

BRS RESOURCES LTD.

*Management Discussion & Analysis
For the Three Months Ended
January 31, 2012*

Suite 1250 – 5910 N. Central Expressway,
Dallas, Texas
75206

**MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS FOR THE THREE MONTHS ENDED January 31, 2012**
(as of APRIL 27, 2012)

INTRODUCTION

The following discussion (the “MD&A”), prepared as of April 27, 2012, is management’s assessment and analysis of the results and financial condition of BRS Resources Ltd. (formerly Bonanza Resources Corporation) (the “Company” or “BRS”) for the three month period ended January 31, 2012 and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended October 31, 2011, and related notes attached thereto. The preparation of financial data is in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” consistently applied. These are the Company’s first consolidated interim financial statements under International Financial Reporting Standards (“IFRS”) for part of the period covered by the first IFRS consolidated annual financial statements and IFRS 1 “First-time Adoption of IFRS” has been applied. All figures are reported in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Often, but not always, forward looking statements can be identified by the use of words such as “plans”, “expects”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative and grammatical variations) of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Company’s actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management’s current views, and are based on certain assumptions, and speak only as of April 27, 2012. These assumptions, which include, management’s current expectations, estimates and assumptions about certain projects and the markets the Company operates in, the global economic environment, interest rates, exchange rates and the Company’s ability to manage its assets and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause its actual results to differ materially from those expressed or implied by the forward looking statements, including, but not limited to: (1) risks inherent in petroleum and natural gas exploration and development including environmental hazards, industrial accidents, or unusual or unexpected geological formations; (2) a decrease in the market price of oil and/or gas; (3) a decrease in the demand for oil and gas and oil and gas related products; (4) discrepancies between actual and estimated reserves and risks associated with the estimation of reserves; (5) the possibility that future exploration, development or exploration results will not be consistent with the Company’s expectations; (6) the inherent uncertainty of future production and cost estimates; (7) the potential for unexpected costs and expenses and changes to the cost of commencing production and the time when production commences, and actual ongoing costs; (8) the potential for, and effects of, labor disputes or other unanticipated difficulties with, or shortages of, labor; (9) unforeseen or changed regulatory restrictions, requirements and limitations, including environmental regulatory restrictions and liability and permitting restrictions; (10) the failure to obtain governmental approvals and fulfill contractual commitments, and the need to obtain new or amended licenses and permits; (11) changes in laws or policies, delays in, or the inability to obtain, necessary governmental permits; (12) the number of

competitors; (13) political and economic conditions in oil and gas producing and consuming countries; (14) failure to obtain additional capital at all or on commercially reasonable terms; (15) other factors beyond the Company's control; and (16) those factors described in the section entitled "Risk Factors and Uncertainties" in the Company's annual MD&A as filed on February 28, 2012.

Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from statements made in or incorporated by reference in this MD&A. The Company undertakes no obligation to update forward-looking statements if management's beliefs, estimates and opinions or the Company's circumstances as at the date hereof should change. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether; as a result of new information, future events or otherwise.

BUSINESS OF THE COMPANY

BRS is incorporated under the laws of British Columbia and its principal business activity is the acquisition and exploration of oil and gas interests in Italy and the United States. The Company has a wholly owned subsidiary in Texas, Bonanza Resources (Texas) Inc., which holds all of the Company's oil and gas assets. The Company is presently listed on the TSX Venture Exchange (the "Exchange") under the symbol "BRS".

The Company's business and executive office is located at Suite 1250 – 5910 N. Central Expressway, Dallas, Texas 75206. The registered and records offices are located at Suite 800 - 885 West Georgia Street, Vancouver, BC V6C 3H1.

