BRS RESOURCES LTD.

DALLAS, TEXAS, USA

CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2012 and 2011

1. Consolidated Statements of Operations and Deficit
2. Consolidated Statements of Financial Position
3. Consolidated Statements of Changes in Equity
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BRS Resources Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

Three months ended April 30, 2012 and 2011

Responsibility for Financial Statements

The consolidated interim financial statements were prepared using 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. The consolidated interim financial statements do not include all of the information required for full annual financial statements. The most significant of these accounting principles have been set out in the October 31, 2011 annual audited financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many of the assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

All figures are reported in Canadian dollars, unless otherwise indicated.

Notice of disclosure of non-auditor review of interim financial statements pursuant to National Instrument 51-102m Part 4, Subsection 4.3 (3)(a) issued by the Canadian Securities Administration.

The accompanying financial statements for the period ended April 30, 2012 are the responsibility of the Company's management. The auditors of BRS Resources Ltd. have not performed a review or an audit of the consolidated interim financial statements for the three months and six months ended April 30, 2012 and 2011.

BRS Resources Ltd.

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT

	3 Months Ended April 30,		6 Months Ended April 30,	
	2012	2011	**2012**	2011
REVENUE				
Oil and gas	$ **8,999**	22,324	$ **19,619**	33,054
Management fee	**55,594**	-	**112,686**	-
Sale of oil and gas properties	**5,013**	-	**5,013**	-
	69,606	22,324	**137,318**	33,054
EXPENSES				
Stock based compensation	**5,209**	1,247,648	**422,157**	1,247,648
Legal and accounting	**108,491**	20,451	**262,213**	63,061
Wages and benefits	**159,895**	82,229	**307,354**	281,113
Engineering and consulting fees	**75,826**	155,892	**177,868**	249,229
Office and general	**59,650**	41,172	**119,995**	83,549
Depletion, depreciation and amortization	**12,860**	14,520	**54,978**	24,795
Regulatory fees	**2,794**	25,761	**41,053**	67,647
Investor relations	**16,360**	19,587	**51,440**	25,701
Bank charges and interest	**123**	77	**20,451**	19,570
Rent	**10,974**	8,348	**30,980**	27,634
Travel	**3,490**	14,597	**20,117**	32,958
Production costs	**10,283**	8,866	**16,309**	16,560
Impairment expense	-	8,466	-	125,000
(Gain) loss on foreign exchange	**(448,048)**	(372,337)	**(587,640)**	(156,473)
	17,907	1,275,277	**937,275**	2,107,992
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	**51,699**	(1,252,953)	**(799,957)**	(2,074,938)
Interest and other income	**4,793**	3,864	**11,059**	4,678
NET INCOME (LOSS)	**56,492**	(1,249,089)	**(788,898)**	(2,070,260)
DEFICIT, beginning of period	**(23,635,926)**	(20,500,703)	**(22,790,536)**	(19,679,532)
DEFICIT, end of year	$ **(23,579,434)**	(21,749,792)	$ **(23,579,434)**	(21,749,792)
INCOME (LOSS) PER SHARE (basic and diluted)	$ **0.00**	(0.04)	$ **(0.02)**	(0.14)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (basic and diluted)	**52,724,776**	30,866,822	**51,182,363**	16,047,583

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		April 30, 2012	October 31, 2011
ASSETS			
Current:			
Cash	$	**2,287,590**	322,836
Accounts and other receivables		**63,208**	100,604
Due from related parties		**241,242**	189,774
Prepaid expenses		**57,510**	16,228
Total Current Assets		**2,649,550**	629,442
Other restricted assets		**196,224**	96,143
Deposit on acquisition		**-**	-
Exploration and evaluation assets *[Note 5]*		**2,028,214**	1,436,887
Property and equipment *[Note 6]*		**4,525,739**	4,135,262
Total Assets	$	**9,399,727**	6,297,734
LIABILITIES			
Current:			
Accounts payable and accrued expenses	$	**91,463**	374,111
Notes payable *[Note 7]*		**-**	1,890,193
Due to related parties		**11,438**	32,068
Decommissioning obligation *[Note 12]*		**1,605**	1,614
Total Current Liabilities		**104,506**	2,297,986
Decommissioning obligation, long term portion *[Note 12]*		**776**	737
Total Liabilities		**105,282**	**2,298,723**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital *[Note 8]*		**30,101,976**	24,464,801
Share subscriptions		**-**	(25,000)
Contributed surplus *[Note 9]*		**2,771,903**	2,349,746
Deficit		**(23,579,434)**	(22,790,536)
Total Shareholders' Equity (deficit)		**9,294,445**	3,999,011
Total Liabilities & Shareholders' Equity (deficit)	$	**9,399,727**	6,297,734

APPROVED ON BEHALF OF THE BOARD:

