BRS RESOURCES LTD.

VANCOUVER, BC, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

BRS RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended April 30, 2016 and 2015

Responsibility for Financial Statements

The accompanying 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 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 Company's annual audited financial statements for the year ended October 31, 2015. 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 unaudited consolidated financial statements for the three and six months ended April 30, 2016 and 2015.

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	3 Months Ended April 30,		6 Months Ended April 30,	
	2016	2015	2016	2015
REVENUE				
Management fee	$ **2,244**	107,046	$ **40,822**	175,306
	2,244	107,046	**40,822**	175,306
EXPENSES				
Wages and benefits	**-**	154,890	**71,154**	290,693
Engineering and consulting fees	**-**	6,657	**-**	24,161
Legal and accounting	**24,338**	102,871	**30,471**	120,575
Office and general	**15,939**	14,090	**23,930**	32,284
Rent	**(1,135)**	26,617	**7,889**	41,702
Investor relations	**1,101**	16	**1,191**	13,365
Depreciation and amortization	**261**	3,907	**12,374**	7,946
Regulatory fees	**-**	4,410	**-**	4,410
Travel	**-**	121	**3,461**	2,515
	40,504	313,579	**150,470**	537,651
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	**(38,260)**	(206,533)	**(109,648)**	(362,345)
Debt discount amortization	**-**	(145,075)	-	(465,359)
Loss on conversion of Note	**-**	(1,152,569)	-	(1,152,569)
Change in fair value of derivative liability	-	59,427	-	897,514
Interest expense	-	(51,602)	-	(126,949)
Interest and other income	-	6,329	**5,120**	31,654
INCOME (LOSS) BEFORE SHARE OF LOSS FROM EQUITY INVESTMENT	**(38,260)**	(1,490,023)	**(104,528)**	(1,178,054)
Share of loss from equity accounted for investment	**(149,450)**	(91,424)	**(250,682)**	(211,949)
NET INCOME (LOSS)	**(187,710)**	(1,581,447)	**(355,210)**	(1,390,003)
Foreign currency translation gain	**4,587**	14,727	**10,953**	63,766
Comprehensive Loss	$ **(183,123)**	(1,566,720)	$ **(344,257)**	(1,326,237)
LOSS PER SHARE (basic and diluted)	$ **0.00**	(0.02)	$ **0.00**	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (basic and diluted)	**121,878,946**	76,035,170	**121,878,946**	64,186,793

See Accompanying Notes to Consolidated Financial Statements

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		April 30, 2016	October 31, 2015
ASSETS			
Current:			
Cash	$	**15,370**	41,125
Accounts and other receivables		**453**	15,507
Due from related parties		**-**	58,729
Prepaid expenses		**7,000**	9,473
Total Current Assets		**22,823**	124,834
Equity accounted for investments *[Notes 4 and 5]*		**3,291,045**	3,541,727
Property and equipment *[Note 6]*		**144**	12,463
Total Assets	$	**3,314,012**	3,679,024
LIABILITIES			
Current:			
Accounts payable and accrued expenses	$	**95,299**	114,363
Total Current Liabilities		**95,299**	114,363
Lease inducement payable		**-**	1,691
Total Liabilities		**95,299**	116,054
SHAREHOLDERS' EQUITY			
Share capital *[Note 8]*		**34,040,842**	34,040,842
Contributed surplus *[Note 9]*		**2,890,187**	2,890,187
Deficit		**(34,020,529)**	(33,665,319)
Accumulated other comprehensive income		**308,213**	297,260
Total Shareholders' Equity		**3,218,713**	3,562,970
Total Liabilities & Shareholders' Equity	$	**3,314,012**	3,679,024