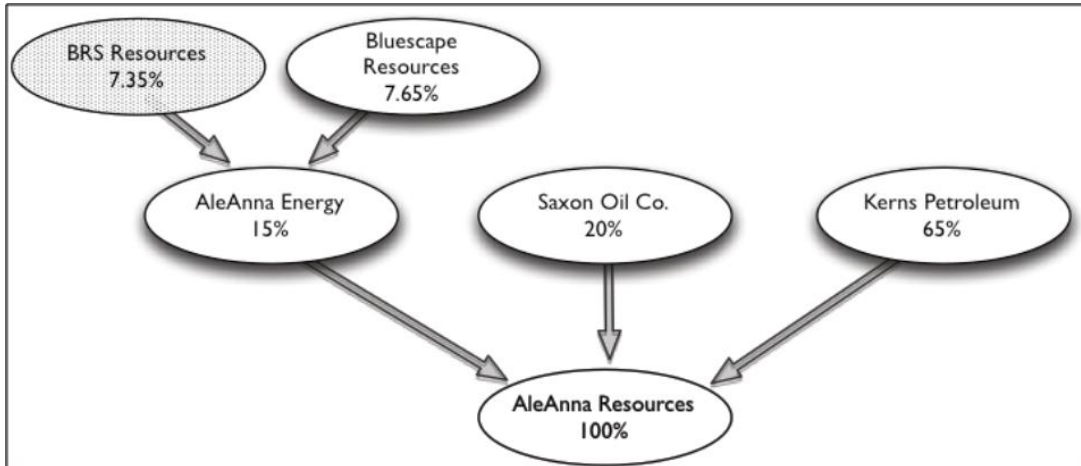
OVERALL PERFORMANCE

Operations

The Company is an international oil and gas exploration and production company targeting the European upstream energy business, with a primary focus on natural gas extraction in Italy. Through its 49% membership interest in AleAnna Energy LLC ("AleAnna Energy"), BRS holds approximately 25% interest in AleAnna Resources LLC ("AleAnna Resources"), a company that has assembled a land position currently encompassing approximately 803,000 acres (3,253 sq. km) in the Po Valley and Bradano basins in onshore Italy. In addition to the potential reserves, there are existing gathering and transportation systems prevalent throughout the region. By pioneering the use of 3-D seismic technology in onshore Italy, and with numerous exploration permits already issued, BRS through its ownership of AleAnna Resources, is well positioned to provide significant growth in reserves, production, and shareholder value.

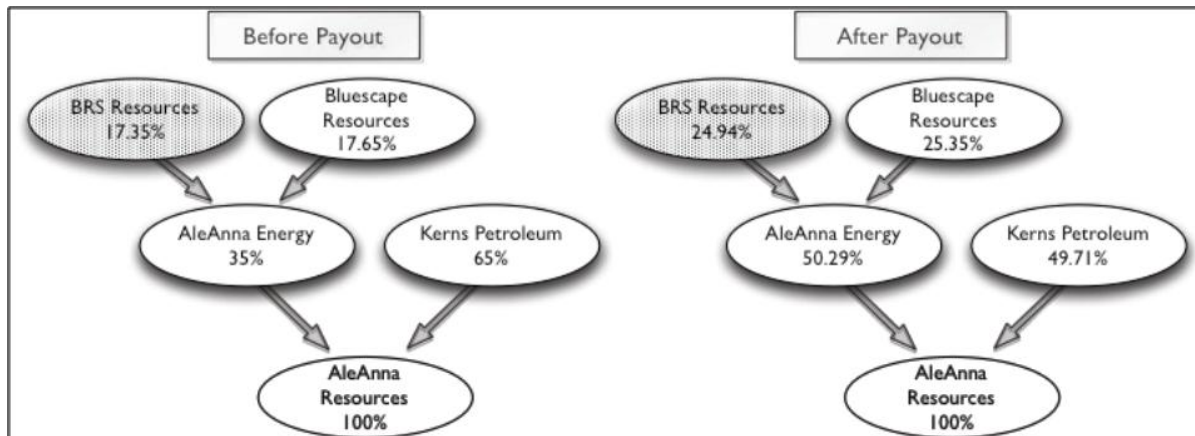
On November 3, 2010, the Company entered into a Membership Interest Purchase Agreement with several entities that collectively owned 100% of AleAnna Energy, which, at that time, owned 15% of AleAnna Resources, with an additional 20% back-in interest after payout. The Company purchased 100% of AleAnna Energy for US\$5,500,000. To finance this transaction, BRS obtained a bridge loan from Bluescape Resources Company, LLC ("Bluescape") and subsequently assigned 51% of its interest AleAnna Energy to Bluescape in exchange for a US\$3,366,000 reduction in the balance of the bridge loan. The remainder of the bridge loan was repaid from partial proceeds of a \$6,250,000 private

placement financing completed by the Company in December 2010. Upon the completion of these transactions, the ownership structure of AleAnna Resources was as follows:



On September 28, 2011, BRS, through AleAnna Energy, acquired from Saxon Oil Co. (“Saxon”) an additional 20% membership interest (the “Saxon Interest”) in AleAnna Resources. BRS’ pro rata share of the Saxon Interest was acquired for a combination of \$2,036,489 cash and 750,000 common shares of BRS valued at \$195,113. As a result of the acquisition of the Saxon Interest, AleAnna Energy currently owns 35% of AleAnna Resources, with an additional 20% back-in interest after payout of costs plus interest. Through its 49% membership interest in AleAnna Energy, BRS owns 17.15% of AleAnna Resources, before payout, and approximately 25% of AleAnna Resources after payout.

AleAnna Energy paid Saxon a non-refundable deposit to secure its obligations, which was credited against the purchase price of the Saxon Interest in connection with the closing of the acquisition. AleAnna Energy obtained the remaining consideration required for the acquisition by way of capital contributions from BRS and Bluescape. As described above, BRS contributed cash and common shares to AleAnna Energy as part of its pro rata share of the purchase price. Bluescape agreed to provide BRS with a loan equal to the amount of the cash contribution BRS was required to make to AleAnna Energy in connection with the acquisition of the Saxon Interest. The Company repaid this loan from the partial proceeds of a private placement financing undertaken by the Company in November 2011. Upon completion of the acquisition of the additional interest in AleAnna Resources, the ownership structure of AleAnna Resources was as follows:



Po Valley and Bradano Basins, Italy

In Italy, AleAnna Resources holds eight “Exploration Permits” and three “Applications for Exploration Permits”, totalling approximately 803,000 acres that have been approved by the Italian Ministry of Economic Development (General Directorate for Energy and Mining Resources, National Mining Office for Hydrocarbons and Geothermics) (the “Ministry”). Nine of the exploration permit applications, totalling 670,396 acres, are located in the Po Valley in northern Italy, and three exploration permit applications, totalling 132,483 acres, are located in the Bradano Basin in southern Italy.

