AMENDED AND RESTATED

BRS RESOURCES LTD.

DALLAS, TEXAS, USA

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2015 and 2014

BRS RESOURCES LTD.

Amended and Restated Unaudited Consolidated Interim Financial Statements

for the

Nine Months Ended July 31, 2015 and 2014

Responsibility for Financial Statements

The accompanying amended and restated unaudited consolidated financial statements for BRS Resources Ltd. (the "**Company**") have been prepared by management in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting" consistently applied. The amended and restated 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 amended and restated annual audited financial statements for the financial year ended October 31, 2014. 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 the Company have not performed a review of the amended and restated unaudited consolidated interim financial statements for the three and nine months ended July 31, 2015 and 2014.

AMENDED AND RESTATED

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	3 Months Ended July 31,		9 Months Ended July 31,	
	2015	**2014**	**2015**	**2014**
	RESTATED - See Note 4			
REVENUE				
Management fee	**107,376**	59,148	**$ 282,682**	$ 178,069
	107,376	59,148	**282,682**	178,069
EXPENSES				
Wages and benefits	**141,677**	139,219	**432,370**	429,060
Engineering and consulting fees	**273**	77,607	**24,434**	148,288
Legal and accounting	**25,866**	87,419	**146,441**	185,314
Office and general	**18,238**	22,764	**50,521**	54,267
Rent	**26,786**	22,547	**68,488**	66,462
Investor relations	**2,078**	27,023	**15,443**	68,108
Depletion, depreciation and amortization	**4,015**	4,040	**11,961**	12,087
Regulatory fees	**-**	-	**4,410**	19,078
Travel	**28**	3,359	**2,544**	3,428
Non-productive drilling costs	**-**	6,930	**-**	6,930
	218,961	390,908	**756,612**	993,022
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	**(111,585)**	(331,760)	**(473,930)**	(814,953)
Debt discount amortization	**-**	(318,642)	**(465,359)**	(566,144)
Change in fair value of derivative liability	**-**	106,177	**897,514**	454,029
Interest expense	**-**	(70,630)	**(126,949)**	(147,288)
Loss on conversion of note *[Note 8]*	**-**	-	**(1,152,569)**	-
Interest and other income	**5,857**	4,884	**37,511**	14,704
LOSS BEFORE SHARE OF LOSS FROM EQUITY INVESTMENT	**(105,728)**	(609,971)	**(1,283,782)**	(1,059,652)
Share of loss from equity accounted for investment	**(150,017)**	(44,708)	**(361,966)**	(154,725)
NET LOSS	**(255,745)**	**(654,679)**	**(1,645,748)**	(1,214,377)
Foreign currency translation gain (loss)	**32,820**	121,810	**96,586**	49,500
Comprehensive Loss	**$ (222,925)**	**$ (532,869)**	**$ (1,549,162)**	**$ (1,164,877)**
LOSS PER SHARE (basic and diluted)	**$ (0.00)**	**$ (0.01)**	**$ (0.02)**	**$ (0.02)**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (basic and diluted)	**121,878,946**	52,724,776	**99,336,979**	52,724,776

See Accompanying Notes to Consolidated Financial Statements

AMENDED AND RESTATED

BRS Resources Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		July 31, 2015	October 31, 2014
		RESTATED - See Note 4	
ASSETS			
Current:			
Cash	$	**119,422**	170,302
Accounts and other receivables		**15,487**	10,006
Due from related parties		**53,584**	337,401
Prepaid expenses		**13,088**	11,015
Total Current Assets		**201,581**	528,724
Equity accounted for investments *[Notes 4 and 5]*		**4,425,292**	4,787,258
Property and equipment *[Note 6]*		**16,677**	28,639
Other non-current assets		**-**	5,911
Total Assets	$	**4,643,550**	5,350,532
LIABILITIES			
Current:			
Accounts payable and accrued expenses	$	**78,264**	214,899
Note payable, net of discount *[Note 7]*		**-**	1,661,466
Lease inducement payable		**-**	-
Total Current Liabilities		**78,264**	1,876,365
Derivative liability *[Note 11]*		**-**	897,514
Lease inducement payable		**4,224**	11,824
Total Liabilities		**82,488**	2,785,703
SHAREHOLDERS' EQUITY			
Share capital *[Note 8]*		**34,040,842**	30,495,447
Contributed surplus *[Note 9]*		**2,890,187**	2,890,187
Deficit		**(32,648,580)**	(31,002,832)
Accumulated other comprehensive income		**278,613**	182,027
Total Shareholders' Equity		**4,561,062**	2,564,829
Total Liabilities & Shareholders' Equity	$	**4,643,550**	5,350,532

See Accompanying Notes to Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

Byron Coulthard	***Michael Noonan***
President and Chief Executive Officer	Chief Financial Officer

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares		Capital		Surplus		Deficit		Accumulated Other Income		Equity
RESTATED - See Note 4											
Balance, October 31, 2013	52,724,776	$	30,495,447	$	2,890,187	$	(28,105,264)	$	122,260	$	5,402,630
Net loss for period	-		-		-		(1,214,377)		-		(1,214,377)
Foreign translation gain	-		-		-		-		155,993		155,993
Balance, July 31, 2014	52,724,776		30,495,447		2,890,187		(29,319,641)		278,253		4,344,246
Net loss for period	-		-		-		(1,683,191)		-		(1,683,191)
Foreign translation loss	-		-		-		-		(96,226)		(96,226)
Balance, October 31, 2014	52,724,776		30,495,447		2,890,187		(31,002,832)		182,027		2,564,829
Net loss for period	-		-		-		(1,645,748)		-		(1,645,748)
Note payable conversion *[Note 8]*	69,154,170		3,545,395		-		-		-		3,545,395
Foreign translation gain	-		-		-		-		96,586		96,586
Balance, July 31, 2015	121,878,946	$	34,040,842	$	2,890,187	$	(32,648,580)	$	278,613	$	4,561,062

