
Depletion and depreciation	60,383	28,045	186,394	157,539
Share-based compensation	-	2,687	-	8,467
Deferred income tax recovery	-	280,000	-	(365,831)
Net finance expense	1,897	791	5,638	6,825
Net loss from discontinued operations		-	-	196,878
Changes in non-cash working capital	190,073	(341,438)	(236,458)	(368,982)
Net cash from (used in) operating activities	(67,782)	(492,173)	(304,057)	(420,277)
Investing activities:				
Additions to property and equipment	(6,515)	(58,668)	(278,464)	(1,162,101)
Proceeds from discontinued operations	-	64,351	-	64,351
Changes in non-cash working capital	31,066	-	453,217	-
Net cash used in investing activities	24,551	5,683	174,753	(1,097,750)
Financing activities:				
Long-term loan (Note 1)	40,000	-	40,000	-
Interest income	-	-	58	-
Net cash from financing activities	40,000	-	40,058	-
Change in cash and cash equivalents	(3,231)	(486,490)	(89,246)	(1,518,027)
Cash and cash equivalents, beginning of period	116,716	693,241	202,731	1,724,778
Cash and cash equivalents, end of period	$ 113,485	206,751	$ 113,485	$ 206,751

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".

Going concern

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 nine months ended April 30, 2020, the Corporation recorded a net loss of $259,631 (April 30, 2019 – $55,173) and used cash in operating activities of $304,057 (April 30, 2019 – $420,277). The Corporation's working capital deficit has increased from $363,872 as at July 31, 2019 to $669,878 as at April 30, 2020, 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.

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. To assist in achieving this, the Corporation received funds in the amount of $40,000 related to the Canada Emergency Business Account ("CEBA") application. These funds are interest-free until December 31, 2022, at which time the remaining balance will convert to a 3-year term loan at an interest rate of 5% per annum. If the Corporation repays the balance of the loan on or before December 31, 2022, there will be loan forgiveness of 25% or $10,000.

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 July 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.

These interim financial statements were approved and authorized for issuance by the Board of Directors on August 12, 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 July 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 July 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 July 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

	April 30, 2020	July 31, 2019
Cash	$ 113,485	$ 202,731
Restricted cash	-	-
Total cash and cash equivalents	$ 113,485	$ 202,731

Cash is deposited at established Canadian financial institutions.

(Expressed in Canadian dollars)

5. Property and equipment

	Petroleum and natural gas properties
	$
Cost	
Balance, July 31, 2018	8,703,748
Additions	1,185,990
Decommissioning liability - change in estimates	175,911
Balance, July 31, 2019	10,065,649
Additions	278,465
Decommissioning liability - change in estimates	397,286
Balance, April 30, 2020	10,741,400

	Petroleum and natural gas properties
	$
Accumulated depletion, depreciation and impairment	
Balance, July 31, 2018	131,512
Depletion and depreciation	238,406
Impairment loss	72,668
Balance, July 31, 2019	442,586
Depletion and depreciation	186,394
Balance, April 30, 2020	628,980

	Petroleum and natural gas properties
	$
Carrying value	
July 31, 2018	8,572,236
July 31, 2019	9,623,063
April 30, 2020	10,112,420

During September 2019, High Point entered into an agreement with an industry partner to acquire certain mineral interests and well bores. During the nine months ended April 30, 2020, the Corporation incurred $278,465 in capital expenditures. During November 2019, the Corporation recompleted one of the well bores and has successfully brought it on production.

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.