In March 2009, AleAnna Resources completed a 31,100 acre (126 sq. km) 3-D seismic acquisition survey in the Corte Dei Signori permit area. The Corte Dei Signori permit area is located in southeastern Po Valley, and is on trend with a number of large natural gas fields. From the processing and interpretation of the 3-D data, AleAnna Resources generated a number of prospects and a drill location within the Gallare Field was selected as the first drill location. In November 2011, AleAnna Resources received the drilling permit for the Gallare 6d well from the Italian Ministry of Economic Development, and AleAnna Resources proceeded to drill the Gallare 6d well in February 2012. The Gallare 6d well was classified as proved undeveloped reserves in a National Instrument 51-101 compliant report prepared by the Company’s third party qualified reserves evaluator, Chapman Petroleum Engineering Ltd. A full copy of this report is available on the Company’s website at www.brsresources.com.

In August 2011, AleAnna Resources completed a 33,600 acre (136 sq. km) 3-D seismic acquisition survey in the Ponte Del Diavalo permit area. The 64,000 acre (258 sq. km) Ponte Del Diavalo permit area is located in southeastern Po Valley; slightly northwest of the Corte dei Signori permit area. The Ponte Del Diavalo seismic survey is currently being reprocessed prior to interpretation. In addition, AleAnna Resources has filed a work commencement application with the Ministry for its third 3-D seismic survey, this one on the Ponte Dei Grille exploration permit area, also in southeastern Po Valley. Three other permitted areas in the Po Valley are being scouted and designed for the 3-D seismic acquisition planned for in the second half of 2012.

The opportunity to explore and exploit oil and gas opportunities in Italy is subject to many federal and regional approvals. As a result of both the federal government and regional influence on the permitting process, very few wells have been drilled and developed over the past five years. Italy's economy is challenged at the present time and BRS’ management is hopeful that the newly appointed government will take necessary steps to expedite the approval processes related to oil and gas development. AleAnna Resources’ recent approval to drill and several other approvals have been positive indicators that change will come as Italy encourages more investment in their energy sector.

The natural gas commodity price in Italy is also influenced by many factors. While currently the commodity price is quite high, numerous factors can influence pricing. Italy imports 91% of their natural gas at the present time. Commodity prices spiked in early February due to extreme cold that blanketed most of Europe and the Russians cut the supply to Italy. BRS forecasts continued high prices for natural gas in Italy, but political and environmental uncertainty can affect AleAnna Resources’ pricing forecast.

After the drilling of the Gallare 6d well in February 2012, on March 26, 2012, BRS announced the Gallare 6d well encountered gas shows while drilling through the targeted zones of interest. However, the well, although structurally near expectations, unexpectedly encountered water saturations that suggested the reservoir was substantially depleted with water influx. Subsequently, AleAnna Resources temporarily abandoned the well and is conducting an in-depth review and analysis of the seismic data, new well log and historical field data before attempting further drilling or testing at Gallare field. The significant gas shows with modern log suites run in the Gallare well are being utilized to further refine seismically driven exploration models used by the Company in its ongoing exploration project. Attractive exploration

targets remain in multiple areas and multiple horizons. At the completion of the seismic interpretation incorporating the new revised modeling activity, multiple well applications are anticipated.

Other Company Interests

Caddo County, Oklahoma

As of January 31, 2010, all of the Company's reserves were located solely in the Lasley field area in Caddo County, Oklahoma. Today, however, the Company is solely focused on Italy and actively moving to divest these Oklahoma assets and its other assets. The reserves still owned in the U.S. are not material to the Company and represent less than 6% of the Company's total proved reserves and less than 3% of its total proved plus probable reserves.

Beaver County, Oklahoma

The Company previously acquired 3D seismic and significant leasehold in the project area, targeting Morrow sandstone and Mississippian carbonates. The Company farmed out its interest prior to drilling. One well was drilled during 2010 and abandoned as a dry hole. The Company wrote down associated costs in 2010. No further activity is anticipated and most leasehold acquired has now expired. The remaining 3D prospect costs of \$125,000 were written off in the first quarter of 2011.

SELECTED QUARTERLY INFORMATION

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited interim financial information, in Canadian dollars in accordance with IFRS and Canadian GAAP ("GAAP"), as indicated, for each of the eight most recently completed quarters:

	QUARTER ENDED			
	January 31, 2012⁽¹⁾	October 31, 2011⁽²⁾	July 31, 2011⁽²⁾	April 30, 2011⁽²⁾
(Loss)	\$(845,390)	(567,668)	(331,721)	(1,621,427)
(Loss) Per Share ⁽³⁾	\$(0.02)	(0.02)	(0.01)	(0.05)
	January 31, 2011⁽²⁾	October 31, 2010⁽²⁾	July 31, 2010⁽²⁾	April 30, 2010⁽²⁾
(Loss)	\$ (821,170)	(1,562,879)	(108,776)	(75,740)
(Loss) Per Share ⁽³⁾	\$ (0.03)	(0.31)	(0.02)	(0.03)

(1) Prepared in accordance with IFRS.

(2) Prepared in accordance with GAAP.