See Accompanying Notes to Consolidated Financial Statements

AMENDED AND RESTATED

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		3 Months Ended July 31,			9 Months Ended July 31,	
		2015	**2014**		**2015**	**2014**
			RESTATED - See Note 4			
OPERATIONS						
Net loss	$	**(255,745)**	(654,679)	$	**(1,645,748)**	(1,214,377)
Add items not affecting cash:						
Amortization expense on discount of debt		**-**	318,642		**465,359**	566,144
Fair value of derivative liability		**-**	(106,177)		**(897,514)**	(454,029)
Depreciation and amortization		**4,015**	4,040		**11,961**	12,087
Loss on conversion of note		**-**			**1,152,569**	-
Loss from equity accounted for investment		**150,017**	44,708		**361,966**	154,725
		(101,713)	(393,466)		**(551,407)**	**(935,450)**
Change in non-cash working capital balances related to operations:						
(Increase) decrease in accounts and other receivables		**(6,524)**	(679)		**(5,481)**	200,728
(Increase) decrease in due from related parties		**155,428**	7,464		**283,817**	(226,428)
(Increase) decrease in prepaid and other assets		**2,947**	(4,918)		**3,839**	(15,190)
Increase (decrease) in due to related parties		**-**	10,890		**-**	10,890
(Increase) decrease in accounts payable and accrued expenses		**(40,871)**	45,438		**156,936**	173,294
Decrease (increase) in lease inducement liability		**(2,533)**	5,066		**(7,600)**	-
		6,734	(330,205)		**(119,896)**	(792,156)
FINANCING						
Issuance of current notes payable		**-**	-		**-**	1,000,000
Note conversion fees		**-**	-		**(27,570)**	-
		-	-		**(27,570)**	1,000,000
INVESTING						
Investment in equity accounted for investment			(99,850)			(155,742)
Collection of notes receivable			2,191			5,214
		-	(97,659)		-	(150,528)
Effect of foreign exchange		**32,822**	**15,316**		**96,586**	49,500
Increase in cash		39,556	(412,548)		**(50,880)**	106,816
Cash, beginning of period		**79,866**	863,709		**170,302**	344,345
CASH, end of period	$	**119,422**	451,161	$	**119,422**	451,161

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

See Accompanying Notes to Consolidated Financial Statements

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 under the symbol "BRS". 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 address of its registered head office is 510 Burrard Street, Suite 575, Vancouver B.C., V6C 3A8.

The accompanying restated consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, Bonanza Resources (Texas), Inc. ("Bonanza Resources"), a Texas corporation.

The recoverability of amounts recorded as petroleum and natural gas assets is dependent upon the discovery of economically recoverable reserves through its investment in AleAnna Energy, LLC ("AleAnna Energy"). 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 October 31, 2014 has a net working capital deficiency of $1,347,641 (October 31, 2013 - $315,061). 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 interim consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Bonanza Resources. All significant intercompany balances and transactions have been eliminated in consolidation.

Equity Accounted Investments

Equity accounted investments are investments over which the Company has significant influence, but not control. The financial results of the Company's equity accounted investment are included in the Company's consolidated financial statements using the equity method whereby the Company recognized its proportionate share of income or loss and other comprehensive income or loss of the equity accounted for investment in its own operations comprehensive income or loss, as applicable. Dilution gains and losses arising from changes in the Company's interest in equity accounted investments are recognized in net operations. If the Company's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Company has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment.

The Company assesses at least annually whether there is objective evidence that its interests in equity accounted for investment are impaired. If impaired, the carrying value of the Company's share of the underlying assets of equity accounted for investments is written down to its estimated recoverable amount, with any difference charged to the consolidated statement of loss and comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentational currency

Functional and Presentational Currency

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

Functional Currency of Subsidiaries and Equity Accounted Investments

The financial statements of consolidated subsidiaries and equity accounted investments that have a functional currency that is different from that of the Company are translated into Canadian dollars using average rates for the period for items included in the consolidated statement of loss and comprehensive loss and the rates in effect at the date of the consolidated statement of financial position. All resulting changes are recognized in comprehensive income or loss as cumulative translation adjustments. If the Company's interest in foreign operations of a subsidiary is diluted, but the foreign operations remain a subsidiary, a pro rata portion of cumulative translation adjustments related to those foreign operations are reallocated between controlling and non-controlling interest. When the Company disposes of its entire interest in foreign operations, or when it loses control or significant influence, the cumulative translation adjustment included in accumulated comprehensive income or loss related to the foreign operations is recognized in the consolidated statement of loss and comprehensive loss on a pro rata basis.

Transactions

Foreign currency transactions are translated into the Company's functional currency using exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than the Company's functional currency at each period-end date are recognized in the consolidated statement of loss and comprehensive loss.

Foreign Currency Translation

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.

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) stock-based compensation is based upon expected volatility and option life estimates; (ii) 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; (iii) amount used for impairment calculations for long term assets are based on estimates of future cash flows and capitalization rate on a Cash Generating Unit ("CGU") basis; and (iv) 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 July 31, 2015 or October 31, 2014.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment ("P&E")

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

Impairment

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (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 assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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 so that the increased carrying amount 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.

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.

Revenue Recognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

IAS 1, "Presentation of Financial Statements" ("IAS 1")

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and the statement of comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 become mandatory for annual periods beginning on or after January 1, 2016. The Company does not expect that these amendments will have a significant impact to the Company's consolidated financial statements.

IFRS 10, "Consolidated Financial Statements" ("IFRS 10") and IAS 28, "Investments in Associates and Joint Ventures (2011)" ("IAS 28")

In September 2014, the IASB announced certain amendments to IFRS 10 and IAS 28 that resolved certain inconsistencies in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments provide that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments will be effective from annual periods commencing on or after January 1, 2016. The Company does not expect that these amendments will have a significant impact to the Company's consolidated financial statements.

