BRS RESOURCES LTD.

VANCOUVER, BC, CANADA

CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2017 and 2016

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charlton

charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
BRS Resources Ltd.

We have audited the accompanying consolidated financial statements of BRS Resources Ltd., which comprise the consolidated statements of financial position as at October 31, 2017 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 company'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of BRS Resources Ltd. as at October 31, 2017 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards.

Other Matter
The financial statements of BRS Resources Ltd. for the year ended October 31, 2016, were audited by another auditor who expressed an unqualified opinion on those statements on February 28, 2017.

Emphasis of Matters
Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 28, 2018

BRS Resources Ltd.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the Year Ended October 31,	
	2017	2016
REVENUE		
Management fee	$ -	$ 40,432
	-	40,432
EXPENSES		
Wages and benefits	-	66,974
Engineering and consulting fees (Note 13)	**57,324**	(2,279)
Legal and accounting	**83,070**	120,524
Office and general	**23,226**	40,592
Rent	-	7,826
Investor relations	-	1,191
Depreciation and amortization (Note 7)	**240**	-
Regulatory fees	**5,410**	7,739
Travel	-	3,428
	169,270	245,995
LOSS BEFORE OTHER ITEMS	**(169,270)**	(205,563)
Impairment of property and equipment (Note 7)	-	(16,923)
Impairment of investment (Note 6)	**(1,186,155)**	-
Write-off of accounts payable	**35,097**	-
Interest and other income	-	6,654
INCOME (LOSS) BEFORE SHARE OF LOSS FROM EQUITY INVESTMENT	**(1,320,328)**	(215,832)
Share of loss from equity accounted for investment (Note 6)	-	(567,871)
NET INCOME (LOSS)	**(1,320,328)**	(783,703)
Foreign currency translation gain	**2,883**	8,979
Comprehensive Loss	$ **(1,317,445)**	$ (774,724)
LOSS PER SHARE (basic and diluted)	$ **(0.01)**	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (basic and diluted)	**126,323,467**	122,331,001

See Accompanying Notes to Consolidated Financial Statements

BRS Resources Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		October 31, 2017		October 31, 2016
ASSETS				
Current:				
Cash	$	**128,459**	$	40,811
Accounts and other receivables		**6,977**		2,690
Due from related parties [Note 13]		**6,669**		-
Prepaid expenses		-		1,000
Total Current Assets		**142,105**		44,501
Investments *[Note 6]*		**1,787,744**		2,973,899
Property and equipment *[Note 7]*		**1,823**		144
Total Assets	$	**1,931,672**	$	3,018,544
LIABILITIES				
Current:				
Accounts payable and accrued liabilities (Note 13)	$	**109,295**	$	140,298
Total Current Liabilities		**109,295**		140,298
SHAREHOLDERS' EQUITY				
Share capital *[Note 8]*		**34,209,418**		34,058,842
Contributed surplus *[Note 9]*		**3,073,187**		2,962,187
Deficit		**(35,769,350)**		(34,449,022)
Accumulated other comprehensive income		**309,122**		306,239
Total Shareholders' Equity		**1,822,377**		2,878,246
Total Liabilities & Shareholders' Equity	$	**1,931,672**	$	3,018,544

Basis of presentation and going concern (Note 2)

APPROVED ON BEHALF OF THE BOARD:

Byron Coulthard	***Cyrus Driver***
President and Chief Executive Officer	Chief Financial Officer

See Accompanying Notes to Consolidated Financial Statements

BRS Resources Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Capital	Surplus	Deficit	Accumulated Other Income	Equity
Balance, October 31, 2015	121,878,946	$ 34,040,842	$ 2,890,187	$ (33,665,319)	$ 297,260	$ 3,562,970
Net loss for the year	-	-	-	(783,703)	-	(783,703)
Foreign translation gain	-	-	-	-	8,979	8,979
Private placement	3,000,000	18,000	72,000	-	-	90,000
Balance, October 31, 2016	124,878,946	34,058,842	2,962,187	(34,449,022)	306,239	2,878,246
Private placement	5,550,000	166,501	111,000	-	-	277,501
Share issuance cost	-	(15,925)	-	-	-	(15,925)
Net loss for the year	-	-	-	(1,320,328)	-	(1,320,328)
Foreign translation gain	-	-	-	-	2,883	2,883
Balance, October 31, 2017	130,428,946	$ 34,209,418	$ 3,073,187	$ (35,769,350)	$ 309,122	$ 1,822,377

