

**BRS RESOURCES LTD.**

**DALLAS, TEXAS, USA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**April 30, 2015 and 2014**

1. Consolidated Statements of Comprehensive Loss
2. Consolidated Statements of Financial Position
3. Consolidated Statements of Changes in Shareholders' Equity
4. Consolidated Statements of Cash Flows
5. Notes to Consolidated Financial Statements

# **BRS Resources Ltd.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

Three months ended April 30, 2015 and 2014

### Responsibility for Financial Statements

The accompanying unaudited consolidated financial statements for BRS Resources Ltd. have been prepared by management in accordance with International Accounting Standards (IAS) 34 “Interim Financial Reporting” consistently 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, 2014 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.

### Auditors’ Involvement

The auditors of BRS Resources Ltd. have not performed a review of the unaudited consolidated financial statements for the three and six months ended April 30, 2015 and 2014.

**BRS Resources Ltd.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	3 Months Ended April 30,		6 Months Ended April 30,	
	2015	2014	2015	2014
<b>REVENUE</b>				
Management fee	107,046	60,417	\$ 175,306	\$ 118,920
	<b>107,046</b>	<b>60,417</b>	<b>175,306</b>	118,920
<b>EXPENSES</b>				
Wages and benefits	175,256	154,858	338,479	327,751
Engineering and consulting fees	32,408	46,057	72,988	69,332
Legal and accounting	115,009	76,921	155,176	105,742
Office and general	29,870	47,897	87,594	94,785
Rent	26,618	21,338	41,701	43,915
Investor relations	1,278	23,916	16,412	42,499
Depletion, depreciation and amortization	4,318	3,957	8,486	8,047
Regulatory fees	4,410	19,078	4,410	19,078
Travel	11,904	2,401	22,904	8,092
Non-productive drilling costs	-	112	-	6,930
	<b>401,071</b>	396,535	<b>748,150</b>	726,171
<b>LOSS BEFORE OTHER ITEMS AND</b>				
<b>INCOME TAXES</b>	<b>(294,025)</b>	<b>(336,118)</b>	<b>(572,844)</b>	<b>(607,251)</b>
Debt discount amortization	(145,075)	-	(465,359)	-
Change in fair value of derivative liability	59,427	226,704	897,514	347,852
Interest expense	(51,602)	(211,627)	(126,949)	(324,160)
Loss on conversion of note [Note 8]	(1,152,569)	-	(1,152,569)	-
Interest and other income	10,094	9,807	37,906	19,758
<b>NET INCOME (LOSS)</b>	<b>(1,573,750)</b>	<b>(311,234)</b>	<b>(1,382,301)</b>	<b>(563,801)</b>
<b>Foreign currency translation gain (loss)</b>	<b>(17,747)</b>	23,104	<b>32,479</b>	12,461
<b>Comprehensive Income (Loss)</b>	<b>\$ (1,591,497)</b>	<b>\$ (288,130)</b>	<b>\$ (1,349,822)</b>	<b>\$ (551,340)</b>
<b>INCOME (LOSS) PER SHARE (basic and diluted)</b>				
	<b>\$ (0.02)</b>	<b>\$ 0.01</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (basic and diluted)</b>				
	<b>76,035,170</b>	52,724,776	<b>64,186,793</b>	52,724,776

See Accompanying Notes to Consolidated Financial Statements

**BRS Resources Ltd.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	April 30, 2015	October 31, 2014
<b>ASSETS</b>		
Current:		
Cash	\$ 116,885	217,170
Accounts and other receivables	8,964	15,535
Due from related parties	191,291	333,147
Prepaid expenses	21,591	12,007
Total Current Assets	338,731	577,859
Other restricted assets	75,396	163,992
Oilfield equipment inventory	48,674	50,136
Exploration and evaluation assets, net [Notes 4 and 5]	4,319,315	4,439,985
Property and equipment [Note 6]	29,099	28,639
Total Assets	\$ 4,811,215	5,260,611
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued expenses	\$ 201,726	282,648
Note payable, net of discount [Note 7]	-	1,661,466
Lease inducement payable	6,757	-
Total Current Liabilities	208,483	1,944,114
Derivative liability [Note 11]	-	897,514
Lease inducement payable	-	11,824
Total Liabilities	208,483	2,853,452
<b>SHAREHOLDERS' EQUITY</b>		
Share capital [Note 8]	34,040,842	30,495,447
Contributed surplus [Note 9]	2,890,187	2,890,187
Deficit	(32,469,263)	(31,086,962)
Accumulated other comprehensive income	140,966	108,487
Total Shareholders' Equity	4,602,732	2,407,159
Total Liabilities & Shareholders' Equity	\$ 4,811,215	5,260,611

See Accompanying Notes to Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

Steven Moore

President, Chief Executive Officer and interim Chief Financial Officer

**BRS Resources Ltd.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Number of				Accumulated	
	Shares	Capital	Surplus	Deficit	Other	Equity
					Income	
<b>Balance, October 31, 2013</b>	52,724,776	\$ 30,495,447	\$ 2,890,187	\$ (28,189,412)	\$ 99,915	\$ 5,296,137
Net loss for period	-	-	-	(563,801)	-	(563,801)
Foreign translation gain	-	-	-	-	12,461	12,461
<b>Balance, April 30, 2014</b>	52,724,776	30,495,447	2,890,187	(28,753,213)	112,376	4,744,797
Net loss for period	-	-	-	(2,333,749)	-	(2,333,749)
Foreign translation loss	-	-	-	-	(3,889)	(3,889)
<b>Balance, October 31, 2014</b>	52,724,776	30,495,447	2,890,187	(31,086,962)	108,487	2,407,159
Net loss for period	-	-	-	(1,382,301)	-	(1,382,301)
Note payable conversion <i>[Note 8]</i>	69,154,170	3,545,395	-	-	-	3,545,395
Foreign translation gain	-	-	-	-	32,479	32,479
<b>Balance, April 30, 2015</b>	121,878,946	\$ 34,040,842	\$ 2,890,187	\$ (32,469,263)	\$ 140,966	\$ 4,602,732