IFRS 9, "Financial Instruments" ("IFRS 9")

IFRS 9, published in July 2014, replaces IAS 39, *"Financial Instruments: Recognition and Measurement"*.

IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting.
It establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is in the process of evaluating the impact that IFRS 9 may have on the Company's consolidated financial statements.

IFRS 11, "Joint Arrangements" ("IFRS 11")

In May 2014, the IASB issued amendments to IFRS 11 to address the accounting for acquisitions of interests in joint operations. The amendments address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. IFRS 11, as amended, now requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, "*Business Combinations*". The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company does not expect that these amendments will have a significant impact to the Company's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18, "*Revenue*", IAS 11 "*Construction Contracts*" and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company's consolidated financial statements.

IAS 16, "Property, Plant and Equipment" ("IAS 16") and IAS 38, "Intangible Assets" ("IAS 38")

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016. The Company does not expect that these amendments will have a significant impact to the Company's consolidated financial statements.

IFRS 16, "Leases" ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing IAS 17, *"Leases"*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has not initiated an analysis of the impact of adopting IFRS 16 to its consolidated financial statements.

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 July 31, 2015, the Company had $188,184 in current assets and $72,255 in current liabilities originating in the United States (October 31, 2014 - $353,343 and $49,097, respectively).

3. RISKS AND CONCENTRATIONS (continued)

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.

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS

The Company previously reported its investment in AleAnna Energy by consolidating its pro-rata share of assets, liabilities, income and expenses in the consolidated financial statements of the Company. Subsequent to publishing the consolidated financial statements for 2014, it was determined that the equity method of accounting for the investment in AleAnna Energy was the appropriate method.

The consolidated financial statements for periods ended July 31, 2014 and 2013 have been restated to reflect the correction. The effect of the correction on the periods ended July 31, 2014 and 2013 is as follows:

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	7/31/2015 Published to SEDAR	Adjustment	7/31/2015 Equity method
Current:			
Cash	466,289	(346,867)	119,422
Accounts and other receivables	15,486	1.00	15,487
Due from related parties	53,584	-	53,584
Prepaid expenses	20,211	(7,123)	13,088
Total Current Assets	555,570	(353,989)	201,581
Equity accounted for investment		4,425,292	4,425,292
Other restricted assets	14,608	(14,608)	-
Oilfield equipment inventory	48,674	(48,674)	-
Exploration and evaluatin assets, net	3,854,446	(3,854,446)	-
Property and equipment	25,366	(8,689)	16,677
Total Assets	4,498,664	144,886	4,643,550
LIABILITIES			
Current:			
Accounts payable and accrued expenses	136,487	(58,223)	78,264
Lease inducement payable	4,224	-	4,224
Total current liabilities	140,711	(58,223)	82,488
Total liabilities	140,711	(58,223)	82,488
SHAREHOLDERS' EQUITY			
Share capital	34,040,842	-	34,040,842
Contributed surplus	2,890,187	-	2,890,187
Deficit	(32,649,624)	1,044	(32,648,580)
Accumulated other comprehensive income	76,548	202,065	278,613
Total Shareholders' Equity	4,357,953	203,109	4,561,062
Total Liabilities and Shareholders' Equity	4,498,664	144,886	4,643,550

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Nine Months Ended			Three Months Ended		
	7/31/2015 Published to SEDAR	Adjustment	7/31/2015 Equity method	7/31/2015 Published to SEDAR	Adjustment	7/31/2015 Equity method
REVENUE						
Management fee	282,682	-	282,682	107,376	-	107,376
	282,682	-	282,682	107,376	-	107,376
EXPENSES						
Wages	501,042	(68,672)	432,370	162,563	(20,886)	141,677
Engineering and consulting	87,857	(63,423)	24,434	14,869	(14,596)	273
Legal and accounting	184,770	(38,329)	146,441	29,594	(3,728)	25,866
Office and general	122,750	(72,229)	50,521	35,156	(16,918)	18,238
Rent	68,488	-	68,488	26,787	(1)	26,786
Invetor relations	20,235	(4,792)	15,443	3,823	(1,746)	2,077
Depletion, depreciation and amortization	12,908	(947)	11,961	4,422	(407)	4,015
Regulatory fees	4,410	-	4,410	-	-	-
Travel	41,701	(39,157)	2,544	18,797	(18,769)	28
	1,044,161	(287,549)	756,612	296,011	(77,050)	218,961
LOSS BEFORE OTHER ITEMS	(761,479)	287,549	(473,930)	(188,635)	(77,050)	(111,585)
Debt discount amortization	(465,359)	-	(465,359)	-	-	-
Change in FV	897,514	-	897,514	-	-	-
Interest expense	(126,949)	-	(126,949)	-	-	-
Loss on conversion of note	(1,152,569)	-	(1,152,569)	-	-	-
Interest and other income	46,180	(8,669)	37,511	8,274	2,418	5,856
LOSS BEFORE SHARE OF EQUITY ACCOUNTED FOR INVESTMENT	(1,562,662)	278,880	(1,283,782)	(180,361)	(74,632)	(105,729)
Share of loss from equity accounted for investment	-	(361,966)	(361,966)	-	150,017	(150,017)
NET LOSS	(1,562,662)	(83,086)	(1,645,748)	(180,361)	75,384	(255,745)
Foreign currency translation gain (loss)	(31,939)	128,525	96,586	(64,418)	(97,238)	32,820
NET LOSS AND COMPREHENSIVE LOSS	(1,594,601)	45,439	(1,549,162)	(244,779)	(21,854)	(222,925)
Share Capital						
Beginning Balance	30,495,447	-	30,495,447	30,495,447	-	30,495,447
Note payable conversion (69,154,170 shares issued)	3,545,395	-	3,545,395	3,545,395	-	3,545,395
Ending Balance	34,040,842	-	34,040,842	34,040,842	-	34,040,842
Accumulated other comprehensive income						
Beginning	108,487	73,540	182,027	140,966	104,825	245,791
Foreign currency translation gain (loss)	(31,939)	128,525	96,586	(64,418)	97,240	32,822
Ending	76,548	202,065	278,613	76,548	202,065	278,613
Deficit						
Beginning	(31,086,962)	84,130	(31,002,832)	(32,469,263)	76,426	(32,392,837)
Current year deficit	(1,562,662)	(83,086)	(1,645,748)	(180,361)	(75,384)	(255,745)
Ending	(32,649,624)	1,044	(32,648,580)	(32,649,624)	1,042	(32,648,582)

