BRS RESOURCES LTD.

VANCOUVER, BC, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2016 and 2015

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

HLB Cinnamon Jang Willoughby

Chartered Professional Accountants
A Partnership of Incorporated Professionals

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BRS Resources Ltd.:

We have audited the accompanying consolidated financial statements of BRS Resources Ltd., which comprise of the consolidated statements of financial position as at October 31, 2016 and October 31, 2015 and the consolidated statements of comprehensive loss, consolidated changes in equity and consolidated cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BRS Resources Ltd. as at October 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to Note 2 to the consolidated financial statements which indicates that the continuation of the Company's operations is dependent on the ability to receive continued financial support or generate profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Cinnamon Jang Willoughby

Chartered Professional Accountants

Burnaby, BC
February 28, 2017

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Year Ended October 31, 2016	2015
REVENUE		
Management fee	**$ 40,432**	$ 402,400
	40,432	402,400
EXPENSES		
Wages and benefits	**66,974**	566,591
Engineering and consulting fees	**(2,279)**	24,906
Legal and accounting	**120,524**	211,515
Office and general	**40,592**	69,493
Rent	**7,826**	107,071
Investor relations	**1,191**	16,480
Depreciation and amortization	**-**	16,176
Regulatory fees	**7,739**	4,410
Travel	**3,428**	2,593
	245,995	1,019,235
LOSS BEFORE OTHER ITEMS AND INCOME TAXES	**(205,563)**	(616,835)
Debt discount amortization	**-**	(465,359)
Loss on conversion of Note	**-**	(1,152,569)
Change in fair value of derivative liability	**-**	897,514
Impairment of property and equipment (Note 6)	**(16,923)**	-
Interest expense	**-**	(126,949)
Interest and other income	**6,654**	47,286
INCOME (LOSS) BEFORE SHARE OF LOSS FROM EQUITY INVESTMENT	**(215,832)**	(1,416,912)
Share of loss from equity accounted for investment	**(567,871)**	(1,245,575)
NET INCOME (LOSS)	**(783,703)**	(2,662,487)
Foreign currency translation gain	**8,979**	115,233
Comprehensive Loss	**$ (774,724)**	$ (2,547,254)
LOSS PER SHARE (basic and diluted)	**$ (0.01)**	$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (basic and diluted)	**122,331,001**	93,269,961

See Accompanying Notes to Consolidated Financial Statements

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		October 31, 2016		October 31, 2015
ASSETS				
Current:				
Cash	**$**	**40,811**	$	41,125
Accounts and other receivables		**2,690**		15,507
Due from related parties		**-**		58,729
Prepaid expenses		**1,000**		9,473
Total Current Assets		**44,501**		124,834
Equity accounted for investments *[Note 5]*		**2,973,899**		3,541,727
Property and equipment *[Note 6]*		**144**		12,463
Total Assets	**$**	**3,018,544**	$	3,679,024
LIABILITIES				
Current:				
Accounts payable and accrued expenses	**$**	**140,298**	$	114,363
Total Current Liabilities		**140,298**		114,363
Lease inducement payable		**-**		1,691
Total Liabilities		**140,298**		116,054
SHAREHOLDERS' EQUITY				
Share capital *[Note 7]*		**34,058,842**		34,040,842
Contributed surplus		**2,962,187**		2,890,187
Deficit		**(34,449,022)**		(33,665,319)
Accumulated other comprehensive income		**306,239**		297,260
Total Shareholders' Equity		**2,878,246**		3,562,970
Total Liabilities & Shareholders' Equity	**$**	**3,018,544**	$	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	-		-		-		(2,662,487)		-		(2,662,487)
Foreign translation gain	-		-		-		-		115,233		115,233
Note payable conversion	69,154,170		3,545,395		-		-		-		3,545,395
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	-		-		-		(783,703)		-		(783,703)
Shares issued for cash	3,000,000		18,000		72,000						90,000
Foreign translation gain	-		-		-		-		8,979		8,979
Balance, October 31, 2016	124,878,946	$	34,058,842	$	2,962,187	$	(34,449,022)	$	306,239	$	2,878,246

See Accompanying Notes to Consolidated Financial Statements

BRS Resources Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended October 31,	
	2016	**2015**
OPERATIONS		
Net loss	**$ (783,703)**	$ (2,662,487)
Add items not affecting cash:		
Amortization expense on discount of debt	**-**	465,359
Fair value of derivative liability	**-**	(897,514)
Depreciation and amortization	**-**	16,176
Convertible note exchange rate adjustment	**-**	1,152,569.00
Impairment of property and equipment	**16,923**	-
Impairment expense	**150,000**	1,052,360
Loss from equity accounted for investment	**417,828**	193,171
	(198,952)	(680,366)
Change in non-cash working capital balances related to operations:		
(Increase) decrease in accounts and other receivables	**12,817**	(3,808)
(Increase) decrease in due from related parties	**58,729**	278,672
(Increase) decrease in prepaid and other assets	**8,473**	1,542
Increase (decrease) in due to related parties	**-**	-
(Increase) decrease in accounts payable and accrued expenses	**25,935**	193,034
Decrease (increase) in lease inducement liability	**(1,691)**	(11,825)
Net Cash from (used in) Operating Activities	**(94,689)**	(222,751)
FINANCING		
Note conversion fees	**(4,604)**	(27,570)
Net Cash from (used in) Financing Activities	**(4,604)**	(27,570)
INVESTING		
Stock Issuance	**90,000**	-
Petroleum and natural gas properties	**-**	-
Decrease (increase) in other restricted assets	**-**	5,911
Net Cash from (used in) Investing Activities	**90,000**	5,911
Effect of foreign exchange	**8,979**	115,233
Increase in cash	**(314)**	(129,177)
Cash, beginning of period	**41,125**	170,302
CASH, end of period	**$ 40,811**	$ 41,125