(3) Diluted loss per share has not been computed as it is anti-dilutive.

RESULTS OF OPERATIONS

For the quarter ended January 31, 2012 compared to quarter ended January 31, 2011

Net loss for the quarter ended January 31, 2012 totalled \$(845,390) (or \$0.02 per share), versus net loss of \$(821,170) (or \$0.03 per share) for the quarter ended January 31, 2011.

The following is a summary of the changes in the components of revenue and expense and the reasons for the changes:

		<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Oil and gas revenues	A	\$10,620	\$11,545	\$(925)
Management fee revenues	B	57,092	-	57,092
Interest & other income	C	6,266	-	6,266
Stock based compensation	D	416,948	-	416,948
Legal and accounting	E	153,721	56,670	97,051
Wages and benefits	F	147,460	186,834	(39,374)
Engineering and consulting fees	G	102,043	79,278	22,765
Office and general	H	60,345	79,199	(18,854)
Depletion, depreciation and amortization	I	42,118	10,275	31,843
Regulatory fees	J	38,258	41,886	(3,628)
Investor relations	K	35,079	626	34,453
Bank charges and interest	L	20,327	19,493	834
Rent	M	20,005	-	20,005
Travel	N	16,628	18,361	(1,733)
Production costs	O	6,026	7,695	(1,669)
Impairment expenses	P	-	116,534	(116,534)
(Gain) loss on foreign exchange	Q	\$(139,591)	\$215,864	\$(355,455)

- A Decrease primarily due to depressed gas prices in North America.
- B. Effective May 1, 2011, BRS executed a management contract with AleAnna Resources for managing operations in Italy. The contract calls for fees of \$15,000 per month plus expenses. The fee increased to \$22,500 per month effective January 1, 2012. The fees are net of the amount applicable to BRS' interest in AleAnna Resources.
- C. Increase primarily due to November 2011 private placement proceeds.
- D. Recognition of stock based compensation for incentive stock options granted earlier in the year in accordance with the vesting provisions of such stock options.
- E. Legal and accounting increased because of acquisitions and additional regulatory filings in connection with acquisitions and private placements.
- F. In period ending January 31, 2011, rent was included in the office and general expense line item. The amount was \$19,205. As a result of the reclassification there is no material change.
- G. Engineering fees increased because of evaluations of the Italian properties acquired during the year. Consulting fees increased because of fees paid to outside consultants for public relations and directors for ongoing oil and gas operations and financial matters. See Transactions With Related Parties.
- H. Decrease primarily due to AleAnna Resources management contract that offsets certain expenses.
- I. Depletion, depreciation and amortization increased because no reserves were added resulting in total reserves decreasing by approximately 8%. Production remained flat for the period resulting in a larger depletion charge.
- J. No material change
- K. Investor relations increased because of investor conferences, investor meetings, and additional news releases and services in connection with the Italian properties.

- L. No material change
- M. In period ending January 31, 2011, rent was included in the office and general expense line item. The amount was \$19,205. As a result of the reclassification there is no material change.
- N. No material change.
- O. No material change
- P. In January 2010, the Company wrote down its investment in the Oklahoma 3D seismic prospect. The balance of the investment in the leases was written off in the first quarter of 2011.
- Q. There was a large amount of funds transferred from the proceeds of the private placement from Canada to U.S. banks. The fluctuation of the exchange, although not large at any given time, resulted in significant amounts because of the large amounts of funds involved.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2012, the Company had cash on hand of \$3,109,276, an increase of \$2,786,440 from the cash on hand of \$322,836 at January 31, 2011. The increase in cash from January 31, 2011 resulted from a private placement completed in November 2011.

Working capital at January 31, 2012 was \$3,216,441, an increase of \$4,884,985 from a deficit of \$(1,668,544) at January 31, 2011, primarily due to the increase in cash and extinguishing a note payable which was issued in connection with the acquisition of AleAnna Energy. Current liabilities were \$181,144 during the three month period ended January 31, 2012 compared to \$2,297,986 for the prior period, primarily due to the eliminating the note payable which was issued in connection with the acquisition of AleAnna Energy. The Company's accumulated deficit at January 31, 2012 was \$(23,651,691) compared to \$(22,805,654) at January 31, 2010.

In December 2010, the Company completed a private placement of 25,000,000 units at \$0.25 per unit for gross proceeds of \$6,250,000. Each unit was comprised of one common share of the Company and one-half of one share purchase warrant, with each whole warrant exercisable into one common share at \$0.40 per share until December 1, 2012. The expiry date of the warrants is subject to a right of call of the Company in the event that the Company's shares trade above \$0.50 per share on the TSX Venture Exchange (or such other exchange as the shares may then be traded) for at least 20 consecutive trading days, in which case the expiry date will be accelerated to the date that is 30 days following the provision of notice by the Company to the warrant holders of the occurrence of such an event. The Company paid aggregate cash finder's fees of \$282,736, issued 678,200 units in lieu of a cash finder's fee, on the same terms as above, and issued 1,653,200 broker warrants, with each warrant exercisable into one share at \$0.30 per share until December 1, 2012, subject to the same right of call of the Company as described above.

