INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pure Living Media Inc.
(formerly TinyMassive Technologies Inc.)

We have audited the accompanying consolidated financial statements of Pure Living Media Inc. (formerly TinyMassive Technologies Inc.) which comprise the consolidated balance sheets as at May 31, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Pure Living Media Inc. (formerly TinyMassive Technologies Inc.) as at May 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Pure Living Media Inc.'s (formerly TinyMassive Technologies Inc.) ability to continue as a going concern.

Davidson & Company LLP

Vancouver, Canada

Chartered Accountants

September 26, 2011

PURE LIVING MEDIA INC.
(formerly TinyMassive Technologies Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2011

PURE LIVING MEDIA INC.
(formerly TinyMassive Technologies Inc.)
CONSOLIDATED BALANCE SHEETS
AS AT MAY 31

	2011	2010
ASSETS		
Current		
Cash	$ 36,155	$ 147,717
Receivables	18,884	14,607
Prepaids	-	45,541
	55,039	207,865
Restricted cash	-	10,000
Equipment	-	1,112
Domain name (Note 6)	-	3,571
Software license (Note 6)	-	239,659
Website development costs (Note 6)	-	905,695
	$ 55,039	$ 1,367,902
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$ 75,425	$ 70,100
Due to related parties	31,000	5,595
Convertible debenture (Note 7)	-	89,845
	106,425	165,540
Shareholders' equity (deficiency)		
Capital stock (Note 8)	2,376,800	1,598,150
Contributed surplus (Note 8)	1,691,304	1,691,304
Deficit	(3,734,868)	(2,087,092)
Non-controlling interest	(384,622)	-
	(51,386)	1,202,362
	$ 55,039	$ 1,367,902

Basis of presentation and continuance of operations (Note 1)
Subsequent event (Note 15)

On behalf of the Board:

"Arndt Roehlig Director *"Bruno Gasbarro"* Director

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

PURE LIVING MEDIA INC.
(formerly TinyMassive Technologies Inc.)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED MAY 31

	2011	2010
EXPENSES		
Contract labour	$ 301,525	$ 167,340
Management fees (Note 10)	61,343	13,340
Marketing	50,507	22,122
Office and miscellaneous	51,805	30,336
Photography	1,912	13,591
Professional fees	102,704	391,988
Rent (Note 10)	2,500	13,058
Stock-based compensation	-	574,711
Transfer agent and filing fees	15,962	6,032
Travel and related costs	10,568	7,780
Website	320,628	49,494
Loss before other items	(919,454)	(1,289,792)
OTHER ITEMS		
Foreign exchange loss	(14,691)	(2,318)
Other income (Note 10)	123,498	109
Interest expense	(10,155)	(35,684)
Write-off of assets (Note 6)	(1,216,905)	-
Forgiveness of debt	-	30,519
	(1,118,253)	(7,374)
Loss and comprehensive loss for the year	(2,037,707)	(1,297,166)
Non-controlling interest	389,931	-
Deficit, beginning of year	(2,087,092)	(789,926)
Deficit, end of year	$ (3,734,868)	$ (2,087,092)
Basic and diluted loss per common share	$ (0.03)	$ (0.06)
Weighted average number of common shares outstanding	53,022,209	21,210,655