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". Through its membership interest in AleAnna Energy, LLC ("AleAnna Energy"), the Company is invested in the production, exploration, and acquisition of petroleum and natural gas properties in Italy. The address of its registered head office is 999 Canada Place, Suite 404, Vancouver B.C., V6B 3E2.

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 subsidiaries AleAnna Resources, LLC ("AleAnna Resources"), a Delaware Limited Liability Company, AleAnna Europa Srl, and AleAnna Italia Srl.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTIONS

These consolidated financial statements of the Company as at and for the period ended July 31, 2016, with comparative information as at and for the period ended July 31, 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 February 28, 2017.

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. As at October 31, 2016, the Company has a net working capital deficiency of $95,797 (2015 working capital $10,471) and during the year then ended, it incurred a net loss of $783,703 (2015 - $2,662,487).

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. These Differences 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 investment 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. Management has determined that significant influence exists with regards to its investments in AleAnna Energy L.L.C as the company holds 20% (2015 - 40%) of the voting rights through one (2015 – two) of five seats on the board of directors.

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.

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 cash all funds held in bank accounts and petty 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 receivable, 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 is derivative liability. 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 receivable, 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 loss per share are the same for the periods presented.

For the year ended October 31, 2016, there were 7,555,000 potentially dilutive common shares relating to options and warrants outstanding at October 31, 2016 (2015 – 10,165,000) that 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 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 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.

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 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.

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.

IAS 7, "Statement of Cash Flows" ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. The Company has not initiated an analysis of the impact of adopting these amendments to its consolidated financial statements.

IFRS 2, "Share-based" Payments ("IFRS 2")

In June 2016, the IASB made amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company has not initiated an analysis of the impact of adopting these amendments 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.

4. RISKS AND CONCENTRATIONS (continued)

At October 31, 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 carrying value of cash, accounts and other receivables, due from related parties, and accounts payable and accrued expesnes approximate their fair value.

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

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk due to activities carried out in Bonanza Resources in US dollars. At October 31, 2016, the Company had no current assets and $103,805 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 an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when 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.

As at October 31 2016, the Company had cash balance of $40,811 (October 31, 2015 - $41,125) and current account payable of $140,298 (October 31, 2015 - $114,363). All of the Company's financial liabilities have or are treated with maturities of less than one year, and are subject to normal trade terms. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company short term and long term cash requirement.

4. RISKS AND CONCENTRATIONS (continued)

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 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.

5. EQUITY ACCOUNTED INVESTMENT

The Company's 100% owned subsidiary, Bonanza Resources, owns a 9.74% (2015 – 15.21%) interest in AleAnna Energy L.L.C. which owns 100% of AleAnna Resources L.L.C., AleAnna Europa Srl and AleAnna Italia. The combination of AleAnna Resources L.L.C. and AleAnna Italia holds fourteen "Exploration Permits" and seventeen "Applications for Exploration Permits", encompassing more than 2,900,000 acres (11,782 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.

Partnership Capital Raise

In order to fund the costs associated with the operations, AleAnna 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 and 2016 that the Company elected to not participate in, further diluting their interest to approximately 9.74%.

Accounting for the Company's Investment in AleAnna

The Company accounts for Bonanza Resources interest in AleAnna using the equity method. During the year ended October 31, 2016, the Company recognized $412,804 (2015 - $193,171) as its share of loss from AleAnna which were 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 during the periods ended October 31, 2016 and October 31, 2015

	October 31, 2016	October 31, 2015
Carry value, beginning of period	**$ 3,541,727**	$ 4,787,258
Share of loss from equity accounted investment	**(417,828)**	(193,171)
Impairment	**(150,000)**	(1,052,360)
Carry value, end of period	**$ 2,973,899**	$ 3,541,727

5. EQUITY ACCOUNTED INVESTMENT (continued)

AleAnna's year end is December 31, 2016. The following table summarizes financial information about AleAnna's assets and liabilities and the net and comprehensive loss for the 12 month periods ending October 31, 2016 and 2015. The Company has included in its consolidated financial statements, equity accounted for information based on the 12 month period ending October 31, 2016 and 2015. For purposes of the following disclosure, the assets and liabilities have been translated using prevailing foreign exchange rates at the dates of the consolidated statements of financial position.

