

BRS RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
BRS Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of BRS Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at October 31, 2021, the Company's current liabilities exceeded its current assets by \$625,213 and the Company had a deficit of \$38,219,064. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Melyssa Charlton.

A handwritten signature in cursive script that reads "Charlton & Company". The signature is written in dark ink on a light-colored background.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
October 25, 2022

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

As at

	October 31, 2021	October 31, 2020
ASSETS		
Current		
Cash	\$ -	\$ 16
GST receivable	15,139	7,514
Total Assets	15,139	7,530
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	640,352	456,019
Total Current Liabilities	640,352	456,019
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 8)	34,209,418	34,209,418
Reserves	3,073,187	3,073,187
Deficit	(38,219,064)	(38,039,648)
Accumulated other comprehensive income	311,246	308,554
Total Shareholders' Deficiency	(625,213)	(448,489)
Total Liabilities & Shareholders' Deficiency	\$ 15,139	\$ 7,530

Nature and continuance of operations (Note 1)

Subsequent event (Note 11)

APPROVED ON BEHALF OF THE BOARD:Byron Coulthard

Director

Steve Moore

Director

The accompanying notes are an integral part of these consolidated financial statements.

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

	For the years ended October 31,	
	2021	2020
Expenses		
Consulting fees <i>(Note 9)</i>	\$ 120,000	\$ 105,000
Depreciation <i>(Note 7)</i>	-	1,055
Legal and accounting	55,200	40,000
Office and general	216	1,320
Regulatory fees	4,000	13,779
	<u>(179,416)</u>	<u>(161,154)</u>
Write-off of GST receivable	-	(19,227)
Write-off of investment <i>(Note 6)</i>	-	(1,787,744)
Net loss for the year	<u>(179,416)</u>	<u>(1,968,125)</u>
Other comprehensive loss		
Foreign currency translation adjustment	<u>2,692</u>	<u>(567)</u>
COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (176,724)</u>	<u>\$ (1,968,692)</u>
Loss per common share – basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>130,428,946</u>	<u>130,428,946</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Shares		Amount		Reserves		Deficit	Accumulated Other Income	Total
Balance, October 31, 2019	130,428,946	\$	34,209,418	\$	3,073,187	\$	(36,071,523)	\$ 309,121	\$ 1,520,203
Foreign translation adjustment	-		-		-		-	(567)	(567)
Loss for the year	-		-		-		(1,968,125)	-	(1,968,125)
Balance, October 31, 2020	130,428,946		34,209,418		3,073,187		(38,039,648)	308,554	(448,489)
Foreign translation adjustment	-		-		-		-	2,692	2,692
Loss for the year	-		-		-		(179,416)	-	(179,416)
Balance, October 31, 2021	130,428,946	\$	34,209,418	\$	3,073,187	\$	(38,219,064)	\$ 311,246	\$ (625,213)

The accompanying notes are an integral part of these consolidated financial statements.

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

	For the Year Ended October 31,	
	2021	2020
Operating activities		
Loss for the year	\$ (179,416)	\$ (1,968,125)
Items not affecting cash:		
Depreciation and amortization	-	1,055
Write-off of GST receivable	-	19,227
Write-off of investment	-	1,787,744
Change in non-cash working capital items:		
GST receivable	(7,625)	(10,820)
Accounts payable and accrued liabilities	<u>184,333</u>	<u>170,871</u>
Cash used in operating activities	<u>(2,708)</u>	<u>(48)</u>
Effect of foreign exchange	<u>2,692</u>	<u>(183)</u>
Change in cash during the year	(16)	(231)
Change in cash, beginning of the year	<u>16</u>	<u>247</u>
Change in cash, end of the year	<u>\$ -</u>	<u>\$ 16</u>

During the years ended October 31, 2021 and 2020, the Company paid \$nil in interest and taxes and there were no non-cash financing or investing activities.

The accompanying notes are an integral part of these consolidated financial statements.

BRS Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

BRS Resources Ltd. (the “Company”), incorporated in the Province of British Columbia, is a reporting issuer in British Columbia and Alberta and was cease traded on March 6, 2019 for failure to file its annual filings for the year ended October 31, 2018. As a result of the cease trade order, the Company’s shares, that were previously traded on the TSX Venture Exchange, were delisted on May 21, 2021. The Company was primarily engaged in production, exploration, and acquisition of petroleum and natural gas properties in Italy through its investment in AleAnna Energy, LLC (“AleAnna Energy”) but has been inactive since the imposition of the cease trade order. The address of its registered head office is 308 - 1441 Johnston Road, White Rock B.C., V4B 3Z7.

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, 2021, the Company not yet achieved profitable operations, has net working capital deficiency of \$625,213 (2020 – \$448,489) and an accumulated deficit of \$38,219,064 (2020 - \$38,039,648), all of which indicate the existence of a material uncertainty which 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.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. COVID-19 has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's financing capabilities. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the virus. It is not possible to reliably estimate the length or severity of these developments and their financial impact on these consolidated financial statements. As a result, these conditions could continue to have a significant adverse impact on the Company's financial position and results of operations for future periods. Refer to note 6 for additional discussion of the impact COVID-19 has had on the Company.