**See Accompanying Notes to Consolidated Financial Statements**

## BRS Resources Ltd.

### CONSOLIDATED STATEMENTS OF CASH FLOWS

	3 Months Ended April 30,		6 Months Ended April 30,	
	2015	2014	2015	2014
<b>OPERATIONS</b>				
Net income (loss)	\$ (1,573,748)	(311,234)	\$ (1,382,301)	(563,801)
Add items not affecting cash:				
Amortization expense on discount of debt	145,075	167,488	465,359	247,502
Fair value of derivative liability	(59,427)	(226,704)	(897,514)	(347,852)
Depreciation and amortization	4,318	3,957	8,486	8,047
Loss on conversion of note	1,152,569	-	1,152,569	-
	(331,213)	(366,493)	(653,401)	(656,104)
Change in non-cash working capital balances related to operations:				
Decrease in accounts and other receivables	60	1,393	6,571	2,077
(Increase) decrease in due from related parties	(12,940)	(16,103)	141,856	(43,116)
Decrease in oilfield equipment inventory	1,023	-	1,462	-
(Increase) decrease in prepaid expenses	3,692	5,237	(9,584)	(10,317)
Decrease in accounts payable and accrued expenses	113,225	92,041	212,649	166,157
Decrease (increase) in lease inducement liability	(2,534)	(2,533)	(5,067)	(5,066)
	(228,687)	(286,458)	(305,514)	(546,369)
<b>FINANCING</b>				
Issuance of current notes payable	-	1,000,000	-	1,000,000
Note conversion fees	(27,570)	-	(27,570)	-
	(27,570)	1,000,000	(27,570)	1,000,000
<b>INVESTING</b>				
Petroleum and natural gas properties:				
Other changes in exploration and evaluation assets	108,449	(56,121)	120,670	(109,144)
Acquisition of equipment	(1,297)	-	(8,946)	-
Decrease (increase) in other restricted assets	(70)	2,593	88,596	(8,497)
Collection of notes receivable	-	2,256	-	3,023
	107,082	(51,272)	200,320	(114,618)
<b>Effect of foreign exchange</b>	<b>(17,747)</b>	<b>(23,104)</b>	<b>32,479</b>	<b>12,461</b>
Increase in cash	(166,922)	639,166	(100,285)	351,474
Cash, beginning of period	283,807	269,283	217,170	556,975
<b>CASH, end of period</b>	<b>\$ 116,885</b>	<b>908,449</b>	<b>\$ 116,885</b>	<b>908,449</b>

During the period ended April 30, 2015, accrued interest of \$293,571 was rolled into principal in connection with the conversion of a note and related interest totaling \$2,420,396 into capital stock.

See Accompanying Notes to Consolidated Financial Statements

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **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. ("Bonanza Resources"), a Texas corporation, and its pro-rata share of the accounts of AleAnna Energy, LLC ("AleAnna Energy"), a Delaware Limited Liability Company, which includes its pro-rata share of the accounts of AleAnna Resources, LLC ("AleAnna Resources"), a Delaware Limited Liability Company.

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

The recoverability of amounts recorded as petroleum and natural gas assets is dependent upon the discovery of economically recoverable reserves. These consolidated 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, 2015 has net working capital of \$127,714 (working capital deficiency October 31, 2014 - \$1,366,255). 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 statements of financial position.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

#### **Basis of Accounting**

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting. The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

#### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Bonanza Resources and its pro-rata share of AleAnna Energy. All significant intercompany balances and transactions have been eliminated in consolidation.

Effective September 1, 2014, AleAnna Energy acquired the remaining 65% interest in AleAnna Resources. The Company elected to not participate for its pro-rata share of the acquisition. Accordingly, the Company's interest in AleAnna Energy was reduced to its original interest in AleAnna Resources.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following is summarized financial information of the Company's ownership in AleAnna Energy as of April 30, 2015 and October 31, 2014:

	<b>April 30,</b>	<b>October 31,</b>
	<b>2015</b>	<b>2014</b>
Total assets	\$ 4,966,508	5,160,110
Total liabilities	82,772	63,858
Net loss	198,081	64,865
Ownership percentage	16.65%	17.15%

**Functional and presentational currency**

These consolidated financial statements are presented in Canadian dollars, which are both the functional and the presentational currency of the Company.

**Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on a regular basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Specific amounts and disclosures affected by estimates and assumptions are: (i) amounts recorded for depletion and depreciation expense and amounts used for impairment test calculations are based on estimates of crude oil reserves and future costs required to develop those reserves on a Cash Generating Unit ("CGU") basis; (ii) stock-based compensation is based upon expected volatility and option life estimates; (iii) decommissioning liabilities and the related accretion are based on estimates of abandonment costs, timing of abandonment, inflation and interest rates; (iv) the provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax base of assets and liabilities; (v) amount used for impairment calculations for long term assets are based on estimates of future cash flows and capitalization rate on a CGU basis; and (vi) the decision to record (or not record) liabilities and contingencies are based on the estimates of the probability of outcomes and estimates of future cash flows.