See Accompanying Notes to Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

Byron Coulthard
President and Chief Executive Officer

Michael Noonan
Chief Financial Officer

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares		Capital		Surplus		Deficit		Accumulated Other Income		Equity
Balance, October 31, 2014	52,724,776	$	30,495,447	$	2,890,187	$	(31,002,832)	$	182,027	$	2,564,829
Net income for period	-		-		-		(1,390,005)		-		(1,390,005)
Foreign translation gain	-		-		-		-		63,766		63,766
Balance, April 30, 2015	52,724,776		30,495,447		2,890,187		(32,392,837)		245,793		1,238,590
Net loss for period	-		-		-		(1,272,482)		-		(1,272,482)
Note payable conversion	69,154,170		3,545,395		-		-		-		3,545,395
Foreign translation loss	-		-		-		-		51,467		51,467
Balance, October 31, 2015	121,878,946		34,040,842		2,890,187		(33,665,319)		297,260		3,562,970
Net loss for period	-		-		-		(355,210)		-		(355,210)
Foreign translation gain	-		-		-		-		10,953		10,953
Balance, April 30, 2016	121,878,946	$	34,040,842	$	2,890,187	$	(34,020,529)	$	308,213	$	3,218,713

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,	
	2016	**2015**	**2016**	**2015**
OPERATIONS				
Net loss	$ **(187,710)**	(1,581,449)	$ **(355,210)**	(1,390,005)
Add items not affecting cash:				
Amortization expense on discount of debt	**-**	145,075	**-**	465,359
Fair value of derivative liability	**-**	(59,427)	**-**	(897,514)
Depreciation and amortization	**261**	3,907	**12,374**	7,946
Convertible note exchange rate adjustment	**-**	1,152,569	**-**	1,152,569
Loss from equity accounted for investment	**149,450**	83,358	**250,682**	211,949
	(37,999)	**(255,967)**	**(92,154)**	**(449,696)**
Change in non-cash working capital balances related to operations:				
(Increase) decrease in accounts and other receivables	**(453)**	60	**15,054**	1,043
(Increase) decrease in due from related parties	**5,681**	(30,661)	**58,729**	128,389
(Increase) decrease in prepaid and other assets	**(7,054)**	4,071	**2,418**	893
Increase (decrease) in due to related parties	-	-	-	-
(Increase) decrease in accounts payable and accrued expenses	**8,169**	120,275	**(19,064)**	197,806
Decrease (increase) in lease inducement liability	**-**	(2,534)	**(1,691)**	(5,067)
	(31,656)	(164,756)	**(36,708)**	(126,632)
FINANCING				
Note conversion fees	-	(27,570)	-	(27,570)
	-	(27,570)	-	(27,570)
Effect of foreign exchange	**4,587**	14,727	**10,953**	63,766
Increase in cash	**(27,069)**	(177,599)	**(25,755)**	(90,436)
Cash, beginning of period	**42,439**	257,465	**41,125**	170,302
CASH, end of period	$ **15,370**	79,866	$ **15,370**	79,866

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, LLC ("**AleAnna Energy**"). The address of its registered head office is 510 Burrard Street, Suite 575, Vancouver B.C., V6C 3A8.

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 equity accounted for share of AleAnna Energy, a Delaware Limited Liability Company, which includes its wholly owned subsidiary, AleAnna Resources, LLC ("**AleAnna Resources**"), a Delaware Limited Liability Company.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTIONS

These consolidated financial statements of the Company as at and for the period ended April 30, 2016, and comparative information as at and for the period ended April 30, 2015, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), and with interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the CPA Canada Handbook – Accounting. These consolidated financial statements were authorized for issuance by the Board of Directors on June 29, 2016.

These consolidated financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Company will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. At April 30, 2016 the Company had a working capital deficit of $72,476 (October 31, 2015 – working capital of $10,471). During the six months ended April 30, 2016, it incurred a net loss of $355, 210 as compared to $1,390,003 for the six months ended April 30, 2015 and $2,662,487 for the year ended December 31, 2015.

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. 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.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. If the Company is not able to continue as a going concern, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. Such differing amounts could be material.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. The accounting policies have been applied consistently by all group entities and for all periods presented.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value as determined at each reporting date.

Principles of Consolidation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognizes its proportionate share of income or loss and other comprehensive income or loss of the equity accounted for investment in its comprehensive income or loss from its own operations, 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 in an equity accounted investment is reduced to zero, additional losses will not be provided for, and a liability will not be 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 investments are impaired. If impaired, the carrying value of the Company's share of the underlying assets of equity accounted for investments will be written down to its estimated recoverable amount, with any difference charged to the consolidated statement of loss and comprehensive loss.

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 Subsidiary and Equity Accounted Investment

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.