In November 2011, the Company completed a private placement pursuant to which it issued convertible notes in the aggregate principal amount of \$6,000,000 and issued 10,000,000 share purchase warrants. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.45 per share until November 4, 2013, subject a right of call of the Company in the event that the Company's common shares trade above \$0.90 per share on the TSX Venture Exchange (or such other exchange on which the shares may then be listed) for a period of at least consecutive 20 trading days. The exercise price of the warrants may be adjusted downwards in accordance with the terms of the warrants subject to a minimum exercise price of \$0.25 per share. Subsequent to receipt of the approval of the Company's shareholders and the TSX Venture Exchange in November 2011, a new control person was created as a result of the conversion of the convertible notes issued in the private placement into common shares, which conversion was effected on November 25, 2011. The principal amount of the notes was converted into an aggregate of 20,000,000 common shares of the Company at a deemed conversion price of \$0.30 per conversion share. The Company paid interest of \$17,585 related to the conversion of the notes.

In connection with the private placement, the Company paid a finder's fee consisting of a cash payment in the amount of \$390,000 and the issuance of a total of 2,250,000 warrants. 1,500,000 of such warrants are each exercisable into one common share at a price of \$0.30 per share until November 4, 2013, subject to a right of call of the Company in the event that the Company's common shares trade above \$0.60 per share on the TSX Venture Exchange (or such other exchange on which the shares may then be listed) for a period of at least consecutive 20 trading days. 750,000 of such warrants are each exercisable into one common share at a price of \$0.45 per share until November 4, 2013, subject to a right of call of the Company in the event that the Company's common shares trade above \$0.90 per share on the TSX Venture Exchange (or such other exchange on which the shares may then be listed) for a period of at least consecutive 20 trading days.

BRS has historically relied on the issuance of share capital to raise funds. The Company is continually evaluating additional financing opportunities to meet its operational needs. Notwithstanding previous success in acquiring financing on acceptable terms, there is no guarantee that the Company will be able to obtain funding or on what terms any such capital may be available to the Company.

The Company currently has sufficient working capital to continue operations in the near term. However, the Company is expected to incur future losses which cast doubt as to the Company's ability to continue as a going concern, as doing so is dependent upon the Company's ability to raise the necessary funds and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. General market conditions may have an impact on the Company's ability to raise funds in the future.

TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. The balances referred to below are non-interest bearing, unsecured, payable on demand and have arisen from advances or the provision of services as described.

At January 31, 2012, the Company owed the Chairman \$1,028 for unreimbursed expenses. During the period ended January 31, 2011, the Company paid the Chairman or companies controlled by him \$141,275 for liabilities owed to the Chairman at the beginning of the fiscal year ended October 31, 2011.

During the period ended January 31, 2012, the President of the Company's U.S. subsidiary, and director of the Company, incurred \$17,588 in travel and office expenses compared to \$10,776 for the same period in 2011. At January 31, 2012, the Company owed the President of the Company's U.S. subsidiary \$12,065 for unreimbursed expenses.

During the period ended January 31, 2012, the President and a director of the Company incurred \$9,597 in travel expenses compared to \$20,396 for the same period in 2011. At January 31, 2012, the Company owed the President of the Company \$574 in travel expenses.

During the period ended January 31, 2011, the Company paid \$63,744 in repayment of loans made to the Company by the President and a director of the Company.

During the period ended January 31, 2011, the Company paid a party related to the current president and CEO, \$9,935 for rent on a temporary office space in Dallas, Texas occupied from September 1, 2010 through January 31, 2011.

During the period ended January 31, 2012, a director of the Company incurred \$13,986 in consulting fees compared to \$10,241 for the same period in 2011 and \$2,684 in travel expenses compared to \$2,196 for

the same period in 2011. At January 31, 2012, the Company owed the director \$9,566 for consulting fees and related expenses.

During the period ended January 31, 2012, a director of the Company incurred \$30,627 in consulting fees compared to nil for the same period in 2011 and \$972 in travel and office expenses compared to nil for the same period in 2011. At January 31, 2012, the Company owed the director \$16,035 for consulting fees and related expenses.

During the period ended January 31, 2012, the Company charged a management fee of \$68,911 to AleAnna Resources, of which \$11,818 was eliminated on consolidation, compared to nil for the same period in 2011. The Company has receivables from and unbilled charges to AleAnna Resources of \$220,451 for unpaid management fees and expenses at January 31, 2012.

OUTSTANDING SHARE DATA

The Company had the following securities outstanding as of the April 27, 2012:

a) Issued and outstanding share capital

<u>Class</u>	<u>Par Value</u>	<u>Authorized</u>	<u>Outstanding</u>
Common	No Par Value	Unlimited	52,724,779

b) Common share purchase warrants

<u>Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Warrants	1,684,400	\$0.30	December 1, 2012
Warrants	12,839,100	\$0.40	December 1, 2012
Warrants	10,750,000	\$0.45	November 4, 2013
Warrants	505,400	\$0.40	December 1, 2013
Warrants	1,500,000	\$0.30	November 4, 2014

c) Stock Options

<u>Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Options	30,000	\$1.50	March 12, 2013
Options	135,000	\$0.50	March 3, 2015
Options	680,000	\$0.27	November 15, 2015
Options	3,360,000	\$0.35	February 3, 2016
Options	70,000	\$0.25	June 9, 2016
Options	1,855,000	\$0.30	December 6, 2016