See Accompanying Notes to Consolidated Financial Statements

BRS Resources Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the Year Ended October 31, 2017	2016
OPERATIONS		
Net loss	**$ (1,320,328)**	$ (783,703)
Add items not affecting cash:		
Impairment of property and equipment	**-**	16,923
Impairment expense	**1,186,155**	150,000
Write-off of accounts payable	**(35,097)**	-
Depreciation	**240**	-
Loss from equity accounted for investment	**-**	417,828
	(168,790)	(198,952)
Change in non-cash working capital balances related to operations:		
(Increase) decrease in accounts and other receivables	**(4,285)**	12,817
(Increase) decrease in due from related parties	**(6,669)**	58,729
(Increase) decrease in prepaid and other assets	**1,000**	8,473
Increase (decrease) in due to related parties	**1,916**	-
(Increase) decrease in accounts payable and accrued expenses	**6,160**	25,935
Decrease (increase) in lease inducement liability	**-**	(1,691)
Net Cash from (used in) Operating Activities	**(170,668)**	(94,689)
FINANCING		
Note conversion fees	**-**	(4,604)
Net Cash from (used in) Financing Activities	**-**	(4,604)
INVESTING		
Purchases of property, plant, and equipment	**(1,919)**	-
Stock issuance	**277,501**	90,000
Share issuance cost	**(15,925)**	-
Net Cash from (used in) Investing Activities	**259,657**	90,000
Effect of foreign exchange	**(1,341)**	8,979
Increase (decrease) in cash	**87,648**	(314)
Cash, beginning of year	**40,811**	41,125
CASH, end of year	**$ 128,459**	$ 40,811

Supplemental cash flow information (Note 14)

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 999 Canada Place, Suite 404, Vancouver B.C., V6C 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 for the year ended October 31, 2016 its equity accounted for share of AleAnna Energy, a Delaware Limited Liability Company, which includes its wholly owned subsidiary of 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 year ended October 31, 2017, with comparative information as at and for the year ended October 31, 2016, 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, 2018.

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 October 31, 2017, the Company not yet achieved profitable operations, has net working capital of $32,810 (October 31, 2016 working capital deficit of $95,797) and an accumulated deficit of $35,769,350 (2016 - $34,449,022), all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as going concern.

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.

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.

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.

Effective November 1, 2016, the Company discontinued the use of equity method in accounting for the investment in AleAnna. In 2014, the Company obtained the right to appoint a director to AleAnna and thus had one out of five seats on the board of directors of this investee. Given the existence of significant influence, the Company started to apply equity method back in 2014 although the Company's ownership interest in AleAnna decreased from 17.15% in 2014 to 8.33% in 2017 due to AleAnna issued new shares to the majority shareholder throughout 2015 to 2017. As a result of the transactions, the Company's ownership interest in AleAnna diluted to 8.33% (2016: 9.74%). Consequently, the accounting treatment for AleAnna's investment changed from equity method to cost method. The change in such accounting policy has an impact to the consolidated financial statements.

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. The functional currency of the subsidiary and equity investment is the US dollar.

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.

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.

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 October31, 2017, there were 11,550,000 potentially dilutive common shares relating to warrants and options outstanding totaling (2016- 7,555,000) 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.

Share capital

The proceeds from the exercise of stock options, warrants and purchase of shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis on relative fair values as follows: the fair value of common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

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.

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:

Estimates

(i) the inputs used in accounting for share-based compensation expense in net income/loss;

(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) The estimated useful lives of equipment which is included in the statements of financial position and the related depreciation included in net income/loss for the period;

(iv) amount used for impairment calculations for long term assets are based on estimates of future cash flows and capitalization rate on a CGU basis

Judgment

(i) the assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

(ii) The carrying value of investments;

(iii) 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.

The following new standards were adopted during the year ended October 31, 2017:

IAS 27: Amended to restore option to use equity method to account for investments in subsidiaries, joint ventures and associates for annual period beginning on or after January 1, 2016.

Certain other pronouncements were adopted by the Company on November 1, 2016, none of which had a significant impact on the Company's consolidated financial statements.

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

IFRS 16, "Leases", was issued in January 2016, and replaces IAS 17,"Leases" ("IAS 17"). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. IFRS 16 is effective for periods beginning on or after January 1, 2019.

IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard.

4. RISKS AND CONCENTRATIONS

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 October 31, 2017 and October 31, 2016, 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.

1. Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
3. 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 fair value of cash is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at October 31, 2017, the Company believes that the carrying values of due from related party and accounts payable and accrued liabilities approximate the fair values because of their nature and relatively short maturity dates or durations.

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 October 31, 2017, the Company had no current assets and $55,129 in current liabilities originating in the United States (October 31, 2016 $nil and $103,805, 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 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.

6. EQUITY ACCOUNTED INVESTMENT

The Company's 100% owned subsidiary, Bonanza Resources, owns an 8.33% (2016 9.74%) interest in AleAnna Energy L.L.C. ("AleAnna") which owns 100% of AleAnna Resources L.L.C. AleAnna Resources L.L.C. holds ten "Exploration Permits" and four "Applications for Exploration Permits", 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.

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 that the Company elected to not participate in, further diluting their interest to approximately 10%, and subsequent capital calls in 2016 have lowered the ownership to less than 9%.

Accounting for the Company's Investment in AleAnna

Until October 31, 2016, the Company accounted for Bonanza Resources interest in AleAnna using the equity method. During the period ended October 31, 2017, the Company recognized $Nil (2016 - $412,804) as its share of loss from AleAnna which were deducted from the carrying value of the Company's investment. Effective November 1, 2016, the Company discontinued the use of equity method in accounting for the investment in AleAnna. In 2014, the Company obtained the right to appoint a director to AleAnna and thus had one out of five seats on the board of directors of this investee. Given the existence of significant influence, the Company started to apply equity method in 2014. The Company's ownership interest in AleAnna decreased from 17.15% in 2014 to 8.33% in 2017 due to AleAnna issued new shares to the majority shareholder throughout 2015 to 2017. As a result of the transactions, the Company's ownership interest in AleAnna diluted to 8.33% (2016: 9.74%) and the Company expects to be further diluted in the following years. Consequently, the Company no longer has a significant influence and the accounting treatment for AleAnna's investment changed from equity method to cost method.

An impairment test is performed if the Company identifies an indicator of impairment. At October 31, 2017, 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.

The following table provides a continuity of the Company's investment in AleAnna during the periods ended October 31, 2017 and October 31, 2016

		October 31, 2017	October 31, 2016
Carry value, beginning of year	$	**2,973,899**	3,541,727
Share of loss from equity accounted investment		-	(417,828)
Impairment		(1,186,155)	(150,000)
Carry value, end of year	$	1,787,744	2,973,899

EQUITY ACCOUNTED INVESTMENT (CONTINUED)

The following table summarizes financial information about AleAnna's assets and liabilities and the net and comprehensive loss for the year ending October 31, 2017 and October 31, 2016. The Company has included in its consolidated financial statements, equity accounted for information based on the period ending October 31, 2017 and October 31, 2016. 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 and are presented at their respective ownership percentage.

		October 31, 2017	October 31, 2016
Assets	$	-	8,041,769
Liabilities		-	2,284,438
Net Loss		-	838,420
Ownership percentage		8.33%	9.74%

7. EQUIPMENT

Office Equipment		Cost		Accumulated Depreciation		Net Book value
Balances October 31, 2015	$	87,750	$	75,287	$	12,463
Impairment		(74,992)		(62,673)		(12,319)
Balances October 31, 2016		12,758		12,614		144
Additions		1,919		240		1,679
Balances October 31, 2017	$	14,677	$	12,854	$	1,823

8. SHARE CAPITAL

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

	October 31, 2017			October 31, 2016		
	Number		Amount	Number		Amount
Balance, beginning of period	124,878,946	$	34,058,842	52,724,776	$	30,495,447
Shares issued for cash	5,550,000		166,501	3,000,000		18,000
Share issuance cost	-		(15,925)	-		-
Shares issued for debt	-		-	69,154,170		3,545,395
Balance, end of period	130,428,946	$	34,209,418	124,878,946	$	34,058,842

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 on additional share purchase warrant, with each warrant exercisable into one additional share at $0.06 per share until September 6, 2018.