**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. The Company did not have any cash equivalents at April 30, 2015 or October 31, 2014.

**Exploration and evaluation ("E&E") expenditures**

Pre-license expenditures including geological and geophysical exploration cost, are expensed in the period in which they are incurred. All costs directly associated with the exploration and evaluation of crude oil and gas reserves are initially capitalized as an intangible asset on a prospect-by-prospect basis. Exploration and evaluation costs are those expenditures for a prospect where technical feasibility and commercial viability has not yet been determined. All carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When a prospect is determined to be technically feasible and commercially viable, the accumulated costs are assessed for impairment and then transferred to property, plant and equipment. When a field is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net loss as exploration and evaluation expense.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Property and equipment (“P&E”)**

All costs directly associated with the development of crude oil and gas reserves are capitalized on a field-by field basis. The oil and gas properties’ asset includes expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, asset retirement costs and transfers from exploration and evaluation assets. Costs accumulated within each area are depleted using the unit-of-production method based on proved plus probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves. Costs of major development projects are excluded from the costs subject to depletion until they are available for use. For divestitures of properties, a gain or loss is recognized in net loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net loss.

Equipment is recorded at costs less accumulated depreciation. Depreciation is recognized on the straight-line basis based on 3 to 7 year useful lives.

#### **Interests in joint ventures**

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the group jointly controls with its fellow venturers. The results, assets and liabilities of a jointly controlled entity are incorporated in these consolidated financial statements using the proportionate consolidation method of accounting. Proportionate consolidation allows for an entity in the extractive industry to account for their proportionate share of the assets, liabilities, revenues and expenses of the unincorporated entity on their consolidated statements of financial position and consolidated statements of comprehensive loss. All significant intercompany balances and transactions have been eliminated in consolidation.

Financial statements of jointly controlled entities are prepared for the same reporting year as the group. The group assesses investments in jointly controlled entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

#### **Maintenance and repairs**

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

#### **Corporate and other property and equipment**

Other tangible non-current assets are stated at historical cost. Depreciation is calculated using the straight-line method over the estimated life of the asset.

#### **Impairment**

E&E and producing oil and gas properties are accumulated CGU’s on the basis of geographical fields having regard to the operational infrastructure (such as facilities and sales points) of the area, and are the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. E&E assets are assessed for impairment on a well by well basis. Other long term assets are accumulated in CGU’s at the lowest levels at which there are identified cash flows that are largely independent of the cash flows of other areas of assets.

At the end of each reporting period, the Company assesses the CGU’s for circumstances that indicate that the assets may be impaired. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. A CGU’s recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU’s exceeds its recoverable amount, the asset is considered impaired and is written-down. E&E assets representing unproven oil and gas properties are assessed for impairment on an annual basis by applying factors that rely on historical experience. In general, the Company may write off an unproven property under one or more of the following conditions:

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- i) There are no firm plans for further drilling on the unproven property;
- ii) Negative results were obtained from studies of the unproven property;
- iii) Negative results were obtained from studies conducted in the vicinity of the unproven property; or
- iv) The remaining term of the unproven properties does not allow sufficient time for further studies or drilling or the Company's title interest has lapsed.

For impairment losses identified based on a CGU, the loss is allocated on a pro rata basis to the assets within the CGU(s). The impairment loss is recognized as an expense in the consolidated statements of comprehensive loss.

Where the circumstances that gave rise to an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of comprehensive loss.

For impairment test purposes, corporate assets are allocated to each of the CGU's on the basis of proportionate future net revenue consistent with the recoverable amount.

#### **Financial instruments**

All financial assets and liabilities are recognized on the consolidated statements of financial position initially at fair value when we become a party to the contractual provisions of the instrument. Subsequent measurement of the financial instruments is based on their classification.

The Company classifies each financial instrument into one of the following categories: loans or receivables, notes receivable, fair value through profit and loss and other financial liabilities. The classification depends on the characteristics and the purpose for which the financial instruments were acquired. Except in limited circumstances, the classification of financial instruments is not subsequently changed.

Financial instruments carried at fair value on the Company's consolidated statement of financial position include cash and derivative liability. Realized and unrealized gains and losses from financial assets and liabilities carried at fair value are recognized in net loss in the periods such gains and losses arise. Transaction costs related to these financial assets and liabilities are included in net income when incurred.

Financial instruments carried at cost or amortized cost includes the Company's accounts and other receivables, accounts payable and accrued liabilities, and note payable. Transaction costs are included in net loss when incurred for these types of financial instruments except note payable. These transaction costs are included with the initial fair value, and the instrument is carried at amortized cost using the effective interest rate method. Gains and losses on financial assets and liabilities carried at cost or amortized cost is recognized in net income when these assets or liabilities settle.

Changes in derivative liabilities are recognized currently in earnings in the consolidated statement of comprehensive loss.

#### **Decommissioning liabilities**

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the date of the consolidated statement of financial position. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision were established.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue Recognition**

Management fees are from a related party and are recognized when earned, as services are performed.

#### **Loss Per Share**

The Company computes basic loss per share using net loss divided by the weighted-average number of common shares outstanding.

The Company computes diluted loss per share using net loss divided by the weighted-average number of diluted common shares outstanding. The Company uses the treasury method in computing the weighted-average number of diluted common shares outstanding. This method assumes that the proceeds on exercise of in-the-money stock options and warrants are used to repurchase the Company's common shares at the average market price during the relevant period. The number of diluted common shares outstanding also reflects the potential dilution that would occur if the convertible debentures were converted into common shares at the beginning of the period, or when they were issued.