ADOPTION OF NEW ACCOUNTING STANDARDS

Financial Instruments - Disclosure and Presentation

In May 2009, CICA amended section 3862, *Financial Instruments - Disclosure* to include additional disclosure requirements about fair market value measurements for financial statements and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant

outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Goodwill and Intangible Assets

On November 1, 2009, the Company adopted CICA Handbook section 3074 *Goodwill and Intangible Assets* that replaced CICA Handbook section 3062 *Goodwill and Other Intangible Assets* as well as CICA Handbook section 3450 *Research and Development*. This new standard provides guidance on the recognition measurements, presentation and disclosure of goodwill and intangible assets. Adoption of this new standard did not have a material impact on the Company's consolidated financial statements and disclosures.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

International Financial Reporting Standards

These are the first consolidated financial statements that the Company has prepared under IFRS. They are unaudited statements for the quarter ending January 31, 2012 that will include unaudited comparative financial information for the quarter ending January 31, 2011. The first audited consolidated financial statements that the Company will have to prepare will be those for the year ending October 31, 2012 with comparative financial information for the year ending October 31, 2011. As a result, all of the opening balance sheet figures at November 1, 2010 must be computed prior to the issuance of the unaudited financial statements for the quarter ending January 31, 2012 so that comparative figures may be shown.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments of the Company consist of cash and equivalents, investments, amounts receivable, accounts payables and accrued liabilities, demand loans payable, interest payable on convertible debentures and due to related parties. The Company limits exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. At January 31, 2012, the Company held

the majority of its cash funds in the Company's interest bearing account at Bank of America located at 5500 Preston Road, Dallas, Texas.

The carrying amounts of cash, accounts receivables, accounts payable and accrued liabilities, demand loans payable, interest payable on convertible debentures and due to related parties approximate their values due to the short-term nature of these instruments.

The Company incurs certain of its expenditures related to the Oklahoma and Texas properties in United States dollars, and as such, is exposed to currency risk due to fluctuations in exchange rates. The Company does not undertake significant hedging activities to reduce its exposure to this risk.

Presently, the Company's petroleum revenues are from production of oil and gas in the United States and all petroleum revenues and expenditures are received in United States dollars. Certain current expenditures are in European Union Euros in the Italian operation of AleAnna Resources and these expenditures are affected by currency fluctuations. The Company currently maintains certain of its cash holdings in Canadian dollars. Future potential devaluation of the Canadian or United States dollar could have an adverse effect on the Company's ability to conduct financings in the future.

RISK FACTORS

The Company has a history of losses and this trend may continue and may negatively impact its ability to achieve its business objectives.

The Company's accumulated deficit was \$23,651,691 as at January 31, 2012. The Company has experienced net losses since inception, and expects to continue to incur substantial losses for the foreseeable future. The Company may not be able to generate significant revenues in the future. As a result, management expects the Company to continue to experience negative cash flows for the foreseeable future and cannot predict when, if ever, the business might become profitable. The Company will need to raise additional funds, and such funds may not be available on commercially acceptable terms, if at all. If the Company is unable to raise funds on acceptable terms, it may not be able to execute its business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This may seriously harm the Company's business, financial condition and results of operations.

The Company's operations and proposed exploration activities will require significant capital expenditures for which it may not have sufficient funding and if it does obtain additional financing, its existing shareholders may suffer substantial dilution.

The Company intends to make capital expenditures in excess of its existing capital resources to develop, acquire and explore oil and gas properties. It intends to rely on funds from operations and external sources of financing to meet its capital requirements to continue acquiring, exploring and developing oil and gas properties and to otherwise implement its business plan. The Company plans to obtain additional funding through the debt and equity markets, but it can offer no assurance that it will be able to obtain additional funding when it is required or that it will be available to it on commercially acceptable terms, if at all. In addition, any additional equity financing may involve substantial dilution to the Company's then existing shareholders.

The successful implementation of the Company's business plan is subject to risks inherent in the oil and gas business, which if not adequately managed could result in additional losses.

The Company's oil and gas operations are subject to the economic risks typically associated with exploration and development activities, including the necessity of making significant expenditures to

locate and acquire properties and to drill exploratory wells. In addition, the availability of drilling rigs and the cost and timing of drilling, completing and, if warranted, operating wells is often uncertain. In conducting exploration and development activities, the presence of unanticipated pressure or irregularities in formations, miscalculations or accidents may cause the Company's exploration, development and, if warranted, production activities to be unsuccessful. This could result in a total loss of the Company's investment in a particular well.

In addition, market conditions or the unavailability of satisfactory oil and gas transportation arrangements may hinder the Company's access to oil and gas markets, which may delay its production timelines. The availability of a ready market for its prospective oil and gas production depends on a number of factors, including the demand for and supply of oil and gas and the proximity of reserves to pipelines and other facilities. The Company's ability to market such production, if any, will depend in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities, in most cases owned and operated by third parties. The Company's failure to obtain such services on acceptable terms could materially harm its business. The Company may be required to shut in wells for lack of a market or a significant reduction in the price of oil or gas or because of inadequacy or unavailability of pipelines or gathering system capacity. If that occurs, the Company would be unable to realize revenue from those wells until arrangements are made to deliver such production to market.