Steven Moore	***Michael Noonan***
President / CEO	CFO

BRS Resources Ltd.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

	Number of Common Shares	Share Capital	Share Subscriptions	Contributed Surplus	Accumulated Deficit	Total Equity
Balance, November 1, 2010	5,188,622	$ 18,049,724	$ -	$ 937,585	$ (19,679,532)	$ (692,223)
Equity offering, net of issuance cost	25,678,200	5,967,264	-	-	-	5,967,264
Shares issued for debt	1,010,800	252,700	-	-	-	252,700
Net loss for period	-	-	-	-	(2,070,260)	(2,070,260)
Balance, April 30, 2011	31,877,622	24,269,688	-	937,585	(21,749,792)	3,457,481
Shares issued for properties	750,000	195,113	-	-	-	195,113
Reclassify unpaid subscription	-	-	(25,000)	-	-	(25,000)
Share based compensation	-	-	-	1,412,161	-	1,412,161
Net loss for period	-	-	-	-	(1,040,744)	(1,040,744)
Balance, October 31, 2011	32,627,622	24,464,801	(25,000)	2,349,746	(22,790,536)	3,999,011
Equity offering, net of issuance cost	20,000,000	5,606,529	-	-	-	5,606,529
Warrants exercised	97,154	30,646	-	-	-	30,646
Share subscription paid	-	-	25,000	-	-	25,000
Share based compensation	-	-	-	422,157	-	422,157
Net loss for period	-	-	-	-	(788,898)	(788,898)
Balance, April 30, 2012	52,724,776	$ 30,101,976	$ -	$ 2,771,903	$ (23,579,434)	$ 9,294,445

BRS Resources Ltd.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

		3 Months Ended April 30,			6 Months Ended April 30,	
		2012	2011		**2012**	2011
OPERATIONS						
Net income (loss)	**$**	**56,492**	(1,249,089)	**$**	**(788,898)**	(2,070,260)
Add items not affecting cash:						
Depletion, depreciation and amortization		**12,860**	14,520		**54,978**	24,795
Stock based compensation		**5,209**	1,247,648		**422,157**	1,247,648
Impairment expense		**-**	8,466		**-**	125,000
Other-net		**-**	1,809		**-**	1,810
		74,561	23,354		**(311,763)**	(671,007)
Change in non-cash working capital balances related to operations:						
(Increase) decrease in accounts and other receivables		**(25,228)**	(26,464)		**37,396**	(109,662)
Increase in due from related parties		**(19,645)**	-		**(51,468)**	-
(Increase) decrease in prepaid and other assets		**(28,787)**	10,451		**(41,252)**	(2,431)
Increase in accounts payable and accrued expenses		**(47,462)**	(83,198)		**(282,648)**	(104,322)
Increase in asset retirment obligation payable		-	855		-	1,541
Increase (decrease) in due to related parties		**(29,148)**	516		**(20,630)**	(334,960)
		(75,709)	(74,486)		**(670,365)**	(1,220,841)
FINANCING						
Issuance of common shares, net of offering costs		**25,000**	-		**5,631,529**	5,967,264
Warrants exercised		**30,646**	-		**30,646**	-
Increase in notes payable		**-**	44,131		**-**	700,556
Decrease in notes payable		**-**	(33,146)		**(1,890,193)**	(500,382)
Increase (decrease) in demand loans payable		**-**	-		**-**	-
		55,646	10,985		**3,771,982**	6,167,438
INVESTING						
Petroleum and natural gas properties:						
Acquisition costs		**(182,060)**	(487,079)		**(433,419)**	(3,077,283)
Exploration costs		**(546,865)**	-		**(591,327)**	-
Acquisition of equipment		**(11,907)**	(18,382)		**(12,036)**	(34,348)
Increase in other restricted assets		**(60,794)**	-		**(100,081)**	-
		(801,626)	(505,461)		**(1,136,863)**	(3,111,631)
Increase (decrease) in cash		**(821,689)**	(568,962)		**1,964,754**	1,834,966
Cash, beginning of period		**3,109,279**	2,409,513		**322,836**	5,585
CASH, end of period	**$**	**2,287,590**	1,840,551	**$**	**2,287,590**	1,840,551

During the period ended April 30, 2012, the Company paid $20,451 (2011- $190,677) in interest charges. -
During 2011 the Company issued 1,010,800 units at $0.25 to settle debt of $252,700.
During 2011 asset retirement obligation increased $2,351

1. NATURE OF OPERATIONS

BRS Resources Ltd. (the "Company"), incorporated in the Province of British Columbia, is a public company listed on the TSX Venture Exchange. The accompanying consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, Bonanza Resources (Texas), Inc., a Texas corporation, and its pro-rata share of the accounts of AleAnna Energy, LLC, a Delaware Limited Liability Company, which includes its pro-rata share of the accounts of AleAnna Resources, LLC, a Delaware Limited Liability Company. The Company's address and principal place of business is 5910 North Central Expressway, Suite 1250, Dallas, TX 75205, USA.

The Company is primarily engaged in production, exploration, and acquisition of petroleum and natural gas properties in the United States and through its investment in AleAnna Energy, LLC, Italy.

The recoverability of amounts recorded as petroleum and natural gas assets is dependent upon the discovery of economically recoverable reserves. These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and at April 30, 2012 has net working capital of $2,545,044 (working capital deficiency - October 31, 2011 - $1,668,544). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise additional financing to fund its operations.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheets.

Management plans to continue to pursue equity and debt financing to support operations. Management believes this plan will be sufficient to meet the Company's liabilities and commitments as they become payable over the next twelve months. There can be no assurance that management's plan will be successful. Failure to maintain the support of creditors and obtain additional external equity financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

These consolidated interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting". 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. The consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 18. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previous Canadian Generally Accepted Accounting Principles (GAAP) to those reported for those periods and at the date of transition under IFRS.