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

PURE LIVING MEDIA INC.
(formerly TinyMassive Technologies Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,037,707)	$ (1,297,166)
Items not affecting cash:		
Amortization of equipment	334	-
Accretion of convertible debenture	10,155	12,193
Stock-based compensation	-	574,711
Website development	-	7,603
Interest accrual	-	5,806
Forgiveness of debt	-	(30,519)
Write-off of assets	1,216,905	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(71,479)	(6,372)
(Increase) decrease in prepaids	45,541	(45,541)
Increase (decrease) in accounts payable and accrued liabilities	66,634	(12,828)
Increase (decrease) in due to related parties	25,405	(45,692)
Net cash used in operating activities	(744,212)	(837,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired on recapitalization transaction	-	361
Acquisition of equipment	-	(1,112)
Acquisition of domain name	-	(3,571)
Website development costs	-	(6,172)
Net cash used in investing activities	-	(10,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	677,800	1,182,500
Share issuance costs	-	(182,191)
Loan proceeds	-	162,950
Due to related parties	(55,150)	(189,729)
Net cash provided by financing activities	622,650	973,530
Change in cash for the year	(121,562)	125,231
Cash, beginning of year	157,717	32,486
Cash, end of year	$ 36,155	$ 157,717
Cash is comprised of:		
Cash	$ 36,155	$ 147,717
Restricted cash	-	10,000
	$ 36,155	$ 157,717

Supplemental disclosure with respect to cash flows (Note 11).

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

1. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

Pure Living Media Inc. (formerly TinyMassive Technologies Inc.) (the "Company") was incorporated under the Business Corporations Act (British Columbia) on January 16, 2007. The Company began trading on the TSX Venture Exchange ("TSX-V") as Patriotstar Ventures Inc. ("Patriotstar"). Prior to December 11th 2009 the Company was a Capital Pool Company as defined in the TSX-V Policy 2.4. Effective December 11th 2009, the Company completed its "Qualifying Transaction" whereby it acquired all of the issued and outstanding shares in TinyMassive Technologies Corp. ("TMTC"), a BC Limited Company. As a result of completing the Qualifying Transaction, the Company is no longer a CPC and control of the Company passed to the shareholders of TMTC. Accordingly, the Qualifying Transaction was a reverse takeover ("RTO") acquisition of the Company by TMTC and was treated as a capital transaction by TMTC (Note 4).

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term.

During the year ended May 31, 2011, the Company discontinued its website development activities and all related assets were written off to operations. The Company's continuing operations as intended are now dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Lights Code, Action, Inc., and its 51% owned US subsidiary, TBwaP, Inc. The Company's portion of the results of operations of subsidiaries are included from the date of acquisition or incorporation. Significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from the estimates.

Significant accounts that require estimates relate to the possible impairment of domain name, software licenses and website development costs, future income taxes and related valuation allowances and the valuation of stock-based compensation and warrants on private placements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments and comprehensive income

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale or other financial liabilities. All financial instruments and derivatives are measured at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement will depend on a financial instrument's initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in income. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is disposed of, impaired or its classification is changed.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables, and accounts payable and accrued liabilities and amounts due to related parties are classified as other liabilities, all of which are measured at amortized cost.

Disclosures are provided about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance (Note 13). The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Equipment

Equipment, which was comprised of a computer, is recorded at cost, net of accumulated amortization. Amortization is calculated on an annual basis over the estimated useful life using the declining balance method at a rate of 30% per annum. During the current year, the net book value of $778 was written off to operations.

Intangible assets

Intangible assets, consisting of a website license and software, are recorded at acquisition cost.

The intangible assets are not amortized but subject to management's review of impairment annually or when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment of long-lived assets

Canadian GAAP requires long-lived assets and intangibles held and used by the Company to be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Website Development Costs

Website development costs are stated at cost less accumulated amortization. Amortization commences once the website has been completed. Website hosting and maintenance costs are charged to operations.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates, and income and expense items are translated at rates approximating those in effect at the transaction date. Translation gains and losses are reflected in loss for the year.

Income taxes

Income taxes are recorded for using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-based compensation

The Company uses the fair value-based method for all stock-based compensation, including options granted under the Company's incentive stock option plan and for compensatory rewards. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option and compensatory warrant and recognizes the fair value over the period of vesting. Any consideration paid by the option or warrant holders to purchase shares is credited to capital stock.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

International financial reporting standards

In February 2008, the Accounting Standards Board ("AcSB"), announced that 2011 is the changeover date for publicly listed companies to use International Financial Reporting Standards ("IFRS"), replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be June 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these sections must be adopted concurrently. The Company adopted these standards during the current fiscal year.