We may rely on third party providers in relation to certain of the activities we undertake on our Italian projects, which will expose us to uncertain control issues and potential liabilities.

The Company or an affiliated entity designated by the Company may serve as operator in Italy. The Company intends to use affiliated entities to hold and operate its interests. The Company may hire third parties to conduct certain activities in Italy. The Company's success will depend on its ability to provide adequate oversight of these third party providers and to ensure that the work provided is adequate for its purposes. If the Company is unable to provide adequate oversight of the work being conducted, the Company's operations in Italy could be adversely affected and the Company could be exposed to certain liabilities for the actions of the third party providers.

The Company's future performance is dependent upon its ability to identify, acquire and develop oil and gas properties, the failure of which could result in under use of capital and losses.

The Company's future performance depends upon its ability to identify, acquire and develop additional oil and gas reserves that are economically recoverable. Its success will depend upon its ability to acquire, directly or indirectly, working and revenue interests in properties upon which oil and gas reserves are ultimately discovered in commercial quantities, and its ability to develop prospects that contain proven oil and gas reserves to the point of production. Without successful acquisition and exploration activities, the Company will not be able to develop additional oil and gas reserves or generate revenues. The Company cannot provide shareholders with any assurance that it will be able to identify and acquire additional oil and gas reserves on acceptable terms, or that oil and gas deposits will be discovered in sufficient quantities to enable it to recover its exploration and development costs or sustain its business.

The successful acquisition and development of oil and gas properties requires an assessment of recoverable reserves, future oil and gas prices and operating costs, potential environmental and other liabilities, and other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain. In addition, no assurance can be given that the Company's exploration and development activities will result in the discovery of additional reserves. Its operations may be curtailed, delayed or canceled as a result of lack of adequate capital and other factors, including lack of availability of rigs and other equipment, title problems, weather, issues pertaining to compliance with governmental regulations or price controls, mechanical difficulties, or unusual or unexpected formations, pressures or work

interruptions. In addition, the costs of exploration and development may materially exceed the Company's initial estimates.

Market conditions or operation impediments may hinder the Company's access to natural gas and oil markets or delay its production.

The marketability of production from the Company's properties will depend, in part, upon the availability, proximity and capacity of pipelines, natural gas gathering systems and processing facilities. This dependence is heightened where this infrastructure is less developed. Therefore, if drilling results are positive in certain of our properties, a new gathering system may need to be built to handle the potential volume of gas produced. The Company might be required to shut in wells, at least temporarily, for lack of a market or because of the inadequacy or unavailability of transportation facilities. If that were to occur, the Company would be unable to realize revenue from those wells until arrangements were made to deliver production to market.

The Company's ability to produce and market natural gas and oil may be affected and harmed by:

- the lack of pipeline transmission facilities or carrying capacity;
- government regulation of natural gas and oil production;
- government transportation, tax and energy policies;
- changes in supply and demand; and
- general economic conditions.

The Company's properties might not produce, and the Company may not be able to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them, which could cause the Company to incur losses.

Although the Company has reviewed and evaluated its properties in a manner consistent with industry practices, such review and evaluation might not necessarily reveal all existing or potential problems. This is also true for any future acquisitions. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, a seller may be unwilling or unable to provide effective contractual protection against all or part of those problems, and the Company may assume environmental and other risks and liabilities in connection with the acquired properties.

If the Company fails to maintain adequate insurance, its business could be materially and adversely affected.

The Company's operations are subject to risks inherent in the oil and gas industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution, earthquakes and other environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, and suspension of operations. The Company could be liable for environmental damages caused by previous property owners. Substantial liabilities to third parties or governmental entities could be incurred, the payment of which could have a material adverse effect on the Company's financial condition and results of operations.

The oil and gas industry is highly competitive, and the Company may not have sufficient resources to compete effectively.

The oil and gas industry is highly competitive. The Company competes with oil and natural gas companies and other individual producers and operators, many of which have longer operating histories and substantially greater financial and other resources than the Company, as well as companies in other industries supplying energy, fuel and other needs to consumers. The Company's larger competitors, by reason of their size and relative financial strength, can more easily access capital markets than the Company can and may enjoy a competitive advantage in the recruitment of qualified personnel. They may be able to absorb the burden of any changes in laws and regulation in the jurisdictions in which the Company does business and handle longer periods of reduced prices for oil and gas more easily than the Company can. Its competitors may be able to pay more for oil and gas leases and properties and may be able to define, evaluate, bid for and purchase a greater number of leases and properties than it can. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly than the Company can. The Company's ability to acquire additional properties in the future will depend upon its ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

Complying with environmental and other government regulations could be costly and could negatively impact the Company's production.

The Company's business is governed by numerous laws and regulations at various levels of government. Such laws and regulations may, among other potential consequences, require that the Company acquire permits before commencing drilling and restrict the substances that can be released into the environment with drilling and production activities. Under these laws and regulations, the Company could be liable for personal injury, clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. Prior to commencement of drilling operations, the Company may secure limited insurance coverage for sudden and accidental environmental damages as well as environmental damage that occurs over time. However, the Company does not believe that insurance coverage for the full potential liability of environmental damages is available at a reasonable cost. Accordingly, it could be liable, or could be required to cease production on properties, if environmental damage occurs.