Accounting standards issued but not yet effective – The following accounting standards become effective for the dates listed. The Company has not early adopted these revised standards and is currently assessing the impact, if any, that these standards will have on the consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2012 - Amendments to IAS 12, Income Taxes and Deferred Tax: Recovery of Underlying Assets

Effective for annual periods beginning on or after July 1, 2012 - Amendment to IRFS 1, Presentation of Items of Other Comprehensive Income

Effective for annual periods beginning on or after January 1, 2013:
New standard IFRS 9 Financial Instruments
New standard IFRS 10, Consolidated Financial Statements
New standard IFRS 11, Joint Arrangements
New standard IFRS 12, Disclosure of Interests in Other Entities
New standard IFRS 13, Fair Value Measurement
Partial replacement of IAS 19, Employee Benefits
Partial replacement of IAS 27, Separate Financial Statements
Partial replacement of IAS 28, Investments in Associates and Joint Ventures
Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principals of consolidation and basis of accounting – The Company's consolidated financial statements have been prepared in accordance with International Accounting Standards. The consolidated financial statements include the accounts of the Company, its wholly-owned U.S subsidiary, and its pro-rata share of AleAnna Energy, LLC ("AleAnna Energy"). All material intercompany balances and transactions have been eliminated in consolidation.

Functional and presentational currency - Items included in the financial statements of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent entity is Canadian dollars, which is also the presentation currency for these consolidated interim financial statements.

Cash and cash equivalents – The Company considers all highly liquid instruments with original maturities of three months or less on the date of purchase to be cash equivalents. Cash equivalents are carried at cost, plus accrued interest, which approximates market.

Petroleum and Natural Gas Interests:

Exploration and evaluation expenditures - Pre-license costs are recognized in the statement of comprehensive income as incurred.

Exploration and evaluation ("E&E") costs - E&E costs, including the costs of acquiring licenses and directly attributable general and administrative costs, are initially capitalized as either tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGU's").

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within property, plant and equipment referred to as oil and natural gas interests.

Development and production costs - Items of property, plant and equipment ("PP&E"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU's for impairment testing. The Company has only one CGU, the Lasley field.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depletion is calculated for producing properties by using the unit-of-production method based on estimated reserves, before royalties, as determined by management or independent consultants. Natural gas production and reserves are converted to equivalent units of oil based on relative energy content. Gains and losses on disposal of an item of PP&E are determined by comparing the net proceeds from disposal with the carrying amount of PP&E and are recognized in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

Pro rata consolidation - Investments in unincorporated entities that are involved solely in activities relating to the extraction of mineral resources are accounted for using the pro-rata consolidation method. Accordingly, the Company includes its share of the investee's assets, liabilities, equity, revenue and expense in its consolidated financial statements. The Company's investment in AleAnna Energy has been accounted for using the pro-rata consolidation method.

Equipment - Equipment is recorded at cost less accumulated depreciation. Depreciation is recognized on the straight-line basis at the following rates per annum:

Office equipment	3 – 5 years
Well equipment	7 years

Impairment of Long-Lived Assets - Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amounts of the assets exceed its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

Decommissioning obligation - The fair value of a liability for retirement decommissioning obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at April 30, 2012, the Company has approximately $2,000 outstanding asset retirement obligations.

Revenue recognition - Revenue from the sale of petroleum and natural gas is recognized when title, risks and rewards of ownership pass to the buyer, normally at the pipeline delivery point for natural gas and at the time product is transferred to purchaser from lease storage facility for petroleum. Revenue recognition is subject to the existence of a contract or similar arrangement being in place and collection being reasonably assured.

Foreign Currency Translation - The Company translates monetary assets and liabilities of its foreign operations at the rate of exchange in effect at the balance sheet date and the non-monetary assets and liabilities at their historical exchange rates. Revenues and expenses are translated at the average rate prevailing during the accounting period, except for amortization and depletion which are translated at the same historical rate as the related assets.

The Company uses the integrated, temporal method of accounting for foreign exchange. Foreign exchange gains and losses from the translation of foreign operations are included in earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Stock-based Compensation – The Company has a stock option plan for officers, employees, and directors. Options granted to officers, employees and directors are accounted for in accordance with the fair value method of accounting for stock based compensation. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Compensation expense is recognized over the vesting period. Any consideration received on the exercise of stock options is credited to share capital.

Loss per share – The Company uses the treasury stock method in computing loss per share. Under this method basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the year. For the periods ended April 30, 2012 and 2011, the outstanding "in the money" warrants and options have not been considered in the calculations of fully diluted loss per share as they are anti-dilutive.

Financial Instruments and Financial Risk - The Company's financial instruments, at April 30, 2012, consist of cash accounts and loans and receivables, accounts payable and accrued liabilities, and due to related parties. Cash has been classified as held-for-trading, the carrying values of which approximate their fair values due to their short term nature.

Accounts receivable has been classified as loans and receivables, measured at cost due to the short term nature. Their carrying amounts approximate fair value.

Accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities, measured at amortized cost using the effective interest rate method, however due to their short term nature, their carrying amounts approximate fair value

Foreign currency exchange risk - Certain operations and financial instruments are denominated in U.S. dollars or Euros and are converted into Canadian dollars for reporting purposes. Fluctuations in the exchange rates between the U.S. dollar or Euros and Canadian dollar could have a material effect on the Company's business and on the reported amounts of the Company's consolidated financial instruments. The Company is exposed to foreign exchange rate risk relating to cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses denominated in U.S. dollars and Euros. The Company has no exchange rate contracts or hedges in place.

Credit risk - The Company's accounts receivable are with companies in the petroleum and natural gas industry in the U.S. and are subject to normal industry credit risks. The Company generally extends unsecured credit to these companies and therefore the collection of the accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they have extended credit to. The Company does not currently hold asset backed commercial paper investments.

Interest rate risk - The Company is exposed to interest rate cash flow risk to the extent that the revolving note payable bears interest at a floating interest rate.