4. RECAPITALIZATION

The Company entered into an Arrangement Agreement (the "Agreement") with TinyMassive Technologies Corp. ("TMTC") on July 8. 2009. Under the terms of the Agreement, the Company agreed to acquire 100% of the issued and outstanding shares of TMTC.

Effective December 11th 2009, the Company completed its Qualifying Transaction and acquired all of the issued and outstanding shares of TMTC in exchange for 35,000,013 common shares of the Company. In addition, all outstanding warrants and options granted by TMTC were exchanged for the equivalent replacement securities at a certain exchange ratio (see Note 8). As a result of the completion of the Qualifying Transaction, the Company is no longer considered a Capital Pool Company.

Pursuant to the terms of the Agreement, all outstanding warrants of TMTC were exchanged for equivalent replacement securities in the Company. Each TMTC warrant was exchanged for 2.5 of the Company's warrants and the new exercise price of each warrant was the original exercise price divided by 2.5. As an exception, 50,071 of the replacement warrants kept their original exercise price of $0.75 and expired on March 23, 2010.

The Company applied to voluntarily delist its shares from TSX-V on November 10, 2009. Upon the close of the Transaction, the Company's shares began trading on Canadian National Stock Exchanges ("CNSX") on December 11th 2009.

4. RECAPITALIZATION (cont'd…)

Recapitalization accounting

The reverse takeover ("RTO") was between a non-operating public company, Patriotstar, and an operating non-public company, TMTC. Per EIC-10, "Reverse Takeover Accounting", ("EIC-10") of the CICA Standards and Guidance Collection, the RTO was treated as a capital transaction.

The allocation of the purchase price is summarized in the table below:

Purchase price:		
35,000,013 common shares	$	161,164
Net assets acquired:		
Cash	$	361
Receivables		8,235
Loan receivable		95,000
Deferred financing costs		75,898
Accounts payable and accrued liabilities		(18,330)
	$	161,164

5. ACQUISITION OF LIGHTS, CODE, ACTION INC.

On August 21, 2008, the Company acquired 100% of the issued and outstanding capital stock of Lights, Code, Action Inc. ("LCA") by issuing 9,750,000 common shares. LCA is a private corporation in the state of Washington, USA.

This transaction was accounted for as a recapitalization of the Company with LCA being identified as the acquirer pursuant to EIC-10. Accordingly, the results of operations are those of LCA since its incorporation on September 14, 2007, together with the results of operations of the Company since August 21, 2008.

The Company's net liabilities of $4,186 at the date of acquisition were charged to deficit.

During the year ended May 31, 2011, LCA was dissolved.

6. DOMAIN NAME, SOFTWARE LICENSE AND WEBSITE DEVELOPMENT COSTS

During the year ended May 31, 2010, the Company entered into a software license agreement. The license granted the Company the rights to certain software in Canada, the U.S and Mexico. As consideration, the Company issued 1,198,294 common shares with a value of $239,659. The Company also purchased a domain name for its website for $3,571.

During the year ended May 31, 2009, the Company entered into a consulting agreement with Lightmaker Vancouver (Internet) Inc. ("Lightmaker") for the provision of website development services. On March 31, 2009 the Company's subsidiary entered into a settlement agreement for the termination of the consulting agreement with Lightmaker pursuant to which the Company acquired certain intellectual property rights relating to the development of the Company's website in consideration for the grant of an option, valued at $96,875, to purchase the Company's common shares at an aggregate purchase price of $1 and the issuance of a $100,000 convertible debenture (Note 7).

During the year ended May 31, 2011, the Company wrote off all costs, totaling $1,148,925, related to the domain name, software license and website development costs.