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended			Three Months Ended		
	7/31/2015 Published to SEDAR	Adjustment	7/31/2015 Equity method	7/31/2015 Published to SEDAR	Adjustment	7/31/2015 Equity method
OPERATIONS						
Net Loss	(1,562,662)	(83,086)	(1,645,748)	(180,361)	(75,384)	(255,745)
Adjustments to reconcile net loss to net cash used in operating activities:						
Amortization expense on discount of debt	465,359	-	465,359	-	-	-
Fair value adjustment in derivative liability	(897,514)	-	(897,514)	-	-	-
Depletion and amortization	12,908	(947)	11,961	4,422	(407)	4,015
Convertible note excahnge rate adjustment	1,152,569	-	1,152,569	-		-
Loss from equity investment		361,966	361,966	-	150,017	150,017
Changes in operating assets and liabilities:						
Accounts receivable	48	(5,528)	(5,480)	(6,523)	(1)	(6,524)
Due from related parties	279,563	4,254	283,817	137,707	17,721	155,428
Oilfield equipment	1,462	(1,462)		-	-	-
Prepaid and other assets	(8,203)	12,039	3,836	1,381	1,566	2,947
Accounts payable	147,410	9,528	156,938	(65,239)	24,368	(40,871)
Lease Inucement Payable	(7,600)	-	(7,600)	(2,533)	-	(2,533)
Net cash used in operating activities	(416,660)	296,764	(119,896)	(111,146)	117,880	6,734
					-	
INVESTING					-	
Other changes in exploration and evaluation	585,539	(585,539)	-	464,869	(464,869)	-
Purchase of equipment	(9,635)	9,635	-	(689)	689	-
(Increase) decrease in other assets	149,384	(149,384)	-	60,788	(60,788)	-
Net cash used in investing activities	725,288	(725,288)	-	524,968	(524,968)	-
FINANCING						
Note conversion fees	(27,570)	-	(27,570)	-	-	-
Net cash used by financing activities	(27,570)	-	(27,570)	-	-	-
		-			-	
Effect on foreign exchange on cash balance	(31,939)	128,525	96,586	(61,884)	94,706	32,822
		-			-	
Net increase(decrease) in cash and cash equivalents	249,119	(299,999)	(50,880)	351,938	(312,382)	39,556
Cash and cash equivalents at beginning of period	217,170	(46,868)	170,302	114,351	(34,485)	79,866
Cash and cash equivalents at end of period	466,289	(346,867)	119,422	466,289	(346,867)	119,422

BRS Resources Ltd.

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Periods ended July 31, 2015 and 2014

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

	CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
ASSETS	**7/31/2014 Published to SEDAR**	**Adjustment**	**7/31/2014 Equity method**
Current:			
Cash	523,992	(72,831)	451,161
Accounts and other receivables	13,760	(5,339)	8,421
Due from related parties	298,908	4,109	303,017
Prepaid expenses	19,834	(959)	18,875
Total Current Assets	856,494	(75,020)	781,474
Equity accounted for investment	-	6,016,838	6,016,838
Other restricted assets	174,947	(174,947)	-
Oilfield equipment inventory	50,136	(50,136)	-
Exploration and evaluatin assets, net	5,652,232	(5,652,232)	-
Property and equipment	32,678	-	32,678
Total Assets	6,766,487	64,503	6,830,990
LIABILITIES			
Current:			
Accounts payable and accrued expenses	234,200	(82,490)	151,710
Note payable, net of discount	1,285,194	-	1,285,194
Due to related parties	10,890	-	10,890
	1,530,284	(82,490)	1,447,794
Derivative liability	1,131,085	-	1,131,085
Lease inducement payable	14,357	-	14,357
Total liabilities	2,675,726	(82,490)	2,593,236
SHAREHOLDERS' EQUITY			
Share capital	30,495,447	-	30,495,447
Contributed surplus	2,890,187	-	2,890,187
Deficit	(29,400,967)	81,327	(29,319,640)
Accumulated other comprehensive income	106,094	65,666	171,760
Total Shareholders' Equity	4,090,761	146,993	4,237,754
Total Liabilities and Shareholders' Equity	6,766,487	64,503	6,830,990

BRS Resources Ltd.

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Periods ended July 31, 2015 and 2014