Commodity price risk - The nature of the Company's operations results in exposure to fluctuation in petroleum and natural gas prices. Management continuously monitors petroleum and gas prices but does not have any instruments in place to hedge the exposure.

Future Income Taxes-The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Share Capital - Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue shares. Shares issued as property option payments are valued at their fair market value on the date of issuance.

Financial instruments - All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

- Held to maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net earnings (loss), using the effective interest method.

- Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized or an impairment is viewed as other than temporary, at which time they will be recorded in net earnings.

- Held for trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in the statement of operations in the period in which they arise.

- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses resulting from changes in their fair value are included in the consolidated statement of operations and deficit in the period in which they arise.

The Company has classified its financial instruments as follows:

- Cash and cash equivalents are classified as held-for-trading.
- Accounts receivable is classified as loans and receivables.
- Accounts payable, accrued liabilities and due to related parties are classified as other financial liabilities.
- Notes payable are classified as other financial liabilities.

Use of Estimates - The preparation of consolidated financial statements in conformity with IFRS requires management to make informed judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the fiscal years. Specific areas requiring the use of management estimates relate to the continuing viability of petroleum and natural gas interests and determination of reclamation obligations. Changes in assumptions could significantly affect these estimates and actual results may differ from them.

Amounts recorded for depletion and amounts used for ceiling test calculations are based on estimates of natural gas and petroleum reserves and future costs required to develop those reserves. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on consolidated financial statements of future periods could be material.

Environmental Expenditures-The operations of the Company may be affected by changes in environmental regulations, including those for site restoration costs. The likelihood of new regulations and their effect upon the Company varies and is not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

Business Combinations-The Business Combinations Section 1582 of the CICA Handbook was early adopted in 2011. The Company measures assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of operations and deficit.

Comparative figures – Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results.

4. PROJECTS

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.

Corte Dei Signori Permit
AleAnna Resources completed a 31,100 acre (126 sq. km) 3-D geophysical survey in the Corte Dei Signori permit area in 2009 and has reprocessed the data several times utilizing the latest in geophysical processing applications. The Corte Dei Signori permit area is located in southeastern Po Valley, and is on trend with a number of large natural gas fields. In February 2012, AleAnna Resources drilled the Gallare 6d well in the Gallare Field. Gallare 6d well encountered gas shows while drilling through the targeted zones of interest; however, the reservoir was substantially depleted. The gas shows along with the modern log suites run in the Gallare well, are being used to further refine seismically driven exploration targets. AleAnna Resources has identified a number of attractive exploration targets, in multiple areas and multiple horizons in the Corte Dei Signori permit area. Seismic interpretation is ongoing, and AleAnna Resources expects to submit additional well applications in the near future.

Ponte Del Diavalo Permit
In 2012 AleAnna Resources completed a 33,600 acre (136 sq. km) 3-D geophysical 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 geophysical data is in different phases of processing while geophysicists begin interpretation. Early analysis of the data shows several large geological anomalies that are potential targets for drilling.

Ponte Dei Grilli Permit
AleAnna Resources is currently acquiring its third 3-D geophysical survey on the Ponte Dei Grilli permit. Permitting activity commenced in March 2012 on 17,000 acre (70 sq. km) and acquisition began in May 2012 and is expected to be complete by early August 2012.

Other Activity in Italy
Three other permitted areas in the Po Valley (Bugia, Belgioioso and Fantozza) have been designed and are being tendered for 3-D geophysical surveys in the second half of 2012 or 2013. Technical work has also begun on the Torrente Acqua Fredda permit area in the Bradano Basin in southern Italy.

5. EXPLORATION AND EVALUATION ASSETS

		E&E Assets
Balance November 1, 2010	$	125,000
Property acquisitions		2,167,704
Impairment reduction		(125,000)
Exploration and evaluation expenditures		251,529
Transfer to property and equipment		(982,346)
Balance October 31, 2011		1,436,887
Exploration and evaluation expenditures		591,327
Balance April 30, 2012	$	2,028,214

6. PROPERTY AND EQUIPMENT

Property and Equipment	Proved Developed Producing Properties U.S.	Proved Undeveloped Properties Italy	Well Equipment	Office Equipment	Total
Balance November 1, 2010	$ 779,758	$ -	$ 161,952	$ 8,400	$ 950,110
Additions	33,384	-	-	3,432	36,816
Reclass to E&E assets	-	-	-	-	-
Balance April 30, 2011	813,142	-	161,952	11,832	986,926
Additions		2,852,129		27,906	2,880,035
Transfer from Exploration and Evaluation Assets	-	982,346	-	-	982,346
Balance October 31, 2011	813,142	3,834,475	161,952	39,738	4,849,307
Additions	-	433,419	-	12,036	445,455
Balance April 30, 2012	$ 813,142	$ 4,267,894	$ 161,952	$ 51,774	$ 5,294,762

Accumulated Depreciation and Depletion	Proved Developed Producing Properties U.S.	Proved Undeveloped Properties Italy	Well Equipment	Office Equipment	Total
Balance November 1, 2010	$ 542,480	$ -	$ 116,332	$ 5,257	$ 664,069
Additions	13,112	-	10,308	1,374	24,794
Other changes		-			-
Balance April 30, 2011	555,592	-	126,640	6,631	688,863
Additions	11,679	-	8,078	5,423	25,180
Other changes					-
Balance October 31, 2011	567,271	-	134,718	12,054	714,043
Additions	39,634	-	7,957	7,388	54,979
Balance April 30, 2012	$ 606,905	$ -	$ 142,675	$ 19,442	$ 769,022