#### **Foreign Currency Translation**

The Canadian dollar is the functional currency of the Company. The United States dollar is the functional currency for Bonanza Resources and AleAnna Energy. Monetary assets and liabilities denominated in currency other than the presenting currency are translated at the exchange rate in effect at the date of the consolidated statement of financial position. Non-monetary assets, liabilities, revenues and expenses are translated at transaction date exchange rates. Exchange gains or losses are included in the determination of comprehensive loss.

#### **Leases**

The Company classifies leases entered into as either finance or operating leases. Leases that transfer substantially all of the risks and benefits of ownership are capitalized as finance leases within P&E and other liabilities. All other leases are recorded as operating leases and expensed as incurred within operating expenses.

#### **Stock-Based Compensation**

The Company uses the fair value method of accounting for all stock-based awards to non-employees and employees, including those that are direct awards of stock. Under the fair value method, employee compensation expense attributed to direct awards of stock is measured at the fair value of the award at the grant date using the Black-Scholes option-pricing model and is recognized over the vesting period of the award. If and when the stock options are ultimately exercised by the recipient of the awards, the applicable amounts of contributed surplus are credited to share capital.

#### **Derivative Instruments**

For derivative instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in fair value recognized in loss each reporting period. For derivative instruments, the Company uses the Black-Scholes model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as a liability or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the statement of financial position as current or non-current based on whether or not the net-cash settlement of the derivative instrument could be required within 12 months of the statement of financial position date.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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 reasonable determinable and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

#### **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### **Income Taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, the tax is also recognized in other comprehensive loss or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **Accounting standards issued but not yet effective**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after October 31, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

<b>Standard and Description</b>	<b>Date of Adoption</b>	<b>Adoption Impact on Consolidated Financial Statements</b>
IFRS 9, Financial Instruments – The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.	January 1, 2018	The Company is assessing the effect of this future pronouncement.
IFRS 15, Revenue from Contracts with Customers – Specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide user of financial statements with more informative, relevant disclosures.	January 1, 2017	The Company is assessing the effect of this future pronouncement.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **3. RISKS AND CONCENTRATIONS**

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

#### **Market risk**

Market risk is the possibility that changes in foreign exchange rates, interest rates and the prices of oil and gas products will adversely affect the value of assets, liabilities and expected future cash flows. The Company is engaged in a wide range of oil and gas products-related activities. Prices of oil and gas products are affected by a wide range of global and domestic factors which are beyond the control of the Company. The fluctuations in such prices may have favorable or unfavorable impacts on the Company. The Company believes that its market risk is not material.

#### **Credit risk**

Credit risk arises from cash and credit exposure to customers with outstanding receivable balances.

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with reputable financial institutions. At times, the balances deposited may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not incurred any losses related to amounts in excess of FDIC limits. Accounts receivable are primarily from affiliated entities in which the Company holds a substantial investment. The Company has not incurred any losses in connection with the accounts receivable.

#### **Foreign Exchange risk**

The Company has foreign exchange risk due to activities carried out in the United States and Italy. At April 30, 2015, the Company had \$316,536 in current assets and \$207,471 in current liabilities originating in the United States (October 31, 2014 - \$402,478 and \$118,135, respectively).

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

In managing its liquidity risk, the Company has access to funding at market rates through equity and debt markets. The Company may issue new shares, adjust its debt levels or mix between short-term and long-term borrowings.

#### **Capital management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, optimize returns for its owners and to minimize its cost of capital. In meeting its objectives of managing capital, the Company may issue new shares, adjust its debt levels or the mix between short-term and long-term borrowings.

#### **Fair value measurements**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **4. PROJECTS**

#### **Po Valley and Bradano Basins, Italy**

AleAnna Resources holds nine “Exploration Permits” and four “Applications for Exploration Permits”, encompassing more than 800,000 acres (3,250 sq. km) 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”). The nine exploration permit applications, totaling 670,396 acres, are located in the Po Valley in northern Italy, and the four exploration permit applications, totaling 132,483 acres, are located in the Bradano Basin in southern Italy.

To date AleAnna Resources has acquired more than 86,000 acres (350 sq. km) of 3-D geophysical data, making it Italy’s largest owner of on-shore 3-D geophysical data in Italy. Part of AleAnna Resources’ operating strategy is the use of high-resolution 3-D seismic technologies to image subsurface hydrocarbons to more efficiently high-grade prospects while reducing environmental impact and risk.

#### *Corte Dei Signori Permit*

The Corte Dei Signori permit area is located in south-eastern Po Valley, and is on trend with a number of large natural gas fields. In 2009, AleAnna Resources completed a 32,864 acre (133 sq. km) 3-D geophysical survey in the Corte Dei Signori permit area and has reprocessed the data several times using the latest in geophysical processing applications.

In 2013, AleAnna Resources executed a participation agreement with Andiamo Resources, LLC on a 3,953-acre (16 km<sup>2</sup>) area of mutual interest (AMI) within the Corte dei Signori permit where the Trava-2 well will be drilled. As part of the agreement, Andiamo paid cash consideration and will pay 100% of the costs to drill the Trava-2 well to casing point election. In return Andiamo will earn a 50% interest in the AMI portion of the Corte dei Signori permit. AleAnna Resources and Andiamo technical teams have selected the surface location for the well, the bottom-hole well coordinates, and the wellbore-drilling plan. AleAnna Resources will select a drilling contractor and various sub-contractors in the coming months. AleAnna Resources will commence drilling the Trava-2 when the Italian government processes and approves AleAnna Resources’ drilling permit application.