Cash

The Company considers all funds held in bank accounts and petty cash to be cash.

Equipment

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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

The Company's financial instruments include cash, accounts and other receivables, due from related parties, accounts payable and accrued liabilities, note payable, and derivative liability.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or are assigned and the Company has transferred substantially all risks and rewards of ownership in respect of the asset. Financial liabilities are derecognized when the related obligation is discharged or cancelled, or when such obligation expires.

Classification of financial instruments in the Company's consolidated financial statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

Financial Assets and Liabilities at Fair Value through Profit or Loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives, if any, are also included in this category, unless they are designated as hedges. The Company's derivative financial instruments, which have not been designated as hedges for accounting purposes, have been classified in this category. Transaction costs related to these financial instruments are expensed in the consolidated statement of loss and comprehensive loss.

Derivative Financial Instruments

The Company's financial instruments classified as derivative financial instruments are derivative liabilities. These derivative contracts are carried at fair value and are generally reported as assets in circumstances when they have a positive fair value and as liabilities when they have a negative fair value. Both realized and unrealized gains and losses from changes in fair value of these derivative contracts are recorded in the consolidated statement of loss and comprehensive loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's financial assets that are classified as loans and receivables include cash, accounts and other receivables, and due from related parties. Financial assets classified as loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the carrying value of the financial asset to its fair value. Subsequently, financial assets classified as loans and receivables are measured at amortized cost using the effective interest method, less a provision for impairment as may be required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities at Amortized Cost

The Company's financial instruments classified as financial liabilities at amortized cost are accounts payable and accrued liabilities, and note payable. Financial instruments designated as financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the carrying value of the liability to its fair value. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Revenue Recognition

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

Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted losses per share are the same for the periods presented.

For the year ended October 31, 2015, potentially dilutive common shares relating to options and warrants outstanding totaling 10,165,000 at October 31, 2015 (2014 – 10,300,000) were not included in the computation of loss per share because their effect was anti-dilutive.

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 equipment 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.

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income Taxes

The Company follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of loss and comprehensive loss, as appropriate, in the period that includes the substantive enactment date. Deferred tax assets are recognized only to the extent that it is probable that the assets can be recovered.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regard to previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Judgments, Estimates, and Assumptions

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, which is based upon expected volatility and option life estimates; (ii) the provision for income taxes, which 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, which are based on estimates of future cash flows and capitalization rate on a CGU basis; and (iv) the decision to record (or not record) liabilities and contingencies, which are based on the estimates of the probability of outcomes and estimates of future cash flows.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

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 are effective for 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective (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.

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.

4. RISKS AND ONCENTRATIONS

Fair Values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

At April 30, 2016 and October 31, 2015, certain financial instruments were recorded at fair value on the statement of financial position with changes to fair value being reported in the statement of loss, except for those investments that do not have a quoted market price in an active market, which are measured at cost. The fair value measurement of these instruments is classified according to the following hierarchy based on the amount of observable inputs available to value the instrument.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The Company's cash, accounts and other receivables, due from related parties, accounts payable and accrued liabilities, and notes payable net of discount have been valued using Level 1 inputs. Derivative liability has been valued using Level 3 inputs. The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at October 31, 2015 as follows:

4. RISKS AND CONCENTRATIONS (continued)

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, 2016, the Company had $15,624 in current assets and $45,016 in current liabilities originating in the United States (October 31, 2015 - $114,271 and $61,977, respectively).

Liquidity Risk

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

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.

5. CAPITAL MANAGEMENT

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

6. EQUITY ACCOUNTED INVESTMENT

The Company's 100% owned subsidiary, Bonanza Resources, owns a 13.41% (2015 – 15.21%) interest in AleAnna Energy, which owns 100% of AleAnna Resources. 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. 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.

6. EQUITY ACCOUNTED INVESTMENT (CONTINUED)

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 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.

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 received final approvals from the Ministry if Economic Development and Unmig Bologna on June 8, 2016 and expects to drill the well in the second half of 2016.

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 acquired a 10% interest in the fully awarded exploration license for La Prospera 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 1/4-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 approval.