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Nine Months Ended			Three Months Ended		
	7/31/2014 Published to SEDAR	Adjustment	7/31/2014 Equity method	7/31/2014 Published to SEDAR	Adjustment	7/31/2014 Equity method
REVENUE						
Management fee	178,069	-	178,069	59,148	-	59,148
	178,069	-	178,069	59,148	-	59,148
EXPENSES						
Wages	479,548	50,488	429,060	151,797	(12,578)	139,219
Engineering and consulting	170,615	22,328	148,287	101,283	(23,677)	77,606
Legal and accounting	199,546	14,232	185,314	93,803	(6,384)	87,419
Office and general	117,119	62,851	54,268	22,334	430	22,764
Rent	66,463	-	66,463	22,547	-	22,547
Invetor relations	69,892	1,784	68,108	27,393	(370)	27,023
Depletion, depreciation and amortization	12,086	-	12,086	4,040	-	4,040
Regulatory fees	19,078	-	19,078	-	-	-
Travel	14,184	10,756	3,428	6,093	(2,734)	3,359
Non-porductive drilling costs	6,930	-	6,930	-	6,930	6,930
	1,155,461	162,439	993,022	429,290	(38,383)	390,907
LOSS BEFORE OTHER ITEMS	(977,392)	(162,439)	(814,953)	(370,142)	38,383	(331,759)
Debt discount amortization	(566,144)	-	(566,144)	(318,642)	-	(318,642)
Change in FV	454,029	-	454,029	106,177	-	106,177
Interest expense	(147,288)	-	(147,288)	(70,630)	-	(70,630)
Interest and other income	25,240	10,536	14,704	5,482	(598)	4,884
LOSS BEFORE SHARE OF EQUITY ACCOUNTED FOR INVEST	(1,211,555)	(151,903)	(1,059,652)	(647,755)	37,785	(609,970)
Share of loss from equity accounted for investment	-	154,725	(154,725)	-	(44,708)	(44,708)
NET LOSS	(1,211,555)	2,822	(1,214,377)	(647,755)	(6,923)	(654,678)
Foreign currency translation gain (loss)	6,179	(43,321)	49,500	(6,282)	21,598	15,316
NET LOSS AND COMPREHENSIVE LOSS	(1,205,376)	(40,499)	(1,164,877)	(654,037)	14,675	(639,362)
Accumulated other comprehensive income						
Beginning	99,915	-	122,260	248,972	(92,528)	156,444
Foreign currency translation gain (loss)	6,179	43,321	49,500	6,282	9,034	15,316
Ending	106,094	96,421	171,760	255,254	96,421	171,760
Deficit						
Beginning	(28,189,412)	-	(28,105,263)	(26,719,209)	(1,945,753)	(28,664,962)
Current year deficit	(1,211,555)	(2,822)	(1,214,377)	(647,755)	(6,923)	(654,678)
Ending	(29,400,967)	81,327	(29,319,640)	(27,366,964)	(1,952,676)	(29,319,640)

BRS Resources Ltd.

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Periods ended July 31, 2015 and 2014

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

	CONSOLIDATED STATEMENTS OF CASH FLOWS					
	Nine Months Ended			Three Months Ended		
	7/31/2014 Published to SEDAR	Adjustment	7/31/2014 Equity method	7/31/2014 Published to SEDAR	Adjustment	7/31/2014 Equity method
OPERATIONS						
Net Loss	(1,211,555)	(2,822)	(1,214,377)	(647,755)	(6,924)	(654,679)
Adjustments to reconcile net loss to net cash used in operating activities:						
Amortization expense on discount of debt	566,144	-	566,144	318,642	-	318,642
Fair value adjustment in derivative liability	(454,029)	-	(454,029)	(106,177)	-	(106,177)
Depletion and amortization	12,086	-	12,086	4,040	-	4,040
Loss from equity investment	-	155,451	155,451		45,111	45,111
Other changes to exlporation and acquisition assets		-			-	
Changes in operating assets and liabilities:						
Accounts receivable	1,028	199,700	200,728	(1,049)	(32)	(1,081)
Due from related parties	(35,677)	(190,751)	(226,428)	7,439	25	7,464
Prepaid and other assets	(15,231)	41	(15,190)	(4,914)	(5)	(4,919)
Due to related parties	10,890	-	10,890	10,890	-	10,890
Accounts payable	206,714	(33,420)	173,294	45,623	4,881	50,504
Net cash used in operating activities	(919,630)	128,199	(791,431)	(373,261)	43,056	(330,205)
		-			-	
INVESTING		-			-	
Acquisition costs						
Investment in equity accounted for investment	-	(156,468)	(156,468)		(99,850)	(99,850)
Other changes in exploration and evaluation	34,963	(34,963)	-	88,323	(88,323)	-
Purchase of equipment	(152,277)	152,277	-	(96,492)	96,492	-
Note receivable collections	5,215	-	5,215	2,191	-	2,191
(Increase) decrease in other assets	(7,433)	7,433	-	1,064	(1,064)	-
Net cash used in investing activities	(119,532)	(31,721)	(151,253)	(4,914)	(92,745)	(97,659)
FINANCING						
Increase in current notes payable	1,000,000	-	1,000,000		-	-
Net cash used by financing activities	1,000,000	-	1,000,000	-	-	-
		-			-	
Effect on foreign exchange on cash balance	6,179	43,321	49,500	(6,282)	21,598	15,316
		-			-	
Net increase(decrease) in cash and cash equivalents	(32,983)	139,799	106,816	(384,457)	(28,091)	(412,548)
Cash and cash equivalents at beginning of period	556,975	(212,630)	344,345	908,449	(44,740)	863,709
Cash and cash equivalents at end of period	523,992	(72,831)	451,161	523,992	(72,831)	451,161