Net Book Value	Proved Developed Producing Properties U.S.	Proved Undeveloped Properties Italy	Well Equipment	Office Equipment	Total
November 1, 2010	$ 237,278	$ -	$ 45,620	$ 3,143	$ 286,041
April 30, 2011	$ 257,550	$ -	$ 35,312	$ 5,201	$ 298,063
October 31, 2011	$ 245,871	$ 3,834,475	$ 27,234	$ 27,684	$ 4,135,264
April 30, 2012	$ 206,237	$ 4,267,894	$ 19,277	$ 32,332	$ 4,525,740

7. NOTES PAYABLE

Notes Payable

	Outstanding October 31, 2011		Additions		Repayments		Outstanding April 30 2012
Acquisition notes payable	$	1,890,193	$ -	$	1,890,193	$	-
	$	1,890,193	$ -	$	1,890,193	$	-

The acquisition notes payable results from short term financing of the Company's share of the acquisitions of a 15 % interest in AleAnna Resources by AleAnna Energy in November 2010 and an additional acquisition of a 20% by AleAnna Energy in October 2011. The original note bore interest at 10% per annum and was paid by assigning a 51% interest in Ale Anna Energy for US $3,396,967 and a cash payment of US $2,002,053, including interest of $18,655 on November 30, 2010. The note for the subsequent acquisition interest at 10% per annum and the note and accrued interest of US $15,637 were paid in full on November 4, 2011.

On November 4, 2011, the Company completed a private placement comprised of convertible notes totaling $6,000,000. Each note was convertible into shares of the Company at the rate of $0.30 per share, or a total of 20,000,000 shares. On November 28, 2011 the notes were converted into 20,000,000 shares of common stock and accrued interest of $17,584 was paid in cash.

8. SHARE CAPITAL

The Company has authorized unlimited number of common shares without par value. The following shares have been issued.

	April 30, 2012			October 31, 2011	
	Number		Amount	Number	Amount
Balance, beginning of period	32,627,622	$	24,464,801	5,188,622	18,049,724
Shares issued for cash	20,000,000		6,000,000	25,000,000	6,250,000
Shares issued for debt	-		-	1,010,800	252,700
Shares issued for properties	-		-	750,000	195,113
Shares issued for finders fees	-		-	678,200	169,550
Share issuance costs	-		(393,471)	-	(452,286)
Warrants exercised	97,154		30,646	-	-
Balance, end of period	52,724,776	$	30,101,976	32,627,622	24,464,801

Warrants - The Company has issued stock warrants as follows:

Exercise Price	Outstanding October 31 2011	Additions	Exercised or Expired	Cancelled	Outstanding April 30 2012	Expiration Date
$1.00 - $2.00	978,760	-		978,760	-	December 9, 2011
$0.30	1,653,200	-	82,154	-	1,571,046	December 1, 2012
$0.40	12,839,100	-	15,000	-	12,824,100	December 1, 2012
$0.40	505,400	-	-	-	505,400	December 1, 2013
$0.45	-	10,750,000	-	-	10,750,000	November 4, 2013
$0.30	-	1,500,000	-	-	1,500,000	November 4, 2014
Total	15,976,460	12,250,000	97,154	978,760	27,150,546	

8. SHARE CAPITAL *continued*

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.

In connection with the private placement, the Company paid finder's fees to an aggregate of fourteen finders, comprised of: (i) an aggregate cash payment of $282,736; (ii) the issuance of an aggregate 678,200 units in lieu of a cash payment; and (iii) the issuance of an aggregate 1,653,200 broker warrants (each, a "Broker Warrant"). Each Broker Warrant is exercisable at a price of $0.30 per share until December 1, 2012, subject to a right of call by the Company under certain conditions.

On November 4, 2011, the Company completed a private placement comprised of convertible notes totaling $6,000,000. Each note was convertible into shares of the Company at the rate of $0.30 per share, or a total of 20,000,000 shares. On November 28, 2011 the notes were converted into 20,000,000 shares of common stock and accrued interest of $17,584 was paid in cash.

In connection with the issuance of the notes, the Company issued warrants to purchase 10,750,000shares of the company stock at a price of $0.45 per share, expiring November 14, 2013 and issued broker warrants to purchase 1,500,000 shares at $0.30 per share expiring November 14, 2014.

9 CONTRIBUTED SURPLUS

		April 30 2011	October 31, 2010
Balance, beginning of period	$	2,349,746	937,585
Add-stock based compensation		422,157	1,412,161
Balance, end of period	$	2,771,903	2,349,746

The Company has established a stock option plan for directors, senior officers, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the discounted market price policies of the TSX Venture Exchange.

The maximum number of shares which may be issued pursuant to options granted under the plan shall be 6,375,524 shares or such additional amount as may be approved from time to time by the shareholders of the Company. The maximum number of options granted to any one optionee in a 12 month period is limited to 5% of the issued shares of the Company.

At April 30, 2012 there are options outstanding to issue 6,130,000 shares of the Company. The price of the options range from $0.25 to $1.50 and their expiry dates range from March 12, 2013 to December 6, 2016. The weighted average contract life remaining is 3.96 years.

10 STOCK BASED COMPENSATION

The following is a summary of the change in the Company's stock option plan for the period ended April 30, 2012 and October 31, 2011.