On February 1, 2016, AleAnna Resources acquired PVE's 75% interest in La Prospera and PVE's 75% interest in the preliminarily awarded adjacent exploration license, Zanza. AleAnna now owns 85% of the La Prospera permit, 85% of the Gradizza production concession and 85% of the Zanza exploration license.

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 del 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.

AleAnna Resources has submitted a drilling permit application for its Viconoco prospect, located approximately 3.5 miles (5.6 km) southwest of the Gradizza-1 discovery well.

Ponte Dei Grilli Permit
The 63,864 acre (258 sq. km) Ponte dei Grilli permit is one of AleAnna Resources' most promising areas for the discovery of substantial natural gas reserves. Although there has been no production on the Ponte dei Grilli permit area, 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 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 Grilli 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. AleAnna Resources has submitted an application for 3-D geophysical surveys on Fantozza and has recently completed a 3-D geophysical survey on Belgioioso. 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.

6. EQUITY ACCOUNTED INVESTMENT (CONTINUED)

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). To date, AleAnna Resources has done preliminary geological and geophysical studies on the area, but has yet to commit significant resources to these holdings.

Partnership Capital Raise

In order to fund the costs associated with the operations, AleAnna Energy raises funds through voluntary cash calls to its members.

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. There were additional capital calls throughout 2015 that the Company elected to not participate in, further diluting its interest to approximately 15%.

Accounting for the Company's Investment in AleAnna Energy

The Company accounts for Bonanza Resources' interest in AleAnna Energy using the equity method. During the year ended October 31, 2015, the Company recognized $193,171 (2014 - $235,792) as its share of loss from AleAnna Energy which was deducted from the carrying value of the Company's investment.

An impairment test is performed if the Company identifies an indicator of impairment. At October 31, 2015, the Company determined that indicators of impairment existed due to a decline in the economic factors affecting the oil and gas industry, therefore an impairment test was performed for this investment.

An impairment is recognized if the carrying value exceeds the recoverable amount for this investment. The recoverable amount of this investment was measured using the fair value less cost to sell, determined by using the market cap of the Company at year end as the indicator of the fair value of this investment. The market cap takes into account all publicly known information about the Company, its operations and the oil and gas industry and accurately reflects the markets value of this investment.

The following table provides a continuity of the Company's investment in AleAnna Energy during the periods ended April 30, 2016 and October 31, 2015

		April 30, 2016	October 31, 2015
Carry value, beginning of period	$	**3,541,727**	4,787,258
Share of loss from equity accounted investment		(250,682)	(193,171)
Impairment		-	(1,052,360)
Carry value, end of period	$	**3,291,045**	3,541,727

7. EQUIPMENT

Office Equipment	Cost	Depreciation	Net Book value
Balances October 31, 2014	87,750	59,111	28,639
Additions	-	7,946	(7,946)
Balances April 30, 2015	87,750	67,057	20,693
Additions	-	8,230	(8,230)
Balances October 31, 2015	87,750	75,287	12,463
Additions	-	12,374	(12,374)
Deletions	(74,803)	(74,858)	55
Balances April 30, 2016	12,947	12,803	144

8. NOTE PAYABLE

On March 28, 2014, issued a senior secured convertible note in the principal amount of $2,126,825 to Double Black Diamond L.P. ("**Double Black**") for interim financing to fund exploration requirements in Italy, refinance an existing note plus accrued interest thereon of $126,825, and to fund other general corporate requirements. The note accrued interest at the rate of 13% per annum, compounded monthly, and was due March 31, 2015. In conjunction with the issuance of the note, a discount was recognized for the value of the derivative as described in Note 12.

Double Black had the right, but not the obligation, to convert any unpaid principal balance of the note into fully paid and non-assessable common shares of the Company at a conversion rate of $0.06 per share, subject to adjustment under certain circumstances. Accrued interest could 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 with Double Black with respect to the settlement of the note. 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 to Double Black, in settlement of $2,420,396, representing the 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 loss and comprehensive loss as an expense.

9. SHARE CAPITAL

Shares

The Company is authorized to issue an unlimited number of common shares without par value. The following shares have been issued.

	April 30, 2016			October 31, 2015	
	Number		Amount	Number	Amount
Balance, beginning of period	121,878,946	$	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	$	30,495,447	121,878,946	30,495,447

Warrants - The Company had no warrants outstanding at April 30, 2016, October 31, 2015 or April 30, 2015.