7. COVERTIBLE DEBENTURE

On April 7, 2009, the Company issued a $100,000 convertible debenture pursuant to the settlement agreement for the termination of the consulting agreement with Lightmaker Incorporated. The debenture is unsecured, non-interest bearing, and becomes payable and convertible on the date the Company completes a liquidity event (receipt of a net financing of $1,500,000 or more). Once convertible, the balance may be converted into the Company's common shares. Such a conversion will occur at the fair market value of the Company's stock which shall be the greater of the share price governing the liquidity event or the greater of the share price at the date of conversion or $0.05 per share. Any amount of the debenture outstanding on April 7, 2011 will be converted into the Company's common shares at the share price prevailing on April 11, 2011. As the loan is non-interest bearing, the Company discounted the note by $24,386 and recorded $75,614 as website costs. During the year ended May 31, 2011, the Company accreted $10,155 (2010 - $12,193) of the discount.

On May 17, 2011 the convertible debenture was converted into 2,000,000 common shares valued at $100,000.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Balance, May 31, 2009	12,781,800	$ 12,782	$ 1,148,984
Acquisition of licence	1,198,294	239,659	-
Transactions prior to recapitalization on December 11, 2009			
Reversal of TMTC	(13,980,094)	-	-
Capital stock of the Company	6,300,000	-	-
Recapitalization on December 11, 2009			
Shares issued on recapitalization	35,000,013	161,164	-
Private placement	5,612,500	1,122,500	-
Broker's fee	250,000	50,000	-
Share issuance costs	-	(308,090)	-
Agent warrants	-	(32,770)	32,770
Exercise of options	600,000	60,000	-
Reclassification of contributed surplus on exercise of options	-	215,161	(215,161)
Escrow shares cancelled	(3,000,000)	(150,000)	150,000
Stock-based compensation	-	-	574,711
Shares for debt conversion	1,729,274	227,744	-
Balance, May 31, 2010	46,491,787	1,598,150	1,691,304
Private placements	9,593,000	677,800	-
Share issuance costs	-	(55,150)	-
Shares issued to settle convertible debenture	2,000,000	100,000	-
Shares issued to settle accounts payable	560,000	56,000	-
Balance, May 31, 2011	58,644,787	$ 2,376,800	$ 1,691,304

Private placements

On February 2, 2011, the Company completed a private placement by issuing 2,013,000 units at a price of $0.10 per unit for gross proceeds of $201,300. Each unit consisted of one common share and one warrant enabling the holder to acquire an additional common share at $0.15 for one year. A commission of 10% of the proceeds from certain investors, totalling $20,130, was paid.

On December 10, 2010, the Company completed a private placement by issuing 1,950,000 units at a price of $0.10 per unit for gross proceeds of $195,000. Each unit consisted of one common share and one warrant enabling the holder to acquire an additional common share at $0.15 for one year. A commission of 10% of the proceeds from certain investors, totalling $17,000, was paid.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

On August 13, 2010, the Company completed a private placement by issuing 2,200,000 common shares at a price of $0.05 per share for gross proceeds of $110,000. A commission of 10% of the proceeds from certain investors, totalling $1,000, was paid.

On July 30, 2010, the Company completed a private placement of 3,430,000 common shares at a price of $0.05 per share for gross proceeds of $171,500. A commission of 10% of the proceeds from certain investors, totalling $14,150, was paid.

On December 11th 2009, the Company completed a RTO (Note 4).

During the year ended May 31, 2010, the Company completed a private placement consisting of 5,612,500 units (the "Units") at a price of $0.20 per Unit for gross proceeds of $1,122,500. Each Unit consisted of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company for twenty four months following the closing of the financing at an exercise price of $0.35.

The Company issued the Agent 250,000 common shares as an advisory fee upon the close of the financing. Additionally, the Agent was paid a commission of 10% of the gross proceeds of the offering and due diligence and administration fees totalling $258,090 in relation to the financing. In addition, the Agent was granted compensation warrants equal in number to 10% of the number of units sold. Each option will entitle the Agent to purchase one common share at a price of $0.20 per share for a period of twenty four months following the closing of the financing. These warrants were valued at $32,770 using the Black-Scholes model.