(Expressed in Canadian dollars)

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 April 30, 2020 (July 31, 2019 - $655,607), which have been discounted using pre-tax rate of 1.42% to 1.58% at April 30, 2020 (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 nine months ended April 30, 2020 year ended July 31, 2019:

	April 30, 2020	July 31, 2019
Decommissioning liabilities, beginning of period	$ 596,925	$ 407,752
Provision for decommissioning liabilities	-	-
Accretion	5,696	8,829
Change in estimates	397,286	180,344
Decommissioning liabilities, end of period	$ 999,907	$ 596,925

Changes in estimates and assumptions for the nine months ended April 30, 2020 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 April 30, 2020 and July 31, 2019:

	April 30, 2020	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:

(Expressed in Canadian dollars)

During the nine months ended April 30, 2020 and year ended July 31, 2019, no shares were issued. Total number of shares issued and outstanding as at April 30, 2020 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. The warrants expired unexercised 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. The Broker warrants expired unexercised 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. The warrants expired unexercised 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. The Broker warrants expired unexercised 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:

	April 30, 2020		**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.

(Expressed in Canadian dollars)

(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	(23,486,080)	(0.19)
Balance, April 30, 2020	**-**	**$ -**

As at April 30, 2020, there are no warrants outstanding.

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.

During the nine months ended April 30, 2020, the Corporation paid salaries, consulting fees, and director fees to its executive officers in the amount of $107,775 (April 30, 2019 - $296,300) which is included general and administrative expenses.

	April 30, 2020	April 30, 2019
Consulting fees to CEO	$ 48,500	$ 22,500
Consulting fees to COO	26,375	-
Salaries to former CEO	-	127,500
Salaries to former CFO	13,000	110,500
Consulting fees to former CFO	4,400	19,800
Consulting fees to a director	13,500	13,500
Director fees	2,000	2,500
	$ 107,775	**$ 296,300**

(b) Other related party transactions

During the nine months ended April 30, 2020, 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 (April 30, 2019 - $76,175). 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 April 30, 2020, included in trade payables and other payables are amounts owing to directors and officers of the Corporation in the amount of $17,000 (April 30, 2019 - $Nil).

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:

(Expressed in Canadian dollars)

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.

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 April 30, 2020 and July 31, 2019, the Corporation's accounts receivable was comprised of the following:

	April 30, 2020	July 31, 2019
Joint interest partners	$ 78,399	$ 109,357
Petroleum and natural gas marketers	30,585	107,606
Goods and services tax receivable	51,442	21,700
	$ 160,426	$ 238,663

(Expressed in Canadian dollars)

Aging analysis of receivables are as follows:

		April 30, 2020		July 31, 2019
Current	$	49,799	$	105,553
31 – 60 days		498		1,746
61 – 90 days		17,575		(71)
Greater than 90 days		92,554		131,435
	$	160,426	$	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 April 30, 2020, the Corporation and its subsidiaries' cash is held at two 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 April 30, 2020 and 2019 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 nine months ended April 30, 2020 and year ended July 31, 2019, the Corporation had no contracts in place to reduce its exposure to commodity price risk. As at April 30, 2020, an annual average change of 1% in crude oil prices would affect the Corporation's report net income by $11,866 (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 April 30, 2020, the Corporation had managed capital, being total equity on the interim statement of financial position of $8,427,635 (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 $1,806,546 (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 April 30, 2020, the Corporation recorded $296,157 and $42,452 in accounts payable and accrued liabilities of which $262,174 remains outstanding.

12. Subsequent events

Subsequent to July 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.

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.

On August 4, 2020, the Corporation entered into a share purchase agreement (the "Share Purchase") with an arms-length party (the "Acquirer") to sell 100% of the Corporation's shareholdings in its subsidiary, High Point to the Acquirer.

Under the terms of the Share Purchase, the Acquirer will pay the Corporation $90,000 to acquire:

- 100% of the Corporation's shareholdings in High Point;
- High Point's accounts payable and debts owed to the Corporation; and
- the Corporation's interest in three wells operated by High Point;
- The Acquirer is also assuming all liabilities in High Point.

The Share Purchase is conditional upon, among other things, the Corporation receiving shareholder approval at an upcoming shareholder meeting which is scheduled for September 25, 2020, the outgoing directors and officers of High Point delivering resignations and releases, and the Corporation, High Point and the Acquirer entering into a debt and payables assignment agreement pursuant to which the Corporation will assign to the Acquirer its rights and interests in all debts and payables owed to the Company by High Point.

Also see Note 11.