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Six Months Ended			Three Months Ended		
REVENUE	**4/30/2015 Published to SEDAR**	**Adjustment**	**4/30/2015 Equity method**	**4/30/2015 Published to SEDAR**	**Adjustment**	**4/30/2015 Equity method**
Management fee	175,306	-	175,306	107,046	-	107,046
	175,306	-	175,306	107,046	-	107,046
EXPENSES						
Wages	338,479	(47,786)	290,693	175,256	(20,366)	154,890
Engineering and consulting	72,988	(48,827)	24,161	32,408	(25,751)	6,657
Legal and accounting	155,176	(34,601)	120,575	115,009	(12,138)	102,871
Office and general	87,594	(55,310)	32,284	29,870	(15,780)	14,090
Rent	41,701	1	41,702	26,618	(1)	26,617
Invetor relations	16,412	(3,047)	13,365	1,278	(1,262)	16
Depletion, depreciation and amortization	8,486	(540)	7,946	4,318	(411)	3,907
Regulatory fees	4,410	-	4,410	4,410	-	4,410
Travel	22,904	(20,389)	2,515	11,904	(11,783)	121
	748,150	(210,499)	537,651	401,071	(87,492)	313,579
LOSS BEFORE OTHER ITEMS	(572,844)	210,499	(362,345)	(294,025)	87,492	(206,533)
Debt discount amortization	(465,359)	-	(465,359)	(145,075)	-	(145,075)
Change in FV	897,514	-	897,514	59,427	-	59,427
Interest expense	(126,949)	-	(126,949)	(51,602)	-	(51,602)
Loss on conversion of note	(1,152,569)	-	(1,152,569)	(1,152,569)	-	(1,152,569)
Interest and other income	37,906	(6,252)	31,654	10,094	(3,765)	6,329
LOSS BEFORE SHARE OF EQUITY ACCOUNTED FOR INVESTMENT	(1,382,301)	204,247	(1,178,054)	(1,573,750)	83,727	(1,490,023)
Share of loss from equity accounted for investment	-	(211,949)	(211,949)	-	(91,424)	(91,424)
NET LOSS	(1,382,301)	(7,702)	(1,390,003)	(1,573,750)	(7,697)	(1,581,447)
Foreign currency translation gain (loss)	32,479	31,287	63,766	(17,747)	32,474	14,727
NET LOSS AND COMPREHENSIVE LOSS	(1,349,822)	23,585	(1,326,237)	(1,591,497)	24,777	(1,566,720)
Accumulated other comprehensive income						
Beginning	108,487	73,540	182,027	158,713	73,540	231,066
Foreign currency translation gain (loss)	32,479	31,287	63,766	(17,747)	32,474	14,727
Ending	140,966	104,827	245,793	140,966	106,014	245,793
					-	
Deficit						
Beginning	(31,086,962)	84,129	(31,002,833)	(30,895,513)		(30,811,390)
Current year deficit	(1,382,301)	(7,702)	(1,390,003)	(1,573,750)	(7,697)	(1,581,447)
Ending	(32,469,263)	76,427	(32,392,836)	(32,469,263)	(7,697)	(32,392,837)

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended			Three Months Ended		
	4/30/2015 Published to SEDAR	**Adjustment**	**4/30/2015 Equity method**	**4/30/2015 Published to SEDAR**	**Adjustment**	**4/30/2015 Equity method**
OPERATIONS						
Net Loss	(1,382,301)	(7,704)	(1,390,005)	(1,573,748)	(7,701)	(1,581,449)
Adjustments to reconcile net loss to net cash					-	
used in operating activities:					-	
Amortization expense on discount of debt	465,359	-	465,359	145,075	-	145,075
Fair value adjustment in derivative liability	(897,514)	-	(897,514)	(59,427)	-	(59,427)
Depletion and amortization	8,486	(540)	7,946	4,318	(411)	3,907
Convertible note excahnge rate adjustment	1,152,569	-	1,152,569	1,152,569	-	1,152,569
Loss from equity investment		211,949	211,949		83,358	83,358
Changes in operating assets and liabilities:		-			-	
Accounts receivable	6,571	(5,528)	1,043	60	-	60
Due from related parties	141,856	(13,467)	128,389	(12,940)	(17,721)	(30,661)
Oilfield equipment	1,462	(1,462)	-	1,023	(1,023)	-
Prepaid and other assets	(9,584)	10,477	893	3,692	379	4,071
Accounts payable	212,649	(14,843)	197,806	113,225	7,050	120,275
Lease Inucement Payable	(5,067)	-	(5,067)	(2,534)	-	(2,534)
Net cash used in operating activities	(305,514)	178,882	(126,632)	(228,687)	63,931	(164,756)
INVESTING						
Acquisition costs						
Investment in equity accounted for investment						
Other changes in exploration and evaluation	120,670	(120,670)		108,449	(108,449)	-
Purchase of equipment	(8,946)	8,946		(1,297)	1,297	-
(Increase) decrease in other assets	88,596	(88,596)		(70)	70	-
Net cash used in investing activities	200,320	(200,320)	-	107,082	(107,082)	-
FINANCING						
Note conversion fees	(27,570)	-	(27,570)	(27,570)	-	(27,570)
Net cash used by financing activities	(27,570)	-	(27,570)	(27,570)	-	(27,570)
		-			-	
Effect on foreign exchange on cash balance	32,479	31,287	63,766	(17,747)	32,474	14,727
		-			-	
Net increase(decrease) in cash and cash equivalents	(100,285)	9,849	(90,436)	(166,922)	(10,677)	(177,599)
Cash and cash equivalents at beginning of period	217,170	(46,868)	170,302	283,807	(26,342)	257,465
Cash and cash equivalents at end of period	116,885	(37,019)	79,866	116,885	(37,019)	79,866

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Six Months Ended			Three Months Ended		
REVENUE	**4/30/2014 Published to SEDAR**	**Adjustment**	**4/30/2014 Equity method**	**4/30/2014 Published to SEDAR**	**Adjustment**	**4/30/2014 Equity method**
Management fee	118,920	-	118,920	60,417	-	60,417
	118,920	-	118,920	60,417	-	60,417
EXPENSES						
Wages	327,751	(37,910)	289,841	154,858	(11,984)	142,874
Engineering and consulting	69,332	1,349	70,681	46,057	(2,124)	43,933
Legal and accounting	105,742	(7,847)	97,895	76,921	(5,053)	71,868
Office and general	94,785	(63,283)	31,502	47,897	(34,565)	13,332
Rent	43,915	-	43,915	21,338	-	21,338
Invetor relations	42,499	(1,414)	41,085	23,916	(719)	23,197
Depletion, depreciation and amortization	8,047	-	8,047	3,957	-	3,957
Regulatory fees	19,078	-	19,078	19,078	-	19,078
Travel	8,092	(8,023)	69	2,401	(4,017)	(1,616)
Non-porductive drilling costs	6,930	(6,930)	-	112	(112)	-
	726,171	(124,058)	602,113	396,535	(58,574)	337,961
LOSS BEFORE OTHER ITEMS	(607,251)	124,058	(483,193)	(336,118)	58,574	(277,544)
Change in FV	347,852	-	347,852	226,704	-	226,704
Debt discountamortization and interest expense	(324,160)	-	(324,160)	(211,627)	-	(211,627)
Interest and other income	19,758	(9,939)	9,819	9,807	(4,820)	4,987
LOSS BEFORE SHARE OF EQUITY ACCOUNTED FOR INVESTMENT	(563,801)	114,119	(449,682)	(311,234)	53,754	(257,480)
Share of loss from equity accounted for investment		(110,016)	(110,016)	-	(53,688)	(53,688)
NET LOSS	(563,801)	4,103	(559,698)	(311,234)	66	(311,168)
Foreign currency translation gain (loss)	12,461	21,723	34,184	23,104	316,321	5,087
NET LOSS AND COMPREHENSIVE LOSS	(551,340)	25,826	(525,514)	(288,130)	316,387	(306,081)
Accumulated other comprehensive income						
Beginning	99,915	22,345	122,260	89,272	62,085	151,357
Foreign currency translation gain (loss)	12,461	21,723	34,184	23,104	(18,017)	5,087
Ending	112,376	44,068	156,444	112,376	44,068	156,444
Deficit	(28,189,412)	84,148	(28,105,264)	(28,441,979)	88,185	(28,353,794)
Beginning	(563,801)	4,103	(559,698)	(311,234)	66	(311,168)
Current year deficit	(28,753,213)	88,251	(28,664,962)	(28,753,213)	88,251	(28,664,962)
Ending						

