

SCAVO RESOURCE CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED AUGUST 31, 2014

These unaudited condensed interim financial statements of Scavo Resource Corp. for the three months ended August 31, 2014 have been prepared by management and approved by the Board of Directors.

SCAVO RESOURCE CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	August 31, 2014	May 31, 2014
ASSETS		
Current		
Cash	\$ 238,486	\$ 249,513
Receivables	<u>2,726</u>	<u>1,939</u>
Current assets	241,212	251,452
Exploration and evaluation assets (Note 4)	<u>252,637</u>	<u>252,587</u>
Total assets	<u>\$ 493,849</u>	<u>\$ 504,039</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 11,223	\$ 221
Due to related parties (Note 7)	<u>1,250</u>	<u>-</u>
Current liabilities	<u>12,473</u>	<u>221</u>
Shareholders' equity		
Share capital (Note 5)	3,352,050	3,352,050
Reserves (Note 5)	1,691,304	1,691,304
Deficit	<u>(4,561,978)</u>	<u>(4,539,536)</u>
	<u>481,376</u>	<u>503,818</u>
Total liabilities and shareholders' equity	<u>\$ 493,849</u>	<u>\$ 504,039</u>

Nature and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on October 2, 2014:

"Giovanni Gasbarro" Director _____
"Bruno Gasbarro" Director

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

SCAVO RESOURCE CORP.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended August 31, 2014	Three Months Ended August 31, 2013
OPERATING EXPENSES		
Office and miscellaneous	\$ 702	\$ 112
Professional fees	11,884	2,427
Rent (Note 7)	3,750	3,250
Transfer agent and filing fees	<u>6,106</u>	<u>5,613</u>
Loss and comprehensive loss for the period	<u>\$ (22,442)</u>	<u>\$ (11,402)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>16,727,236</u>	<u>13,692,235</u>

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

SCAVO RESOURCE CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended August 31, 2014	Three Months Ended August 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (22,442)	\$ (11,402)
Changes in non-cash working capital items:		
Increase in receivables	(787)	(311)
Increase in accounts payable and accrued liabilities	11,002	63
Increase in due to related parties	<u>1,250</u>	<u>-</u>
Net cash used in operating activities	<u>(10,977)</u>	<u>(11,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration expenditure	<u>(50)</u>	<u>-</u>
Net cash used in investing activities	<u>(50)</u>	<u>-</u>
Change in cash for the period	(11,027)	(11,650)
Cash, beginning of period	<u>249,513</u>	<u>25,718</u>
Cash, end of period	<u>\$ 238,486</u>	<u>\$ 14,068</u>

Supplemental disclosure with respect to cash flows (Note 8)

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

SCAVO RESOURCE CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Reserves	Deficit	Total
Balance, May 31, 2013	13,692,235	3,048,550	1,691,304	(4,484,588)	255,266
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,402)</u>	<u>(11,402)</u>
Balance, August 31, 2013	13,692,235	\$ 3,048,550	\$ 1,691,304	\$ (4,495,990)	\$ 243,864
Exercise of warrants	3,035,001	303,500	-	-	303,500
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,546)</u>	<u>(43,546)</u>
Balance, May 31, 2014	16,727,236	\$ 3,352,050	\$ 1,691,304	\$ (4,539,536)	\$ 503,818
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,442)</u>	<u>(22,442)</u>
Balance, August 31, 2014	16,727,236	\$ 3,352,050	\$ 1,691,304	\$ (4,561,978)	\$ 481,376

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

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

1. NATURE AND CONTINUANCE OF OPERATIONS

Scavo Resource Corp. (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 11, 2009 the Company was a Capital Pool Company as defined in the TSX-V Policy 2.4. Effective December 11, 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 was 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.

The Company's head office, principal address and registered and records office is 909 Bowron Street, Coquitlam, British Columbia, Canada, V3J 7W3.

These financial statements have been prepared 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 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.

Adverse financial market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

2. BASIS OF PREPARATION

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

Use of estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- a) The recoverability of receivables that are included in the statements of financial position based on the historical collection of receivables.
- b) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on the planned exploration budgets and results of future exploration programs.
- c) The valuations of shares issued in non-cash transactions using the quoted share price as the fair value based measurement on the date the shares are issued for the transaction or the value of the goods and services received.
- d) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgement, measurement estimates and uncertainties as those disclosed in Note 3 of the Company's audited financial statements for the year ended May 31, 2014.

Future changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for the August 31, 2014 reporting period. These standards have been assessed to not have a significant impact on the Company's financial statements:

(a) IFRS 2, Share-based Payment

IFRS 2 is amended to clarify the definition of vesting conditions. This accounting policy applies to share-based payment transactions for which the grant date is on or after July 1, 2014.