In 2014, AleAnna Resources filed for a three-year extension on the Corte dei Signori permit after completing its initial work program, which included the 3-D geophysical survey and the drilling of the Gallare-6 well. In addition to the extension, AleAnna Resources has applied for a drilling permit for its Trava-2 exploration well.

#### *La Prospera Permit and Gradizza-1 Exploration Well*

The La Prospera exploration permit area is located northwest of Corte dei Signori in the Ferrara province north of Bologna. Through a farm-in agreement with Po Valley Energy (“PVE”), AleAnna Resources holds a 10% interest in the La Prospera permit and PVE’s Gradizza-1 exploration well, which was drilled, tested, and completed in the fall of 2013. The Gradizza-1 well encountered 33 feet (10 m) of gas-bearing sand. The well tested natural gas at a stabilized rate of approximately 700,000 cubic feet per day, with 500-psi flowing tubing pressure on a ¼-inch choke. No formation water, pressure decline, or gas impurities were recovered during testing, and the bottom-hole pressure measured approximately 1,200 psi.

The well is currently shut-in, waiting on the installation of surface facilities, pipeline hookup, and regulatory approvals. PVE applied for a production permit in early 2014 and will begin producing the well upon approval of its PVE’s production permit application.

AleAnna Resources and its joint-venture partners in the La Prospera permit have also applied for the Zanza exploration permit, a relatively small tract abutting La Prospera’s southern border just south of the Gradizza-1 well and adjacent to and east of AleAnna Resources’ Ponte del Diavolo permit. It is possible that the geological structure penetrated by the Gradizza-1 well may extend onto the Zanza area.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **4. PROJECTS (continued)**

#### *Ponte Del Diavolo Permit*

The Ponte Del Diavolo permit area, located northwest of Corte dei Signori and adjacent to La Prospera and Zanza, covers an area of over 49,000 acres (200 sq. km). The Ponte Del Diavolo permit is on trend with several large, producing gas fields, making it an attractive area to explore for hydrocarbons. In 2011, the Company commissioned a 35,000 acre (140 sq. km) high-resolution 3-D geophysical survey of the permit area, which further defined existing hydrocarbon traps in the Plio-Pleistocene and deeper sands.

An ancillary benefit of participating in PVE's Gradizza-1 well is that the well serves as a stratigraphy test-well for AleAnna Resources' look-alike prospects located a few miles southwest of the well. Using data gleaned from Gradizza-1, AleAnna Resources can more accurately interpret and target similar-looking pay horizons in its 100%-owned prospects. AleAnna Resources has surveyed each of its prospects using 3-D seismic technology, greatly enhancing the Company's ability to image geological structures and anomalies. These prospects, as well as the Gradizza-1 well, are on trend with several nearby producing natural gas fields, including the Sabbioncello and Tresigallo fields, which have produced more than 90 billion cubic feet (Bcf) and 68 Bcf of natural gas, respectively, to date.

In 2013, AleAnna Resources submitted a drilling permit application for its Tombellina prospect, located approximately 3.5 miles (5.6 km) southwest of the Gradizza-1 discovery well. As with the Trava-2 well, AleAnna Resources will commence drilling the well upon approval of its drilling permit application.

#### *Ponte Dei Grilli Permit*

The 63,864 acre (258 sq. km) Ponte dei Grille permit is one of AleAnna Resources most promising areas for the discovery of substantial natural gas reserves. In 2012, AleAnna Resources acquired more than 18,000 acres (74 sp. km) of high-resolution 3-D seismic data from the permit area. Although there has been no production on the Ponte dei Grille permit, a number of large natural gas fields surround it. Northeast of Ponte dei Grilli are the Cotignola and San Potito gas fields, which have produced 52 Bcf and 46 Bcf of natural gas, respectively.

AleAnna Resources has identified several large geological anomalies, including the Armonia prospect, and at least four others in the western portion of the permit where the 3-D seismic was acquired and interpretation is continuing. AleAnna Resources has filed a drilling application for its Armonia prospect. The application includes a detailed environmental impact report as well as engineering and geological data. Due to strong, positive indicators from the first Ponte dei Grille geophysical survey, AleAnna Resources is applying for a second 3-D geophysical survey on the southeast section of the Ponte dei Grilli permit, also on trend with the prospects and fields mentioned above.

#### *Other Po Valley Permits and Permit Applications*

Belgioioso, Fantozza, Bugia, and Molino are AleAnna's four additional approved permit areas in the Po Valley. All four permits—Fantozza and Bugia in the central Po Valley and Belgioioso and Molino in the western end of the Po Valley—are on trend with large gas fields. AleAnna Resources has submitted an application for 3-D geophysical surveys on Fantozza and has recently received approval for the Belgioioso survey. AleAnna Resources is also preparing an application for a 3-D geophysical survey on Bugia.

Le Saline and Tre Ponti are two additional areas where AleAnna Resources has applied for exploration permits. Both areas are large tracts in the eastern Po Valley but do not factor into AleAnna Resources' near-term plans due to environmental restrictions.