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

	CONSOLIDATED STATEMENTS OF CASH FLOWS					
	Six Months Ended			Three Months Ended		
	4/30/2014 Published to SEDAR	Adjustment	4/30/2014 Equity method	4/30/2014 Published to SEDAR	Adjustment	4/30/2014 Equity method
OPERATIONS						
Net Loss	(563,801)	4,103	(559,698)	(311,234)	66	(311,168)
Adjustments to reconcile net loss to net cash		-				
used in operating activities:		-				
Amortization expense on discount of debt	247,502	-	247,502	167,488	-	167,488
Fair value adjustment in derivative liability	(347,852)	-	(347,852)	(226,704)	-	(226,704)
Depletion and amortization	8,047	-	8,047	3,957	-	3,957
Loss from equity investment		110,340	110,340		52,922	52,922
Other changes to exlporation and acquisition assets	(53,359)	53,359	-	-	-	-
Changes in operating assets and liabilities:		-				
Accounts receivable	2,077	199,731	201,808	1,393	(981)	412
Due from related parties	(43,116)	(190,776)	(233,892)	(16,103)	4,256	(11,847)
Prepaid and other assets	(10,317)	46	(10,271)	5,237	(1,592)	3,645
Accounts payable	161,091	(33,235)	127,856	89,508	(3,528)	85,980
Lease Inucement Payable		(5,066)	(5,066)		(2,533)	(2,533)
Net cash used in operating activities	(599,728)	138,502	(461,226)	(286,458)	48,610	(237,848)
INVESTING						
Acquisition costs	(55,785)	55,785			-	
Investment in equity accounted for investment		(56,618)	(56,618)		(56,618)	(56,618)
Other changes in exploration and evaluation	-	-	-	(56,121)	56,121	-
Note receivable collections	3,023	1	3,024	2,256	1	2,257
(Increase) decrease in other assets	(8,497)	8,497	-	2,593	(2,593)	
Net cash used in investing activities	(61,259)	7,665	(53,594)	(51,272)	(3,089)	(54,361)
FINANCING						
Increase in current notes payable	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Net cash used by financing activities	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Effect on foreign exchange on cash balance	12,461	21,723	34,184	(23,104)	28,191	5,087
Net increase(decrease) in cash and cash equivalents	351,474	167,890	519,364	639,166	73,712	712,878
Cash and cash equivalents at beginning of period	556,975	(212,630)	344,345	269,283	(118,452)	150,831
Cash and cash equivalents at end of period	908,449	(44,740)	863,709	908,449	(44,740)	863,709

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three Months Ended			Three Months Ended		
REVENUE	**1/31/2015 Published to SEDAR**	**Adjustment**	**1/31/2015 Equity method**	**1/31/2014 Published to SEDAR**	**Adjustment**	**1/31/2014 Equity method**
Management fee	68,260	-	68,260	58,503	-	58,503
	68,260	-	68,260	58,503	-	58,503
EXPENSES						
Wages	163,224	(27,421)	135,803	172,894	(25,927)	146,967
Engineering and consulting	40,580	(23,076)	17,504	23,275	3,472	26,747
Legal and accounting	40,167	(22,462)	17,705	28,822	(2,795)	26,027
Office and general	57,720	(39,529)	18,191	46,887	(28,716)	18,171
Rent	15,086	-	15,086	22,577	-	22,577
Invetor relations	15,135	(1,786)	13,349	18,582	(694)	17,888
Depletion, depreciation and amortization	4,169	(130)	4,039	4,090	-	4,090
Travel	11,000	(8,605)	2,395	5,691	(4,006)	1,685
Non-porductive drilling costs		-		6,818	(6,818)	-
	347,081	(123,009)	224,072	329,636	(65,484)	264,152
LOSS BEFORE OTHER ITEMS	(278,821)	123,009	(155,812)	(271,133)	65,484	(205,649)
Debt discount amortization	(320,284)	-	(320,284)	(80,014)	80,014	
Change in FV	838,087	-	838,087	121,148	-	121,148
Interest expense	(75,347)	-	(75,347)	(32,519)	(80,014)	(112,533)
Interest and other income	27,812	(2,487)	25,325	9,951	(5,119)	4,832
INCOME (LOSS) BEFORE SHARE OF EQUITY ACCOUNTED FOR INVESTMENT	191,447	120,522	311,969	(252,567)	60,365	(192,202)
Share of loss from equity accounted for investment	-	(120,525)	(120,525)	-	(56,328)	(56,328)
NET INCOME (LOSS)	191,447	(3)	191,444	(252,567)	4,037	(248,530)
Foreign currency translation gain (loss)	50,226	(1,187)	49,039	(35,565)	64,662	29,097
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	241,673	(1,190)	240,483	(288,132)	68,699	(219,433)
Accumulated other comprehensive income						
Beginning	108,487	73,540	182,027	99,915	(222,175)	(122,260)
Foreign currency translation gain (loss)	50,226	(1,187)	49,039	35,565	(64,662)	(29,097)
Ending	158,713	72,353	231,066	135,480	(286,837)	(151,357)
Deficit						
Beginning	(31,086,962)	84,129	(31,002,833)	(28,189,412)	84,148	(28,105,264)
Current year deficit	191,447	(3)	191,444	(252,567)	4,037	(248,530)
Ending	(30,895,515)	84,126	(30,811,389)	(28,441,979)	88,185	(28,353,794)

BRS Resources Ltd.