The costs of complying with environmental laws and regulations in the future may harm the Company's business. Furthermore, future changes in environmental laws and regulations could result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on its financial condition or results of operations.

Shortages of rigs, equipment, supplies and personnel could delay or otherwise adversely affect the cost of operations or the Company's ability to operate according to its business plans.

The demand for and wage rates of qualified drilling rig crews generally rise in response to the increasing number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay, restrict or curtail the Company's exploration and development operations, which could in turn harm its operating results.

The geographic concentration of all of the Company's primary properties in Italy subjects it to an increased risk of loss of revenue or curtailment of production from factors affecting those areas.

The geographic concentration of all of the Company's property interests in Italy means that its properties could be affected by the same event should the country experience:

- severe weather;

- delays or decreases in production, the availability of equipment, facilities or services;
- delays or decreases in the availability of capacity to transport, gather or process production; or
- changes in the regulatory environment.

The oil and gas exploration and production industry historically is a cyclical industry and market fluctuations in the prices of oil and gas could adversely affect the Company's business.

Prices for oil and gas tend to fluctuate significantly in response to factors beyond the Company's control. These factors include:

- weather conditions wherever the Company's property interests are located;
- economic conditions, including demand for petroleum-based products;
- actions by the Organization of Petroleum Exporting Countries;
- political instability in the Middle East and other major oil and gas producing regions;
- governmental regulations, both domestic and foreign;
- domestic and foreign tax policy;
- the pace adopted by foreign governments for the exploration, development, and production of their national reserves;
- the price of foreign imports of oil and gas;
- the cost of exploring for, producing and delivering oil and gas;
- the discovery rate of new oil and gas reserves;
- the rate of decline of existing and new oil and gas reserves;
- available pipeline and other oil and gas transportation capacity;
- the ability of oil and gas companies to raise capital;
- the overall supply and demand for oil and gas; and
- the availability of alternate fuel sources.

Changes in commodity prices may significantly affect the Company's capital resources, liquidity and expected operating results. Price changes will directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in oil and gas prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non-cash charges to earnings due to impairment.

Changes in commodity prices may also significantly affect the Company's ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and

gas producing properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and the exploration and development of projects. The Company expects that commodity prices will continue to fluctuate significantly in the future.

The Company's ability to produce oil and gas from its properties may be adversely affected by a number of factors outside of its control, which may result in a material adverse effect on its business, financial condition or results of operations.

The business of exploring for and producing oil and gas involves a substantial risk of investment loss. Drilling oil and gas wells involves the risk that the wells may be unproductive or that, although productive, the wells may not produce oil or gas in economic quantities. Other hazards, such as unusual or unexpected geological formations, pressures, fires, blowouts, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well. Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic if water or other deleterious substances are encountered that impair or prevent the production of oil or gas from the well. There can be no assurance that oil and gas will be produced from the properties in which the Company has interests. In addition, the marketability of oil and gas that may be acquired or discovered may be influenced by numerous factors beyond the Company's control. These factors include the proximity and capacity of oil and gas, gathering systems, pipelines and processing equipment, market fluctuations in oil and gas prices, taxes, royalties, land tenure, allowable production and environmental protection. The Company cannot predict how these factors may affect its business.

A decline in the price of the Company's common shares could affect its ability to raise further working capital and adversely impact its ability to continue operations.

A prolonged decline in the price of the Company's common shares could result in a reduction in the liquidity of its common shares and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of the Company's common stock could be especially detrimental to its liquidity and operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on its business plan and operations, including its ability to develop new properties and continue current operations. If the Company's share price declines, it can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, it may not be able to have the resources to continue its normal operations.

If the Company issues additional shares in the future, it will result in the dilution of its existing shareholders.

The Company's notice of articles authorizes the issuance of an unlimited number of common shares. The Company's board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares will result in a reduction of the book value and market price of the Company's outstanding common shares. If the Company issues any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all current shareholders. Further, such issuance may result in a change of control of the Company.

The Company's legal rights under the Membership Interest Purchase Agreement with AleAnna Energy are difficult to assess.

The assessment of economic viability of our land positions in Italy and the options available to the Company will be difficult to assess. We may not be able to enforce our rights under the Membership

Interest Purchase Agreement with AleAnna Energy, and we may receive an unfavorable interpretation of such agreement if there is a dispute.

We depend on our executive officers for critical management decisions and industry contacts.

We are dependent upon the continued services of Steven Moore, our president and Sioux Sinnott, the president of our US subsidiary, both of whom have significant experience in the oil and gas industry. We do not carry key person insurance on their lives. The loss of the services of either of our executive officers, through incapacity or otherwise, would be costly to us and would require us to seek and retain other qualified personnel.

OTHER INFORMATION

This management's discussion and analysis of the financial position and results of operations of the Company for the period ended January 31, 2012 should be read in conjunction with the audited consolidated annual financial statements for the year ended October 31, 2011. Additional information relating to the Company can be accessed through the Company's public filings on SEDAR at www.sedar.com or on the Company's website at www.brsresources.com.

BOARD APPROVAL

The Board of Directors of the Company has approved this MD&A on April 25, 2012.