As at and for the periods ended October 31,	**2016**	2015
Assets	**82,564,368**	40,359,806
Liabilities	**23,454,197**	313,312
Net loss	**3,163,839**	2,454,616
Ownership percentage	**9.74%**	15.21%

6. EQUIPMENT

Office Equipment		**Cost**		**Accumulated Depreciation**		**Net Book value**
Balances October 31, 2014	$	87,750	$	59,111	$	28,639
Depreciation and amortization		-		16,176		(16,176)
Balances October 31, 2015		87,750		75,287		12,463
Depreciation and amortization		-		-		-
Write offs		(74,992)		(62,673)		(12,319)
Balances October 31, 2016	$	12,758	$	12,614	$	144

7. SHARE CAPITAL

Common Shares

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

On September 6, 2016, the Company completed a non-brokered private placement of 3,000,000 units at $0.03 per unit for aggregate gross proceeds of $90,000. Each unit was comprised of one common share of the Company and one additional share purchase warrant, with each warrant exercisable into one additional common share at $0.06 per share until September 6, 2018.

Warrants

A summary of the Company's issued and outstanding warrants as at October 31, 2016, 2015, and 2014 and changes during those years is presented below:

	October 31, 2016			**October 31, 2015**		
	Warrants outstanding		**Weighted Average Exercise Price**	**Warrants outstanding**		**Weighted Average Exercise Price**
Balance, beginning of period	-	$	-	1,500,000	$	0.30
Granted	3,000,000		0.06	-		-
Exercised or expired	-			(1,500,000)		(0.30)
Balance, end of period	3,000,000	$	0.06	-	$	-

7. SHARE CAPITAL (continued)

On September 6, 2016, the Company issued 3,000,000 warrants exercisable at $0.06 for 5 years from date of issue.

The fair value of warrants issued during the year were determined to be $72,000 using the Black-Scholes Option Pricing Model with assumptions as follows:

	2016
Weighted average risk-free interest rate	0.61%
Weighted average estimated volatility	129.72%
Weighted average expected life	5 years
Weighted average expected dividend yield	- %

8. 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 October 31, 2016, there are options outstanding to issue 4,555,000 shares of the Company. The price of the options range from $0.10 to $0.30 and their expiry dates range from December 6, 2016 to May 7, 2018. The weighted average contract life remaining is 1.03 years.

The following is a summary of the change in the Company's stock option plan for the period ended October 31, 2016, 2015 and 2014.

	October 31, 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	(4,110,000)	0.34	(135,000)	(0.50)
Balance, end of period	4,555,000	0.17	8,665,000	0.25

The intrinsic value of options exercisable at October 31, 2016 is nil.

8. STOCK BASED COMPENSATION (continued)

The following table summarizes the information about stock options outstanding and exercisable at October 31, 2016;

Weighted Average Exercise Price per Share	Number Outstanding October 31, 2016	Weighted Average Remaining (Years)
$0.10	3,000,000	1.52
$0.30	1,555,000	0.10
	4,555,000	1.03

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 October 31, 2016 and October 31, 2015.

9. 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 October 31, 2016 and October 31, 2015.

10. 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 October 31, 2016, the President of the Company's U.S. subsidiary, and director of the Company, incurred nil in travel and office expenses on behalf of the Company (2015-$751). At December 31, 2016, the President to the Company's U.S. subsidiary owed the Company nil for expense advances.

During the period ended October 31, 2016, a director of the Company incurred $nil (2015-$6,542) in consulting fees and $2,279 in travel and office expenses (2015-$2,385.02).

During the period ended October 31, 2016, the Company charged no management fee (2015-$339,151) to AleAnna Resources, and therefore there was nothing to eliminate (2015-$56,469). The Company has receivables from and unbilled charges to AleAnna Resources of $nil for unpaid management fees and expenses at October 31, 2016.

On March 26, 2015, the Company announced that it has 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.

11. INCOME TAXES

The statutory rates of income taxes are reconciled to the effective rate as follows:

	2016	2015
Combined Statutory tax rate	32.19%	28.94%
Income recovery at statutory rate	$ (249,384)	$ (454,476)
Equity issuance cost	27,107	50,548
Non-deductible derivative activity	139,947	(125,066)
Change in statutory income tax rate	(485,824)	-
Loss on conversion of notes	-	333,553
Other	(8,805)	(128,733)
Change in valuation allowance	576,959	324,174
Future income Tax	$ -	$ -
The future income taxes payable consist of the following temporary differences:		
Non-Capital losses	$ 4,338,944	$ 3,818,937
Unrealized loss on partnership interest	174,865	157,210
Unrealized impairment loss	389,225	349,928
Valuation Allowance	(4,903,034)	(4,326,075)
	$ -	$ -

The Company has non-capital loss carry-forwards and allowances of approximately $5,521,159 for Canadian tax purposes (2015 - $5,792,257) and $7,958,008 for U.S. tax purposes (2015 - $7,404,292). These losses expire from 2024 to 2036 and are available to offset future taxable income.