On July 28, 2017 the Company completed a brokered private placement of 5,550,000 units at $0.05 per unit for aggregate gross proceeds of $277,500. Each unit was comprised of one common share of the Company and one additional share purchase warrant, with each warrant exercisable into one additional share at $0.10 per share until July 31, 2020. In connection with the private placement, the Company paid finder's fees to 2 finders, comprised of: cash, $15,925. Gross proceeds from this private placement were allocated between shares and warrants using a pro-rata method based on the fair values of shares and warrants on the date of issuance. The fair value of warrants was estimated at $196,000 using the Black-Scholes pricing model, therefore $166,501 of gross proceeds from this financing was allocated to shares and $111,000 was allocated to contributed surplus.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants issued as part of private placement completed during the current year:

	2017
Risk-free interest rate	**1.30%**
Expected life	**3**
Expected volatility	**143.06%**
Expected dividends	**Nil**

Warrants

A summary of the Company's issue and outstanding warrants at October 31, 2017 and October 31, 2016 with changes during those periods is presented below:

	October 31, 2017			October 31, 2016		
	Warrants outstanding		Exercise Price	Warrants outstanding		Exercise Price
Balance, beginning of year	3,000,000	$	0.06	-	$	-
Granted	5,550,000		0.10	3,000,000		0.06
Balance, end ofyear	8,550,000	$	0.09	3,000,000	$	0.06

The share purchase warrants outstanding and exercisable at October 31, 2017 are:

Number of warrants		Exercise price	Expirty date
3,000,000	$	0.06	September 8, 2018
5,550,000	$	0.10	July 31, 2020
8,550,000			

9. CONTRIBUTED SURPLUS

		October 31, 2017		October 31, 2016
Balance, beginning of year	$	2,962,187	$	2,890,187
Fair value of warrants		111,000		72,000
Balance, end of year	$	3,073,187	$	2,962,187

10. STOCK BASED COMPENSATION

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

The maximum number of shares which may be issued pursuant to options granted under the plan shall be 10,534,525 shares or such additional amount as may be approved from time to time by the shareholders of the Company. The maximum number of options granted to any one optionee in a 12 month period is limited to 5% of the issued shares of the Company.

At October 31, 2017, there are options outstanding to acquire the company of 3,000,000. The price of the options is $0.10 and their expiry date is May 7, 2018. The weighted average contract life remaining is 0.52 years.

The following is a summary of the change in the Company's stock option plan for the period ended October 31, 2017 and October 31, 2016.

	October 31, 2017			October 31, 2016	
	Number		Amount	Number	Amount
Balance, beginning of pYear	4,555,000	$	0.17	8,665,000	0.25
Options expired during the year	-1,555,000		0.30	-4,110,000	0.34
Balance, end of year	3,000,000	$	0.10	4,555,000	0.17

The intrinsic value of options exercisable at October 31, 2017 is nil.
The following table summarizes the information about stock options outstanding and exercisable at October 31, 2017;

Weighted Average Exercise Price per Share	Number Outstanding October 31, 2017	Weighted Average Remaining Contract Life
$0.10	3,000,000	0.52

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 years ended October 31, 2017 and October 31, 2016.

11. 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, 2017 and October 31, 2016.

12. COMMITMENTS AND CONTINGENCIES

The Company has no commitments or contingent liabilities.

13. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

The aggregate value of transactions relating to key management personnel were as follows:

		October 31, 2017	October 31, 2016
Consulting and management fees	$	57,275	-

As at October 31, 2017, $5,533 (2016 - $3,916) were owing to key management personnel or to a company controlled by a director or key management personnel and the amounts were included in accounts payable and accrued liabilities. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

During the period ended October 31, 2017, the Company advanced a director $6,669 (2016 $0) to the company for consulting services. The company owed the director $ nil as of October 31, 2017.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows:

There were no significant non-cash transactions during the year ended October 31, 2017 and 2016.

15. INCOME TAXS

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

	2017	2016
Combined Statutory tax rate	32.21%	32.19%
Income recovery at statutory rate	$ (425,238)	$ (249,384)
Equity issuance cost	(828)	27,107
Non-deductible perfmanent differences and other	391,504	139,947
Change in statutory income taxes	682,134	(485,824)
Other	-	(8,805)
Change in tax assets not recognized	(647,572)	576,959
Income tax provision (recovery)	$ -	-

The future income taxes payable consist of the following temporary differences:

	2017	2016
Non-Capital losses	$ 4,600,090	$ 4,338,944
Unrealized loss on partnership interest	174,957	174,865
Unrealized impairment loss	771,456	389,225
Unamortized share issued costs	4,103	-
Total unrecognized deferred income tax assets	$ (5,550,606)	$ (4,903,034)

The Company has non-capital loss carry-forwards and allowances of approximately $6,340,418 for Canadian tax purposes (2016 - $5,521,159) and $7,942,465 for U.S. tax purposes (2016: $7,958,008). These losses expire from 2024 to 2036 and are available to offset future taxable income.