BRS Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements of the Company as at and for the year ended October 31, 2021, and 2020, 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”).

These consolidated financial statements were authorized for issuance by the Board of Directors on, October 25, 2022.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value as determined at each reporting date. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

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

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All significant intercompany transactions and balances have been eliminated.

Functional and presentational currency

These consolidated financial statements are presented in Canadian dollars. Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the parent company is the Canadian dollar and the functional currency of the Company’s subsidiary is the US dollar.

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.

Cash and cash equivalents

Cash and cash equivalents may include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of 90 days or less when acquired. As at October 31, 2021 and 2020, the Company did not have any cash equivalents.

BRS Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign exchange

Foreign currency transactions are translated into the Company and its subsidiary's functional currencies using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing at the reporting date are recognized in profit or loss.

At year end, the Company's results are translated into Canadian dollars, the presentation currency. The assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and income and expenses are translated at exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognized as a cumulative translation adjustment in other comprehensive income / (loss).

Equipment

Equipment is recorded at cost less accumulated depreciation and impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item. An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Depreciation of equipment is recognized on the straight-line basis based on 3 year useful lives.

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its non-financial 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.

BRS Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and diluted loss per share

Basic earnings (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. There were no potentially dilutive shares at October 31, 2021 and 2020.

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.

Share-based compensation

The Company uses the fair value method of accounting for all share-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 options pricing model. 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. 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.

BRS Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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 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;
- (ii) 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;

BRS Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgments, estimates, and assumptions (continued)

- (iii) The carrying value of the investment in AleAnna and impairment of long term assets.

Judgments

- (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) Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Newly adopted accounting policies

The Company has adopted the following new accounting policies since the release of its most recent audited financial statements:

IFRS 9 – Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of November 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date, except as noted in Note 6.

The following is the Company’s new accounting policy for financial instruments under IFRS 9.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive (loss) income (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

BRS Resources Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Years ended October 31, 2021 and 2020****(Expressed in Canadian Dollars)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**IFRS 9 – Financial Instruments (continued)

The Company completed a detailed assessment of its financial assets and liabilities as at November 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets / liabilities	Prior classification under IAS 39	New classification under IFRS 9
Cash	FVTPL	FVTPL
Investment	Cost	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Measurement

Financial assets and liabilities carried at amortized cost are initially recognized at fair value, plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed through profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Selected investments in equity instruments at FVTOCI are initially recorded at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company does not hold any financial assets classified as FVTOCI.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired. The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

BRS Resources Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 – Financial Instruments (continued)

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

IFRS 16, Leases

The Company adopted IFRS 16 - Leases effective November 1, 2019. The adoption of IFRS 16 did not have an impact on the financial statements, as the Company does not currently have any leases.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

Accounting standards and amendments issued but not yet adopted

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company's consolidated financial statements.

BRS Resources Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. RISKS AND CONCENTRATIONS

Fair value

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The Company's cash is classified at FVTPL and its accounts payable and accrued liabilities are carried at amortized cost.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are as follows:

- 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 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, 2021, the Company believes that the carrying values of accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as fair value through profit or loss, and cause fluctuations in the fair value of future cash flows for assets or liabilities measured at fair value. Currently, the Company is not exposed to significant market risk.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The carrying value of this financial asset represents the Company's maximum exposure to credit risk. The Company manages its credit risk by maintaining its cash in a federally regulated financial institution in Canada.

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 the foreign currency exchange rates. A significant change in the currency exchange rates between the US dollar and the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. However, because most of the Company's financial instruments are denominated in Canadian dollars, the Company does not believe it is subject to any significant foreign exchange risk at this time.

BRS Resources Ltd.
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4. RISKS AND CONCENTRATIONS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The Company's financial liabilities consist of its accounts payable and accrued liabilities. As at October 31, 2021, the Company had a working capital deficiency of \$625,213 (2020 -\$448,489).

The Company will manage its liquidity risk, by gaining access to funding at market rates through equity and debt markets once it lifts its cease trade order. In the future, 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. INVESTMENT

The Company's 100% owned subsidiary, Bonanza Resources, owns a minority 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 following table provides a continuity of the Company's investment in AleAnna during the years ended October 31, 2021 and 2020:

	October 31, 2021	October 31, 2020
Carrying value, beginning of year	\$ -	\$ 1,787,744
Impairment charge	-	(1,787,744)
Carrying value, end of year	\$ -	\$ -

During the year ended October 31, 2020, the Company fully impaired its investment in AleAnna in the amount of \$1,787,744 due to uncertainty around future benefits and the economic environment driven by COVID-19 and factors impacting the oil and gas industry.