AleAnna has filed an exploration application with the Italian Ministry of Economic Development for the La Stefanina permit area contiguous to the southern border of AleAnna's Corte dei Signori permit area. The application area is 34,526 acres (140 sq km). AleAnna has executed an agreement with Andiamo Resources LLC, a Colorado limited liability company, to participate in the La Stefanina permit. Under the terms of the agreement, Andiamo has the right to pay 100% of the 3-D geophysical costs for a 50% interest in the La Stefanina application. Andiamo is AleAnna's partner in the Trava 2 well scheduled to drill in the fourth quarter of this year.

#### *Bradano Basin*

In southern Italy's Bradano Basin, AleAnna Resources holds one exploration permit (Torrente Acqua Fredda) and has applied for an additional exploration permit (Palazzo San Gervasio). Both areas are in the Basilicata region, home to several of the largest oil discoveries on-shore western Europe, including the Tempa Rossa field. The 16,300 acre (66 sp. km) Torrente Acqua Fredda permit is surrounded by a number of existing oil and gas fields. The much larger 116,100-acre (470-km<sup>2</sup>) Palazzo San Gervasio permit application is also on trend with several oil and gas fields. To date, AleAnna Resources has done preliminary geological and geophysical studies on the area, but has yet to commit significant resources to these holdings.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years ended April 30, 2015 and 2014

**5. EXPLORATION AND EVALUATION ASSETS**

---

Exploration and evaluation assets ('E&E assets') mainly comprise property, geological survey and capitalized exploration drilling costs in respect of non-commercially assessed fields. Management considers the E&E assets to be of an intangible asset.

Management generally evaluates the recoverability of the E&E assets on an annual basis; however the ultimate recoverability of such assets is dependent on management's intention to incur the costs necessary to determine the commercial feasibility of the fields. If management decides to forgo such costs and was to convey the E&E assets to a third party, the ultimate recoverability is uncertain.

On September 4, 2014 AleAnna Energy acquired the remaining 65% interest in AleAnna Resources at a discount thereby resetting the value of AleAnna Resources. The adjusted value of AleAnna Resources resulted in an impairment of the Company's E&E assets.

	<b>E&amp;E Assets</b>
Balance October 31, 2013	\$ 5,534,918
Exploration and evaluation expenditures	55,785
Effect of current period operations and exchange rate fluctuations	53,360
Balance April 30, 2014	5,644,063
Exploration and evaluation expenditures	133,513
Impairment reduction	(1,208,149)
Effect of current period operations and exchange rate fluctuations	(129,442)
Balance October 31, 2014	4,439,985
Effect of current period operations and exchange rate fluctuations	(120,670)
<b>Balance April 30, 2015</b>	<b>\$ 4,319,315</b>

**BRS Resources Ltd.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

**6. PROPERTY AND EQUIPMENT**

Property and Equipment	Proved Developed		Proved		Total
	Producing Properties U.S.	Undeveloped Properties Italy	Well Equipment	Office Equipment	
Balance October 31, 2013	\$ -	\$ -	\$ -	\$ 87,976	\$ 87,976
Additions	-	-	-	-	-
Balance April 30, 2014	-	-	-	87,976	87,976
Additions	-	-	-	-	-
Balance October 31, 2014	-	-	-	87,976	87,976
Additions	-	-	-	8,946	8,946
Balance April 30, 2015	\$ -	\$ -	\$ -	\$ 96,922	\$ 96,922

Accumulated Depreciation and Depletion	Proved Developed		Proved		Total
	Producing Properties U.S.	Undeveloped Properties Italy	Well Equipment	Office Equipment	
Balance October 31, 2013	\$ -	\$ -	\$ -	\$ 43,212	\$ 43,212
Additions	-	-	-	8,047	8,047
Balance April 30, 2014	-	-	-	51,259	51,259
Additions	-	-	-	8,078	8,078
Balance October 31, 2014	-	-	-	59,337	59,337
Additions	-	-	-	8,486	8,486
Balance April 30, 2015	\$ -	\$ -	\$ -	\$ 67,823	\$ 67,823

Net Book Value	Proved Developed		Proved		Total
	Producing Properties U.S.	Undeveloped Properties Italy	Well Equipment	Office Equipment	
April 30, 2014	\$ -	\$ -	\$ -	\$ 36,717	\$ 36,717
October 31, 2014	\$ -	\$ -	\$ -	\$ 28,639	\$ 28,639
April 30, 2015	\$ -	\$ -	\$ -	\$ 29,099	\$ 29,099

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

**7. NOTE PAYABLE**

On March 28, 2014, the Company entered into a Senior Secured Convertible Note for interim financing to fund exploration requirements in Italy, refinance the existing note plus accrued interest of \$126,825, and to fund other general corporate requirements. The loan is for \$2,126,825, provides for interest accruing at the rate of 13% per annum compounded monthly, and was due March 31, 2015. In conjunction with the issuance of the debt, a discount was recognized for the value of the derivative at Note 12.

The holder of the note had the right, but not the obligation, to convert any unpaid principal balance of the note into fully paid and nonassessable common shares of the Company at a conversion rate of \$0.06 per share, subject to adjustment under certain circumstances. Accrued interest can be converted into common shares at a conversion rate based on the market price in effect on the conversion date.

On March 26, 2015, the Company entered into a debt settlement agreement dated March 26, 2015 (the "Agreement") with Double Black Diamond L.P. (the "Holder") with respect to the settlement of a secured convertible note dated March 31, 2014 (the "Note") in the principal amount of \$2,126,825 issued by the Company to Holder. Pursuant to the terms of the Agreement, on March 31, 2015 the Company issued 69,154,170 common shares at a deemed price of \$0.035 per Share, in settlement of \$2,420,396, being the aggregate principal amount of the Note and accrued interest thereon. The value of the additional shares issued as a result of the change in the conversion price is included in the Consolidated Statement of Comprehensive Loss as an expense.