10. STOCK BASED COMPENSATION *continued*

	April 30, 2012		October 31, 2011	
	Number	**Price**	**Number**	**Amount**
Balance, beginning of period	4,275,000	$0.35	355,000	$1.88
Options granted during period	1,855,000	$0.30	4,110,000	$0.34
Options expired/cancelled during pe	-		(190,000)	$2.90
Balance, end of period	6,130,000	$0.33	4,275,000	$0.35

The intrinsic value of options exercisable at April 30, 2012 is nil.

The following table summarizes the information about stock options outstanding and exercisable at April 30, 2012:

Weighted Average Exercise Price per Share	Number Outstanding January 31, 2012	Weighted Average Remaining Contract Life
$0.25	70,000	4.11
$0.27	680,000	3.63
$0.30	1,855,000	4.58
$0.35	3,360,000	3.75
$0.50	135,000	2.83
$1.50	30,000	0.88
	6,130,000	3.96

The Company recognizes an expense for the fair value of options granted. The Company uses the Black Scholes option pricing model to value stock options granted. The Black Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation and disclosures, the following weighted-average assumptions were used:

	2012	2011
Risk free interest rate	1.382%	2.055% to 2.718%
Expected dividend yield	0%	0%
Expected stock price volatility	102%	99% to 100%
Expected life of options	5 years	5 years

The weighted average fair value of options granted during the period was $0.30. The amount of options exercisable at April 30, 2012 is 6,080,000 with a weighted average exercise price of $ 0.33.

11. LOSS PER SHARE

Loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share has not been computed as it is anti-dilutive.

12. DECOMMISSIONING OBLIGATION

The Company has recognized the fair value of its decommissioning obligations related to the plugging, abandonment, and remediation of oil and gas producing properties. The present value of the estimated asset retirement costs has been capitalized as part of the carrying amount of the related long-lived assets. The liability has been accreted to its present value as of the end of each year. The Company evaluated 17 wells, and has determined a range of abandonment dates through 2043.

13. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments are exposed to the following risks:

Credit Risk - The Company's primary exposure to credit risk is the risk of illiquidity of cash, amounting to $2,287,590 at April 30, 2012. As the Company's policy is to limit cash holdings to instruments issued by major Canadian or U.S. banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Amounts receivable at April 30, 2012, included $1,638 due from the Canadian Government for GST and other miscellaneous receivables.

Liquidity Risk - Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's liquidity risk from financial instruments is its need to meet operating requirements for accounts payable, notes payable and related party amounts payable.

Foreign Exchange Risk - The Company has foreign exchange risk due to activities carried out in the United States and Italy. At April 30, 2012 the Company had $2,614,303in current assets and $98,987 in current liabilities originating in the U.S.

Interest Rate Risk - The Company is exposed to interest rate risk on its cash equivalents. These assets are in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

Fair Value of Financial Instruments - The fair value classification of the Company's financial instruments as at April 30, 2012 and October 31, 2011 is held for trading.

14. CAPITAL MANAGEMENT

The Company's objectives for the management of capital are to safeguard its ability to continue as a going concern including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash to be its manageable capital. The Company's policy is to attempt to maintain sufficient cash balances to cover operating and exploration costs over a reasonable future period. The Company accesses capital markets through equity issues and loans as necessary and may also acquire additional funds where advantageous circumstances arise.

Excess cash investments are restricted to money market funds of major banks or instruments of equivalent or better quality.

The Company currently has no externally-imposed capital requirements except to maintain sufficient cash and investment balances to meet its ongoing expenditures.

15. SEGMENT INFORMATION

The Company is engaged in oil and gas exploration and production in the United States and Italy. The Company measures segment profit (loss) as income (loss) from operations. Business segment assets are those assets controlled by each reportable segment.

The following table sets forth certain information about the financial information of each segment for the periods ended April 30, 2012 and 2011.

		2012	2011
Business segment revenue:			
Oil and gas-United States	$	**137,318**	33,054
Oil and gas-Italy		**-**	-
Total revenue	$	**137,318**	33,054
Business segment loss			
Oil and gas-United States	$	**568,948**	788,174
Oil and gas-Italy		**135,216**	46,641
General administration		**84,734**	1,235,445
Net loss	$	**788,898**	2,070,260
Depletion and depreciation			
Oil and gas-United States	$	**54,440**	24,595
Oil and gas-Italy			
General administration		**538**	200
Total depletion, depreciation and amortization	$	**54,978**	24,795
Capital expenditures			
Oil and gas-United States	$	**12,036**	36,515
Oil and gas-Italy		**1,024,746**	3,075,116
General administration			
Total capital expenditures	$	**1,036,782**	3,111,631
Business segment assets			
Oil and gas-United States	$	**2,594,726**	2,220,309
Oil and gas-Italy		**6,769,044**	3,232,396
General administration		**35,957**	38,767
Total assets	$	**9,399,727**	5,491,472

16. RELATED PARTY TRANSACTIONS

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 April 30, 2012 the Company owed the Chairman $1,028 for unreimbursed expenses. During the period ended April 30, 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 April 30, 2012 the President of the Company's U.S. subsidiary, and director of the Company, incurred $17,385 in travel and office expenses compared to $31,285 for the same period in 2011. At April 30, 2012 the Company owed the President to the Company's U.S. subsidiary $5,870 for unreimbursed expenses.

During the period ended April 30, 2012, the President and a director of the Company incurred $11,907 in travel expenses compared to $20,396 for the same period in 2011. At April 30, 2012 the Company owed the president of the Company $3,177 in unreimbursed travel expenses.

During the period ended April 30, 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 April 30, 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 April 30, 2012, a director of the Company incurred $18,483 compared to $22,275 for the same period in 2011 in consulting fees and $4,441 in travel expenses compared to $3,399 for the same period in 2011.