The following assumptions were used for the Black-Scholes valuation of warrants granted during the years ended May 31, 2011 and 2010:

	2011	2010
Risk-free interest rate	-	1.24%
Expected life of warrants	-	2 years
Expected volatility	-	100%
Dividend rates	-	-

Additionally, during the year ended May 31, 2010, the Company settled loans of $103,825 payable and accrued interest on these loans of $5,807 by the issuance of 548,155 units. Each unit consisted of one common share at a price of $0.20 per share and one-half of a share purchase warrant exercisable at $0.35 until expiry on January 29, 2012. Also, the Company issued 1,181,119 common shares to settle accounts payable and accrued liabilities totaling $118,112.

Escrow shares

As at May 31, 2011, 8,372,276 common shares are held in escrow.

9. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

As at May 31, 2011, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
900,000	$ 0.26	January 18, 2015
2,825,000	0.12	May 20, 2015
3,725,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2009	779,398	$ 0.31
Options granted	4,725,000	0.16
Options exercised	(600,000)	0.10
Options cancelled/expired	(500,000)	0.26
Balance, May 31, 2010	4,404,398	0.18
Options cancelled/expired	(679,398)	0.35
Balance, May 31, 2011	3,725,000	$ 0.15
Number of options currently exercisable	3,725,000	$ 0.15

9. STOCK OPTIONS AND WARRANTS (cont'd…)

Warrants

As at May 31, 2011, the Company had outstanding share purchase warrants and broker warrants enabling the holders to acquire common shares as follows:

Number of Shares		Exercise Price	Expiry Date
2,806,250	$	0.35	December 11, 2011
311,250		0.20	December 11, 2011
274,077		0.35	January 29, 2012
2,510,000		0.15	December 10, 2011
2,013,000		0.15	February 2, 2012
7,914,577			

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
As at May 31, 2009	-	$	-
Issued	8,321,638		0.32
Exercised	-		-
Expired	(50,071)		0.75
As at May 31, 2010	8,271,567		0.31
Issued	4,523,000		0.15
Expired	(4,879,990)		0.30
As at May 31, 2011	7,914,577	$	0.23

Stock-based compensation

For the year ended May 31, 2011, the Company recorded $Nil (2010 - $574,711) as stock-based compensation expense, with an offset to contributed surplus for options that vested during the year.

The weighted average fair value of the stock options granted during the year ended May 31, 2011 was $Nil (2010 - $0.12) per option.

9. STOCK OPTIONS AND WARRANTS (cont'd…)

Stock-based compensation (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended May 31, 2011 and 2010:

	2011	2010
Risk-free interest rate:	-	2.61%
Expected life of options:	-	2 years
Expected volatility:	-	100%
Dividend rate:	-	0%

10. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2011, the Company entered into the following transactions with related parties:

(a) The Company paid $nil (2010 - $62,880) for prior years' accrued management fees owed to former management and management fees of $30,000 (2010 - $13,340) incurred in the current year. As at May 31, 2010, the former management of the Company agreed to forgive the balance of $25,044 of deferred management fees.

(b) The Company paid or accrued $6,500 (2010 - $Nil) in rent to a company controlled by an officer of the Company;

(c) The Company received $30,961 (2010 - $Nil) in other income from companies controlled by a former director of TbwaP, Inc.;

(d) The Company paid or accrued $54,300 (2010 - $Nil) in commissions and administrative fees to a director and a former director of TbwaP, Inc.;

(e) The Company wrote-off $65,066 (2010 - $Nil) in receivables owing from a former director of TbwaP, Inc.;

As at May 31, 2011 $31,000 (2010 - $Nil) is owed to a company controlled by an officer of the Company

During the year ended May 31, 2010 and prior, the Company entered into the following transactions with related parties:

(f) On July 15, 2008, the Company issued a promissory note to KLSC Holdings Inc., a company controlled by the President of the Company, for proceeds of $52,038 (US$49,000). The note is unsecured, bears interest at a prescribed rate equal to a credit line between KLSC Holdings Inc. and SunTrust Bank, and due on demand. On December 17, 2009 the Company repaid the promissory note principal of US$49,000 and for the year ended May 31, 2010 the Company recorded interest expense of $1,687.