(b) IFRS 3, Business Combinations

IFRS 3 is amended to provide clarification related to (i) contingent consideration in a business combination and (ii) scope exception for joint arrangements. These amendments are effective for fiscal years beginning on or after July 1, 2014.

(c) IFRS 8, Operating Segments

IFRS 8 is amended to require (i) disclosure of judgments made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. These amendments are effective for fiscal years beginning on or after July 1, 2014.

(d) IFRS 16, Property, Plant and Equipment and IFRS 38, Intangible Assets

IFRS 16 is amended to classify how gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. These amendments are effective for fiscal years beginning on or after July 1, 2014.

(e) IFRS 24, Related Party Transactions

IFRS 24 is amended to (i) revise definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. These amendments are effective for fiscal years beginning on or after July 1, 2014.

(f) IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – "*Financial Instruments: Recognition and Measurement*" in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

	<i>Purple Onion Claims</i>
Balance, May 31, 2013	229,544
Government filing fees	22,536
Project management	507
Balance, May 31, 2014	252,587
Government filing fees	50
Balance, August 31, 2014	\$ 252,637

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral claims and, to the best of its knowledge, title to all of its claims is in good standing. During the year ended May 31, 2014, the Company allowed certain of the Purple Onion Claims to lapse without renewal in an effort to focus future exploration on the Claims that management feels to have more potential.

Purple Onion Claims

During the year ended May 31, 2012, the Company acquired the Purple Onion Claims in the Northwest Territories, Canada. As consideration, the Company paid \$70,000 and issued 300,000 common shares valued at \$75,000. Pursuant to the agreement, the vendor will retain a net smelter royalty (“NSR”) of 0.5%. The Company can purchase the NSR by expending \$325,413 on exploration expenditures by September 19, 2013 and issuing an additional 100,000 common shares. The Company’s former President is also the President and a director of the vendor, Metallis Resources Inc. (formerly Coltstar Ventures Inc.).

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

5. SHARE CAPITAL AND RESERVES

Authorized

The authorized share capital of the Company is an unlimited number of common shares without par value.

Issued

As at August 31, 2014, the Company has 16,727,236 (May 31, 2014 – 16,727,236) common shares outstanding.

There were no share issuances during the three months ended August 31, 2014.

During the year ended May 31, 2014, the Company issued a total of 3,035,001 common shares on the exercise of 3,035,001 warrants at \$0.10 per share for gross proceeds of \$303,500.

6. 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.

There were no stock option transactions during the three month ended August 31, 2014 or the year ended May 31, 2014. As at August 31, 2014, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Options	Exercise Price	Expiry Date
12,500	\$ 5.20	January 18, 2015
<u>12,500</u>	2.40	May 20, 2015
25,000		

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

6. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants

As at August 31, 2014, the Company had no outstanding share purchase warrants.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at May 31, 2013	6,540,000	\$ 0.10
Exercised	(3,035,001)	0.10
Expired	<u>(3,504,999)</u>	0.10
As at May 31, 2014 and August 31, 2014	-	\$ -

7. RELATED PARTY TRANSACTIONS

During the three months ended August 31, 2014, the Company entered into the following transactions with related parties:

- (a) The Company paid or accrued rent of \$3,750 (2013 - \$3,250) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer and director of the Company.

As at August 31, 2014, \$1,250 (May 31, 2014 - \$Nil) is owed to directors and companies controlled by directors of the Company.

Amounts due to related parties were due to companies controlled by directors and officers, were unsecured, were non-interest bearing and had no specific terms of repayment.

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash investing or financing transactions during the three months ended August 31, 2014 or the year ended May 31, 2014.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

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:

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.

The fair value of the Company's receivables, accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2014, the Company had a cash balance of \$238,486 (May 31, 2014 - \$249,513) and current liabilities of \$12,473 (May 31, 2014 - \$221).

The Company has historically relied on equity and debt financings to satisfy its capital requirements and will continue to depend heavily upon equity capital and debt to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms.

SCAVO RESOURCE CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2014

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

Foreign currency risk

The Company's functional currency is the Canadian dollar and the majority of its purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in US\$ on a cash call basis using US\$ currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

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 identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities. The Company relies mainly on equity issuances and loans from related parties to raise new capital. In the management of capital, the Company includes the components of shareholders' equity. The Company prepares annual estimates of operating expenditures and monitors actual expenditures compared to the estimates in an effort 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 savings 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 will require additional financing in order to provide working capital to fund costs for the current year. These financing activities may include issuances of additional debt or equity securities.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.