**8. SHARE CAPITAL**

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

	April 30, 2015		October 31, 2014	
	Number	Amount	Number	Amount
Balance, beginning of period	52,724,776	\$ 30,495,447	52,724,776	30,495,447
Shares issued for debt	69,154,170	3,545,395	-	-
Balance, end of period	121,878,946	\$ 34,040,842	52,724,776	30,495,447

On March 31, 2015 the Company completed a settlement agreement with the holder of the convertible note whereby the Company would issue 69,154,170 common shares at a deemed price of \$0.035 per share in settlement of \$2,420,396, being the aggregate principal amount of the convertible note and accrued interest thereon. This agreement resulted in the issuance of an additional 28,814,226 than if the conversion had occurred pursuant to the original agreement. The value of the additional shares issued as a result being, \$1,152,569, is recognized as an expense in the Consolidated Statement of Comprehensive Loss.

**Warrants** - The Company has issued stock warrants as follows:

In November 2011, the Company completed a private placement of 20,000,000 units in connection with issuing convertible debt at \$0.30 per unit for gross proceeds of \$6,000,000. 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 \$0.45 per share until November 2013.

In connection with the private placement, the Company paid finder's fees of an aggregate cash payment of \$390,000 and the issuance of an aggregate of 2,250,000 broker warrants (each, a "Broker Warrant"). 1,500,000 units of Broker Warrants were exercisable at a price of \$0.30 per share until November 2014 and 750,000 units of Broker Warrants were exercisable at a price of \$0.45 per share until November 2013, subject to a right of call by the Company under certain conditions.

As of November 4, 2014 all warrants had expired.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

**9. CONTRIBUTED SURPLUS**

	<b>April 30,</b>	<b>October 31,</b>
	<b>2015</b>	<b>2014</b>
Balance, beginning of period	\$ 2,890,187	2,782,320
Add-stock based compensation	-	107,867
Balance, end of period	\$ 2,890,187	2,890,187

**10. STOCK BASED COMPENSATION**

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 10,534,525 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, 2015, there are options outstanding to issue 8,665,000 shares of the Company. The price of the options range from \$0.10 to \$0.35 and their expiry dates range from November 15, 2015 to May 7, 2018. The weighted average contract life remaining is 0.92 years.

The following is a summary of the change in the Company's stock option plan for the period ended April 30, 2015 and October 31, 2014.

	<b>April 30, 2015</b>		<b>October 31, 2014</b>	
	<b>Number</b>	<b>Price</b>	<b>Number</b>	<b>Amount</b>
Balance, beginning of period	8,800,000	\$0.25	8,800,000	\$0.25
Options granted during period	-		-	
Options expired during period	135,000	\$0.50	-	
Balance, end of period	8,665,000	\$0.25	8,800,000	\$0.25

The intrinsic value of options exercisable at April 30, 2015 is nil.

The following table summarizes the information about stock options outstanding and exercisable at January 31, 2015:

<b>Weighted Average Exercise Price per Share</b>	<b>Number Outstanding January 31, 2015</b>	<b>Weighted Average Remaining Contract Life</b>
\$0.10	3,000,000	3.00
\$0.25	70,000	1.11
\$0.27	680,000	0.54
\$0.30	1,555,000	1.58
\$0.35	3,360,000	0.75
	<u>8,665,000</u>	0.92

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **10. STOCK BASED COMPENSATION (continued)**

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. No options were granted during the periods ended April 30, 2015 and October 31, 2014.

### **11. DERIVATIVE LIABILITY**

The Company evaluates each financial instrument issued to determine whether an instrument (or embedded feature) meets the qualifications to be classified as a derivative.

The warrants issued by the Company in November 2011 qualify as a derivative because these warrants have an adjustment provision applicable to the exercise price that adjusts the exercise price downward in the event the Company subsequently issues common stock, stock warrants, stock options or convertible debt with a stock price, exercise price or conversion price lower than the original exercise price of \$0.45 per share. As a result, these warrants are not considered indexed to the Company's stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings in our consolidated statement of comprehensive loss under the caption "loss before other items and income taxes – Change in fair value of warrant derivative liability" until such time as the warrants are exercised or expire.

Since the exercise price of the warrant can be potentially decreased and the number of shares to settle the warrants increase each time a trigger event occurs that results in a new adjusted exercise price below the adjusted exercise price then in effect, there could be a potentially infinite number of shares required to settle the warrant agreement. However, the Company has the capability of limiting the occurrence of such events.

The convertible note executed by the Company in March 2014 qualifies as a derivative because it has an adjustment provision applicable to the exercise price that adjusts the exercise price downward in the event the Company subsequently issues common stock, stock warrants, stock options or convertible debt with a stock price, exercise price or conversion price lower than the original exercise price of \$0.06 per share. As a result, the convertible note is not considered indexed to the Company's stock, and as such, all future changes in the fair value of these derivatives will be recognized currently in earnings in our consolidated statement of comprehensive loss under the caption "loss before other items and income taxes – Change in fair value of derivative liability" until such time as the convertible note payable is exercised or otherwise satisfied.

Since the exercise price of the conversion can be potentially decreased and the number of shares to settle the note increased each time a trigger event occurs that results in a new adjusted exercise price below the adjusted exercise price then in effect, there could be a potentially infinite number of shares required to settle the note agreement. However, the Company has the capability of limiting the occurrence of such events.