NOTES TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Periods ended July 31, 2015 and 2014

4. CORRECTION OF PRIOR PUBLISHED FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended			Three Months Ended		
	1/31/2015 Published to SEDAR	Adjustment	1/31/2015 Equity method	1/31/2014 Published to SEDAR	Adjustment	1/31/2014 Equity method
OPERATIONS						
Net Loss	191,447	(3)	191,444	(252,567)	4,037	(248,530)
Adjustments to reconcile net loss to net cash used in operating activities:						
Amortization expense on discount of debt	320,284	-	320,284	80,014	-	80,014
Fair value adjustment in derivative liability	(838,087)	-	(838,087)	(121,148)	-	(121,148)
Depletion and amortization	4,169	(130)	4,039	4,090	-	4,090
Loss from equity investment	-	128,591	128,591	-	57,418	57,418
Other changes to exlporation and acquisition assets				-	-	-
Changes in operating assets and liabilities:						
Accounts receivable	6,511	(5,528)	983	199,972	1,424	201,396
Due from related parties	154,796	4,254	159,050	(226,301)	4,256	(222,045)
Oilfield equipment	439	(439)	-	-	-	-
Prepaid and other assets	(13,276)	13,276	-	(15,554)	15,554	-
Other assets		(3,178)	(3,178)	-	(13,916)	(13,916)
Accounts payable	99,423	(21,892)	77,531	67,867	(25,991)	41,876
Lease Inucement Payable	(2,533)	-	(2,533)	3,716	(6,249)	(2,533)
Net cash used in operating activities	(76,827)	114,951	38,124	(259,911)	36,533	(223,378)
INVESTING						
Other changes in exploration and evaluation	12,221	(12,221)	-	(53,023)	53,023	-
Purchase of equipment	(7,649)	7,649	-	-	-	-
Note receivable collections		-	-	767	-	767
(Increase) decrease in other assets	88,666	(88,666)	-	(11,090)	11,090	-
Net cash used in investing activities	93,238	(93,238)	-	(63,346)	64,113	767
		-			-	
Effect on foreign exchange on cash balance	50,226	(1,187)	49,039	35,565	(6,468)	29,097
		-			-	
Net increase(decrease) in cash and cash equivalents	66,637	20,526	87,163	(287,692)	94,178	(193,514)
Cash and cash equivalents at beginning of period	217,170	(46,868)	170,302	556,975	(212,630)	344,345
Cash and cash equivalents at end of period	283,807	(26,342)	257,465	269,283	(118,452)	150,831

5. EQUITY ACCOUNTED INVESTMENT

As of July 31, 2014, the Company's 100% owned subsidiary, Bonanza Resources, owns a 17.15% interest in AleAnna Energy which through AleAnna Energy's ownership of AleAnna Resources, LLC ("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 remaining interest in AleAnna is held by Bluescape Resources.

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^2) 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 Graddizza-1 well and adjacent to and east of AleAnna Resources' Ponte dei Diavolo permit. It is possible that the geological structure penetrated by the Gradizza-1 well may extend onto the Zanza area.

Ponte Del Diavalo 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.

5. EQUITY ACCOUNTED INVESTMENT (continued)

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^2) 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.

6. PROPERTY AND EQUIPMENT

Office Equipment	Cost	Depreciation	Net Book value
Balances October 31, 2013	87,750	42,986	44,764
Additions	-	12,087	(12,087)
Balances July 31, 2014	87,750	55,073	32,677
Additions	-	4,038	(4,038)
Balances October 31, 2014	87,750	59,111	28,639
Additions	-	11,961	(11,961)
Balances July 31, 2015	87,750	71,072	16,678

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.

	July 31, 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.

8. SHARE CAPITAL (continued)

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.

9. CONTRIBUTED SURPLUS

		July 31, 2015	October 31, 2014
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 July 31, 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 July 31, 2015 and October 31, 2014.

	July 31, 2015		October 31, 2014	
	Number	Price	Number	Amount
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 July 31, 2015 is nil.

10. STOCK BASED COMPENSATION (continued)

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

Weighted Average Exercise Price per Share	Number Outstanding January 31, 2015	Weighted Average Remaining Contract Life
$0.10	3,000,000	2.75
$0.25	70,000	0.86
$0.27	680,000	0.29
$0.30	1,555,000	1.33
$0.35	3,360,000	0.50
	8,665,000	0.92

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 July 31, 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.

11. DERIVATIVE LIABILITY (continued)

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.

The change in the derivative liability is as follows:

	July 31, 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 July 31, 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.

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.

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.

During the period ended July 31, 2015, the President of the Company's U.S. subsidiary incurred $751 in travel and office expenses on behalf of the Company (2014-$2,740). At July 31, 2015, the President to the Company's U.S. subsidiary owed the Company $6,787 expense advances.

During the period ended July 31, 2015, a director of the Company incurred $6,524 (2014-$38,115) in consulting fees and $2,385 in travel and office expenses (2014-$nil).

During the period ended July 31, 2015, the Company charged a management fee of $339,151 to AleAnna Resources, of which $56,469 was eliminated in consolidation (2014-$36,860). The Company has receivables from and unbilled charges to AleAnna Resources of $46,797 for unpaid management fees and expenses at July 31, 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.