During the period ended April 30, 2012 a director of the Company incurred $39,536 compared to nil for the same period in 2011 in consulting fees and $999 in travel and office expenses compared to nil for the same period in 2011.

During the period ended April 30, 2012 the Company charged a management fee of $136.012 to Ale Anna Resources, of which $23,326 was eliminated in consolidation, compared to nil for the same period in 2011. The Company has receivables from and unbilled charges to AleAnna Resources of $258,786 for unpaid management fees and expenses at April 30, 2012.

17. RECONCILIATION FROM CANADIAN GAAP TO IFRS

The Company's accounting policies under IFRS differ from those followed under Canadian GAAP as described in note 3. These accounting policies have been applied for the three months ended January 31, 2012, as well as to the opening statement of financial position on the transition date, November 1, 2010, the comparative information for the six months ended April 30, 2011 and for the year ended October 31, 2011.

The adjustments arising from the application of IFRS to amounts on the consolidated balance sheet on the transition date and on transactions prior to that date, were recognized as an adjustment to the Company's opening deficit on the statement of financial position when appropriate. The adjustment had no material effect on the Company's financial statements.

On transition to IFRS on November 1, 2010, the Company used certain exemptions allowed under IFRS 1 "First Time Adoption of IFRS". The election had no material effect on the Company's financial statements.

IFRS 1 allows an entity that used full cost accounting under its previous GAAP to elect, at the time of adoption to IFRS, to measure oil and gas assets in the development and production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date. The Company used reserve values as at October 31, 2010 to allocate the cost of development and production assets to CGU's. The adjustment had no material effect on the Company's financial statements.

As the Company elected the oil and gas assets IFRS 1 exemption, the asset retirement obligation (ARO) exemption available to full cost entities was also elected. This exemption allows for the re-measurement of ARO on IFRS transition with the offset to retained earnings. The adjustment had no material effect on the Company's financial statements.

The Company has elected the IFRS 1 exemption that allows the Company an exemption on IFRS 2 "Share-Based Payments" to equity instruments which vested and settled before the Company's transition date to IFRS. The adjustment had no material effect on the Company's financial statements.

17. RECONCILIATION FROM CANADIAN GAAP TO IFRS *continued*

Reconciliation of the consolidated statement of financial position from Canadian GAAP to IFRS as of the date of IFRS transition – November 1, 2010, April 30, 2011 and October 31, 2011.

		As of November 1, 2010			As of April 30, 2011			As of October 31, 2011		
	Notes	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
Assets:										
Current										
Cash		5,585	-	5,585	1,840,551	-	1,840,551	322,836	-	322,836
Accounts receivable		4,450	-	4,450	114,112	-	114,112	100,604	-	100,604
Due from related parties		-	-	-	-	-	-	189,774	-	189,774
Prepaid expenses		3,921	-	3,921	6,352	-	6,352	16,228	-	16,228
Total current assets		13,956	-	13,956	1,961,015	-	1,961,015	629,442	-	629,442
Oher restricted assets		-	-	-	-	-	-	96,143	-	96,143
Deposit on acquisition		157,280	-	157,280	-	-	-	-	-	-
Exploration and evaluation asset	a	-	125,000	125,000		3,232,396	3,232,396	-	1,436,887	1,436,887
Property and equipment	a	411,041	(125,000)	286,041	3,530,457	(3,232,396)	298,061	5,557,031	(1,436,887)	4,135,262
	b								15,118	
Total Assets		582,277	-	582,277	5,491,472	-	5,491,472	6,282,616	15,118	6,297,734
Liabilities:										
Current										
Accounts payable and accrued expenses		186,200	-	186,200	82,136	-	82,136	374,111	-	374,111
Notes payable		753,082	-	753,082	-	-	-	1,890,193	-	1,890,193
Due to related parties		335,218	-	335,218	-	-	-	32,068	-	32,068
Decommissioningt obligation		-	-	-	1,541	-	1,541	1,614	-	1,614
Total current liabilities		1,274,500	-	1,274,500	83,677	-	83,677	2,297,986	-	2,297,986
Decommissioning obligation, non-long term portion		-	-	-	719	-	719	737	-	737
Notes payable		-	-	-	700,628	-	700,628	-	-	-
Total Liabilities		1,274,500	-	1,274,500	785,024	-	785,024	2,298,723	-	2,298,723
Shareholders' Equity (Deficit)										
Share capital		18,049,724	-	18,049,724	24,269,688	-	24,269,688	24,464,801	-	24,464,801
Share subscriptions		-	-	-	-	-	-	(25,000)	-	(25,000)
Contributed surplus		937,585	-	937,585	2,185,233	-	2,185,233	2,349,746	-	2,349,746
Deficit	b	(19,679,532)	-	(19,679,532)	(21,748,473)	-	(21,748,473)	(22,805,654)	15,118	(22,790,536)
Total shareholders' Equity (deficit)		(692,223)	-	(692,223)	4,706,448	-	4,706,448	3,983,893	15,118	3,999,011
Total liabilities and shareholders' equity (deficit)		582,277	-	582,277	5,491,472	-	5,491,472	6,282,616	15,118	6,297,734

Note a: Under Canadian GAAP, capitalized exploration and evaluation assets was included with the Company's property, plant and equipment assets. Under IFRS, exploration and evaluations assets are separately disclosed within the statement of financial position.

Note b: Under Canadian GAAP depletion was computed under the full cost accounting method with the depletion rate applied to the pool total. Under IFRS depletion is calculated on an individual property basis.