10. RELATED PARTY TRANSACTIONS (cont'd…)

(g) At May 31, 2009 the Company owed $141,495 to two directors of the Company for financing of website development costs. During the year ended May 31, 2010, the Company paid $137,691 of the principal and $24,234 of accrued interest. The former directors agreed to forgive the balance of $3,313 of principal and $2,162 of accrued interest. For the year ended May 31, 2010, the Company accrued interest expense of $7,753.

(h) As at May 31, 2009, the Company owed $35,875 to a company with common directors for cash advances received. During the year ended May 31, 2010, the Company issued 192,732 common shares to settle the principal and the accrued interest.

Amounts due to related parties are due to officers and companies controlled by directors and officers, are unsecured, are non-interest bearing and have no specific terms of repayment. These transactions were conducted in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2011	2010
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

The significant non-cash investing and financing transactions during the year ended May 31, 2011 included:

a) issuing 560,000 common shares valued at $56,000 to settle accounts payable and accrued liabilities totaling $56,000; and

b) issuing 2,000,000 common shares valued at $100,000 on conversion of a debenture.

The significant non-cash investing and financing transactions during the year ended May 31, 2010 included:

a) issuing 1,198,294 common shares with a value of $239,659 to acquire a software license;

b) issuing 35,000,013 common shares valued at $161,164 pursuant to the acquisition of TMTC;

c) issuing 250,000 common shares valued at $50,000 and 311,250 compensation warrants valued at $32,770 as broker's fees pursuant to a private placement; and

d) issuing 548,155 units and 1,181,119 common shares to settle debt totaling $227,744.

12. INCOME TAXES

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

	2011	2010
Loss before income taxes	$ (2,037,707)	$ (1,297,166)
Expected income tax recovery	$ 539,992	$ 381,042
Non-deductible items	14,371	(155,858)
Unrecognized (recognized) benefit of non-capital losses	(554,363)	(225,184)
Future income tax (recovery) expense	$ -	$ -

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

	2011	2010
Future income tax assets:		
Non-capital loss carryforwards	$ 872,500	$ 386,000
Share issuance costs	17,030	87,000
	889,530	473,000
Valuation allowance	(889,530)	(473,000)
Net future income tax asset (liability)	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $1,819,000 (2010 - $1,265,000). These losses, if not utilized, will expire through to 2031. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

13. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and due to related parties. The fair value of these items approximates their carrying value due to their short-term nature. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 36,155	$ -	$ -	$ 36,155

13. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk, interest rate risk and market risk.

(a) Currency Risk

The Company is not exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company currently operates in Canada.

(b) Credit Risk

The Company's cash is mainly held through large Canadian financial institutions and at May 31, 2011 mostly consist of cash held in interest bearing accounts. Accordingly, credit risk is minimized. The Company's receivables are mainly HST recoverable from the Canadian government.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in Note 14.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in interest bearing accounts and therefore there is currently minimal interest rate risk.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its website. The Company relies mainly on equity issuances to raise new capital. In the management of capital, the Company includes the components of shareholders' equity. The Company prepares annual estimates of development expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on bank accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company is not subject to externally imposed capital requirements.

15. SUBSEQUENT EVENT

On September 1, 2011, the Company entered into a loan agreement with a company controlled by an officer of the Company (the "Lender"). The principal amount of the loan is $25,000 and bears interest at 5% per annum. The loan is to be repaid upon the completion of the Company's restructuring, in either cash or common shares, at the option of the Lender.