The Company used the Black-Scholes valuation model including a probability element to estimate the fair value of the derivative liability, which is considered a Level 2 fair value measurement. Significant assumptions used at October 31, 2014 were as follows:

Market value of stock on reporting date (1)	\$ 0.05
Risk-free interest rate (2)	.97%
Dividend yield (3)	0.00%
Volatility factor	152%
Expected life (4)	.41 years

(1) The market value of the stock on the data of reporting was based on reported public market prices.

(2) The risk-free interest rate was determined by management using the U.S. Treasury zero-coupon yield over the contractual term of the warrant on date of reporting.

(3) Management determined the dividend yield to be 0% based upon its expectation that there will not be earnings available to pay dividends in the near term.

(4) Expected life is remaining contractual life of the warrants.

## BRS Resources Ltd.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Periods ended April 30, 2015 and 2014

---

#### 11. DERIVATIVE LIABILITY (continued)

The change in the derivative liability is as follows:

	April 30, 2015	October 31, 2014
Derivative liability at beginning of period	\$ 897,514	320,936
Increase due to issuance of convertible note	-	1,264,178
Change in fair value	(897,514)	(687,600)
Derivative liability at end of period	\$ -	897,514

#### 12. LOSS PER SHARE

Net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. For the period ended October 31, 2014, the Company had potentially dilutive shares of 39,724,111 that were excluded from the earnings per share calculation because their impact would be antidilutive. For the years ended October 31, 2014 the diluted loss per share is the same as the basic loss per share, as the effect of common stock equivalents is anti-dilutive. There were no potentially dilutive shares at April 30, 2015.

#### 13. 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.

#### 14. DECOMMISSIONING OBLIGATION

The Company has no liability for asset retirement obligations related to the plugging, abandonment, and remediation of oil and gas producing properties since the Company disposed of all of its interests in oil and gas wells as of October 31, 2012.

#### 15. COMMITMENTS AND CONTINGENCIES

##### Employment Agreements

The Company had employment agreements with two key employees ending December 31, 2014. One of the employees contract was extended through December 31, 2015, while the other employee is retained on a month-to-month contract.

## BRS Resources Ltd.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Periods ended April 30, 2015 and 2014

#### 16. 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 January 31, 2015 and 2014.

	April 30	
	2015	2014
<b>Business segment revenue:</b>		
Oil and gas-United States	\$ 175,306	118,920
Oil and gas-Italy	-	-
<b>Total revenue</b>	<b>\$ 175,306</b>	<b>118,920</b>
<b>Business segment income (loss)</b>		
Oil and gas-United States	\$ (296,324)	(399,756)
Oil and gas-Italy	(204,247)	(114,119)
General administration	(881,730)	(49,926)
<b>Net income</b>	<b>\$ (1,382,301)</b>	<b>(563,801)</b>
<b>Depletion and depreciation</b>		
Oil and gas-United States	\$ 8,021	7,947
Oil and gas-Italy	465	-
General administration	-	100
<b>Total depletion, depreciation and amortization</b>	<b>\$ 8,486</b>	<b>8,047</b>
<b>Capital expenditures</b>		
Oil and gas-United States	\$ -	-
Oil and gas-Italy	8,947	55,785
General administration	-	-
<b>Total capital expenditures</b>	<b>\$ 8,947</b>	<b>55,785</b>
<b>Business segment assets</b>		
Oil and gas-United States	\$ 103,160	534,213
Oil and gas-Italy	4,685,659	5,921,285
General administration	22,396	696,046
<b>Total assets</b>	<b>\$ 4,811,215</b>	<b>7,151,544</b>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Periods ended April 30, 2015 and 2014

---

### **17. 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.

During the period ended April 30, 2015, the President of the Company's U.S. subsidiary, and director of the Company, incurred \$576 in travel and office expenses on behalf of the Company (2014-\$1,517). At April 30, 2015, the President to the Company's U.S. subsidiary owed the Company \$7,443 for expense advances.

During the period ended April 30, 2015, a director of the Company incurred \$5,000 (2014-\$10,000) in consulting fees and \$1,828 in travel and office expenses (2014-\$nil).

During the period ended April 30, 2015, the Company charged a management fee of \$210,325 to AleAnna Resources, of which \$35,019 was eliminated in consolidation (2014-\$70,613). The Company has receivables from and unbilled charges to AleAnna Resources of \$231,629 for unpaid management fees and expenses at April 30, 2015.

During the year ended October 31, 2014, the Company entered into a financing arrangement with a shareholder for an additional principal amount of \$1,000,000 and rolling accrued interest on the existing note into a new note with a principal amount of \$2,126,825. The original financing arrangement was entered into during 2013 with an initial amount of \$1,000,000. On March 31, 2015 the Company paid the note and accrued interest totalling \$2,420,396 by issuing 69,154,170 shares of common stock at a price of \$0.035.

### **18. SUBSEQUENT EVENTS**

AleAnna has filed an exploration application with the Italian Ministry of Economic Development for the La Stefanina permit area contiguous to the southern border of AleAnna's Corte dei Signori permit area. The application area is 34,526 acres (140 sq km). AleAnna has executed an agreement with Andiamo Resources LLC, a Colorado limited liability company, to participate in the La Stefanina permit. Under the terms of the agreement, Andiamo has the right to pay 100% of the 3-D geophysical costs for a 50% interest in the La Stefanina application. Andiamo is AleAnna's partner in the Trava 2 well scheduled to drill in the fourth quarter of this year.