7. EQUIPMENT

Office Equipment	Cost	Depreciation	Net Book Value
Balances, October 31, 2019	\$ 14,677	\$ (13,622)	\$ 1,055
Additions	-	(1,055)	(1,055)
Balance, October 31, 2020 and 2021	\$ 14,677	\$ (14,677)	\$ -

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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, 2021		October 31, 2020	
	Number	Amount	Number	Amount
Balance	130,428,946	\$34,209,418	130,428,946	\$ 34,209,418

Warrants

The following is a summary of the change in the Company's warrants for the year ended October 31, 2021 and 2020:

	October 31, 2021		October 31, 2020	
	Warrants outstanding	Exercise Price	Warrants outstanding	Exercise Price
Balances, beginning of year	-	\$ -	5,550,000	\$ 0.10
Expired	-	-	(5,550,000)	0.10
Balance, end of year	-	\$ -	-	\$ -

Stock options

During the year ended September 30, 2015, the Company adopted a fixed stock option plan (the "Plan"). The Plan provides that the board of directors may, from time to time, in its discretion, grant to directors, officers, employees, consultants and other personnel of the Company and its subsidiaries or affiliates, options to purchase common shares. The maximum number of shares which may be issued pursuant to options granted under the Plan, shall be no greater than 24,375,789 common shares for grant upon exercise of outstanding options. The exercise price of each option is to be determined by the board of directors, subject to the discounted market price policies.

No options were granted during the years ended October 31, 2021 and 2020.

9. 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.

BRS Resources Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Years ended October 31, 2021 and 2020****(Expressed in Canadian Dollars)****9. RELATED PARTY TRANSACTIONS (continued)**

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

	October 31, 2021	October 31, 2020
Consulting fees	\$ 120,000	\$ 105,000

As at October 31, 2021, \$381,602 (2020 - \$253,159) was 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.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021	2020
Loss for the year before income taxes	\$ (179,416)	\$ (1,968,125)
Combined Statutory tax rate at 27% (2020 - 27%)	(48,000)	(531,000)
Change in statutory, foreign exchange rates and other	-	(2,000)
Permanent differences	-	483,000
Change in unrecognized deductible temporary differences	48,000	50,000
Deferred income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets are as follows:

	2021	2020
Deferred tax assets (liabilities)		
Non-capital loss carry forwards	\$ 1,301,000	\$ 1,252,000
Equipment	11,000	11,000
Share issuance costs	-	1,000
	1,312,000	1,264,000
Unrecognized deferred income tax assets	(1,312,000)	(1,264,000)
Total deferred income tax assets (liabilities)	\$ -	\$ -

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

BRS Resources Ltd.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Years ended October 31, 2021 and 2020****(Expressed in Canadian Dollars)****10. INCOME TAXES (continued)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry dates	2020	Expiry dates
Temporary differences				
Non-capital loss carry forwards	\$ 4,818,000	2027 - 2041	\$ 4,636,000	2027 - 2040
Equipment	41,000	No expiry date	41,000	No expiry date
Share issuance costs	-		3,000	2021

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. SUBSEQUENT EVENT

Subsequent to the period ended October 31, 2021, the Company closed its private placement offering (the “**Debt Offering**”) of unsecured convertible debentures (each, a “**Debenture**”), pursuant to which it has issued Debentures in the aggregate principal amount of \$200,000. At the option of the holder, the Debentures are convertible into units of the Company at price of \$0.01 per unit. Each unit will consist of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional share at an exercise price of \$0.01 for a period of one year from the date of grant.

The Debentures bear interest at 8% per annum from the Closing, payable upon the earlier of the Maturity Date or the date of any conversion thereof. The Debentures mature on June 10, 2023 (the “**Maturity Date**”).

There were no finder's fees paid in connection with the offering. All securities issued in connection with the offering are subject to a statutory hold period expiring four months and one day after closing.

The Debentures were sold pursuant to the partial revocation order (the “**Partial Revocation Order**”) issued by the British Columbia Securities Commission (the “**BCSC**”) on April 22, 2022, which was varied by the BCSC on May 24, 2022 to permit the conversion of the Debentures into Units. The Partial Revocation Order issued by the BCSC partially revoked a cease trade order (the “**Cease Trade Order**”) that was issued by the Executive Director of the BCSC against the Company on March 6, 2019 as a result of the Company's failure to file: (i) annual audited financial statements for the year ended October 31, 2018; (ii) annual management's discussion and analysis for the year ended October 31, 2018; and (iii) accompanying certifications for the year ended October 31, 2018.

The proceeds of the offering of the Debentures will be used to pay: (i) past due audit fees; (ii) audit fees for work to be done; (iii) accounting fees; (iv) accounting fees for work to be done; (v) fees for 51-101 reports; (vi) outstanding TSX Venture Exchange fees; (vii) legal fees; (viii) outstanding commission filing fees; (ix) transfer agent and AGM fees; and (x) SEDAR filing agent fees. Completion of the Offering will allow the Company to prepare and file all outstanding continuous disclosure documents with the applicable regulatory authorities. Once those filings have been completed, the Company expects to apply for a full revocation of the Cease Trade Order.