17. RECONCILIATION FROM CANADIAN GAAP TO IFRS *continued*

Reconciliation of the consolidated statement of operations and deficit from Canadian GAAP to IFRS as of the date of IFRS transition – April 30, 2011 and October 31, 2011.

		Period Ended April 30, 2011			Period Ended October 31, 2011		
	Notes	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
REVENUE							
Oil and gas		33,054	-	33,054	68,025	-	68,025
Management fee		-	-	-	79,712	-	79,712
		33,054	-	33,054	147,737	-	147,737
EXPENSES							
Stock based compensation		1,247,648	-	1,247,648	1,412,161	-	1,412,161
Wages and benefits		281,113	-	281,113	540,147	-	540,147
Engineering and consulting fees		249,228	-	249,228	442,782	-	442,782
Legal and accounting		63,062	-	63,062	175,700	-	175,700
Office and general		83,549	-	83,549	160,100	-	160,100
Regulatory fees		67,647	-	67,647	78,523	-	78,523
Travel		32,958	-	32,958	70,381	-	70,381
Rent		27,634	-	27,634	60,675	-	60,675
Depletion, depreciation and amortization	a	24,795	-	24,795	49,974	(15,118)	34,856
Production costs		16,560	-	16,560	39,358	-	39,358
Investor relations		25,701	-	25,701	37,953	-	37,953
Bank charges and interest		19,570	-	19,570	33,027	-	33,027
Impairment expense		125,000	-	125,000	125,000	-	125,000
(Gain) loss on foreign exchange		(156,473)	-	(156,473)	63,804	-	63,804
		2,107,992	-	2,107,992	3,289,585	(15,118)	3,274,467
LOSS BEFORE OTHER ITEMS AND INCOME TAXES		(2,074,938)	-	(2,074,938)	(3,141,848)	15,118	(3,126,730)
Interest and other income		4,678	-	4,678	15,726	-	15,726
NET LOSS		(2,070,260)	-	(2,070,260)	(3,126,122)	15,118	(3,111,004)
DEFICIT, beginning of year		(19,728,890)	-	(19,728,890)	(19,679,532)	-	(19,679,532)
DEFICIT, end of year		(21,799,150)	-	(21,799,150)	(22,805,654)	15,118	(22,790,536)
LOSS PER SHARE (basic and diluted)		$ 0.14		$ 0.14	$ (0.11)		$ (0.11)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (basic and dilı		16,047,583		16,047,583	29,555,190		29,555,190

Note a: Under Canadian GAAP depletion was computed under the full cost accounting method with the depletion rate applied to the pool total. Under IFRS depletion is calculated on an individual property basis.

18. RECONCILIATION FROM CANADIAN GAAP TO IFRS *continued*

Reconciliation of the consolidated statement of cash flows from Canadian GAAP to IFRS as of the date of IFRS transition –April 30, 2011 and October 31, 2011.

		Period Ended April 30, 2011			Period Ended October 31, 2011		
	Notes	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
OPERATIONS							
Net loss		(2,070,260)	-	(2,070,260)	(3,126,122)	15,118	(3,111,004)
Add items not affecting cash:							
Depletion, depreciation and amortization	a	24,795	-	24,795	49,974	(15,118)	34,856
Stock based compensation		1,247,648	-	1,247,648	1,412,161	-	1,412,161
Impairment expense		125,000.00	-	125,000	125,000	-	125,000
Other-net		1,810	-	1,810	(207)	-	(207)
		(671,007)	-	(671,007)	(1,539,194)	-	(1,539,194)
Change in non-cash working capital balances related to operations:							
(Increase) decrease in accounts and other receivables		(84,662)	-	(84,662)	(96,154)	-	(96,154)
Increase in due from related parties		(334,960)	-	(334,960)	(189,774)	-	(189,774)
(Increase) decrease in prepaid and other assets		(2,431)	-	(2,431)	(12,307)	-	(12,307)
Increase in accounts payable and accrued expenses		(104,322)	-	(104,322)	187,911	-	187,911
Increase in asset retirement obligation payable		1,541	-	1,541	-	-	-
Increase (decrease) in due to related parties		-	-	-	(303,150)	-	(303,150)
		(1,195,841)	-	(1,195,841)	(1,952,668)	-	(1,952,668)
FINANCING							
Issuance of common shares, net of offering costs		5,942,264.00	-	5,942,264	5,942,264	-	5,942,264
Increase in notes payable		700,556	-	700,556	-	-	-
Decrease in notes payable		(500,382)	-	(500,382)	(500,382)	-	(500,382)
		6,142,438	-	6,142,438	5,441,882	-	5,441,882
INVESTING							
Petroleum and natural gas properties:							
					-		
Acquisition costs		(3,077,283.00)	-	(3,077,283)	(3,014,190)	-	(3,014,190)
Exploration costs		-	-	-	-	-	-
Acquisition of equipment		(34,348)	-	(34,348)	(61,630)	-	(61,630)
Increase in other restricted assets		-	-	-	(96,143)	-	(96,143)
		(3,111,631)	-	(3,111,631)	(3,171,963)	-	(3,171,963)
Increase (decrease) in cash		1,834,966	-	1,834,966	317,251	-	317,251
Cash, beginning of year		5,585	-	5,585	5,585	-	5,585
CASH, end of year		1,840,551	-	1,840,551	322,836	-	322,836

Note a: Under Canadian GAAP depletion was computed under the full cost accounting method with the depletion rate applied to the pool total. Under IFRS depletion is calculated on an individual property basis.