10. CONTRIBUTED SURPLUS

		April 30. 2016	October 31, 2015
Balance, beginning of period	$	2,782,320	2,782,320
Balance, end of period	$	2,782,320	2,782,320

11. 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 Company's board of directors, 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 is 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, 2016, there were options outstanding to acquire up 4,625,000 shares of the Company. The exercise price of the options ranged from $0.10 to $0.30 and their expiry dates range from June 8, 2016 to May 7, 2018. The weighted average contract life remaining was 0.92 years.

The following is a summary of the changes in the Company's outstanding stock options for the periods ended April 30, 2016 and October 31, 2015.

	April 30, 2016		October 31, 2015	
	Number	Amount	Number	Amount
Balance, beginning of period	8,665,000	$0.25	8,800,000	$0.25
Options granted during period	-		-	
Options expired during period	4,040,000	$0.34	(135,000)	($0.50)
Balance, end of period	4,625,000	$0.17	8,665,000	$0.25

The intrinsic value of stock options exercisable at April 30, 2016 is $nil.

The following table summarizes information about stock options outstanding and exercisable at April 30, 2016;

Weighted Average Exercise Price per Share	Number Outstanding April 30, 2016	Weighted Average Remaining Contract Life
$0.10	3,000,000	2.00
$0.25	70,000	0.11
$0.30	1,555,000	0.67
	4,625,000	0.92

11. 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, 2016 and October 31, 2015.

12. 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 convertible note issued by the Company in March 2014 (see Note 8) qualified as a derivative because it had an adjustment provision applicable to the exercise price that adjusted the exercise price downward in the event the Company subsequently issued common shares, warrants, stock options or convertible debt with a share price, exercise price or conversion price lower than the original exercise price of $0.06 per share. As a result, the convertible note was not considered indexed to the Company's stock, and as such, all future changes in the fair value of the note were to be recognized currently in earnings in the Company's 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 note was exercised or otherwise satisfied.

Since the conversion price of the note could potentially be decreased and the number of shares to settle the note increased each time a trigger event occurred that resulted 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. However, the Company had 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 was considered a Level 2 fair value measurement. Significant assumptions used at April 30, 2015 and October 31, 2014 were as follows:

	January 31. 2015	**October 31, 2014**
Market value of stock (1)	$0.03	$0.07
Risk-free interest rate (2)	0.946%	0.994%
Divident yield (3)	0.00%	0.00%
Volatility factor	16%	128%
Expected life (4)	.16 year	1 year

(1) The market value of the shares 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 convertible note payable on date of reporting.
(3) Management determined the dividend yield to be 0% based upon its expectation that there would not be earnings available to pay dividends in the near term.
(4) Expected life is remaining contractual life of the conversion.

The note was settled in its entirety in March 2015. See Notes 8 and 15.

13. LOSS PER SHARE

Net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. There were no potentially dilutive shares at April 30, 2016 and October 31, 2015.

14. COMMITMENTS AND CONTINGENCIES

The Company has no commitments or contingent liabilities.

15. 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, 2016, the former President of the Company's U.S. subsidiary incurred $nil in travel and office expenses on behalf of the Company (2015 - $451).

During the period ended April 30, 2016, a director of the Company incurred $nil (2015-$5,000) in consulting fees and $nil in travel and office expenses (2014 - $1,828).

During the period ended April 30, 2016, the Company charged a management fee of $35,166 to AleAnna Resources, of which $6,637 was eliminated in consolidation (2015 - $82,389). The Company has receivables from and unbilled charges to AleAnna Resources of $nil for unpaid management fees and expenses at April 30, 2016.

On March 26, 2015, the Company announced that it had entered into a debt settlement agreement with Double Black with respect to the settlement of a secured convertible note dated March 31, 2014 in the principal amount of $2,126,825 issued by the Company to Double Black. Pursuant to the terms of the settlement agreement, on March 31, 2015, the Company issued 69,154,170 common shares at a deemed price of $0.035 per share to Double Black, in settlement of $2,420,396 outstanding with respect to the note, being the principal amount of the note and accrued interest thereon. See Note 8.