# SCAVO RESOURCES CORP.

## FORM 2A

## LISTING STATEMENT

**DATE: June 19, 2015**

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## ITEM 1 GLOSSARY OF TERMS

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**Brabeia**" means Brabeia Inc.;

"**Brabeia Shareholders**" means the all of the shareholders of Brabeia;

"**Computershare**" means Computershare Investor Services Inc.;

"**CSE**" means the Canadian Securities Exchange;

"**Listing Statement**" means this CSE Form 2A;

"**NEO**" means an individual who acted as a Chief Executive Officer ("**CEO**") or Chief Financial Officer ("**CFO**") and each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000, for that financial year;

"**Performance Milestones**" means within 3 years the:

(a) receipt by Brabeia of $1,000,000 in gross revenue;

(b) receipt by Brabeia of $3,000,000 in gross revenue;

(c) receipt by Brabeia of $4,500,000 in gross revenue; and

(d) receipt by Brabeia of $6,000,000 in gross revenue;

"**Performance Shares**" means an aggregate of 23,220,000 Resulting Issuer Shares to be issued to the Brabeia Shareholders on a pro-rata basis upon achievement of the Performance Milestones;

"**Pubco**" means Scavo Resource Corp.;

"**Pubco Shares**" means the common shares of Pubco;

"**Related Person**" means an insider, which has the meaning set forth in the *Securities Act* (British Columbia):

(a) A director or senior officer of the issuer;

(b) A director or senior officer of the Resulting Issuer that is an insider or subsidiary of the issuer;

(c) A person who beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or

(d) The issuer if it holds any of its own securities;

"**Resulting Issuer**" means Pubco following completion of the Share Exchange;

"**Resulting Issuer Shares**" means the common shares of Pubco following the completion of the Share Exchange;

"**Share Exchange**" means the transaction contemplated by the Share Exchange Agreement pursuant to which Pubco will acquire all of the issued and outstanding securities of Brabeia from the Brabeia Shareholders in exchange for the issuance of an aggregate of 25,800,000 Pubco Shares on a pro-rata basis to the Brabeia Shareholders;

"**Share Exchange Agreement**" means the agreement dated May 28, 2015 regarding the Share Exchange among Pubco, Brabeia and all of the Brabeia Shareholders.

## ITEM 2 CORPORATE STRUCTURE

### 2.1 Corporate Name and Head and Registered Office

The registered and head office of Pubco is located at 909 Bowron Street, Coquitlam, British Columbia, V3J 7W3. Brabeia's registered and records office is located at #2 – 15621 Marine Drive, White Rock, British Columbia, V4B 1E1 and its head office is located at 1174 Fir Street White Rock, British Columbia, V4B 4A9. It is anticipated that the Resulting Issuer will use Brabeia's registered and records office following the completion of the Share Exchange.

### 2.2 Jurisdiction of Incorporation

Pubco was incorporated under the BCBCA on January 16, 2007. Brabeia was incorporated under the BCBCA on May 8, 2013 under the name Prizebox Entertainment Inc., and changed its name to Brabeia Inc. on November 25, 2013.

### 2.3 Intercorporate Relationships

Pubco and Brabeia do not have any subsidiaries.

### 2.4 Fundamental Change

The closing of the Share Exchange will consitute a Fundamental Change, as defined under CSE policies, and Brabeia, which will be a wholly-owned subsidiary of the Resulting Issuer, will thereafter conduct the principal business of the Resulting Issuer.

### 2.5 Non-Corporate Issuers and Issuers Incorporated Outside of Canada

This is not applicable to either Pubco or Brabeia.

## ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

### 3.1 General Development of the Business

***Pubco***

Pubco was incorporated under the BCBCA on January 16, 2007 and began trading on the TSX Venture Exchange ("**TSX-V**"). Prior to December 11, 2009, Pubco was a Capital Pool Company as defined in the TSX-V Policy 2.4. Effective December 11, 2009, Pubco completed its "Qualifying Transaction" whereby it acquired all of the issued and outstanding shares in TinyMassive Technologies Corp. ("**TMTC**"), a British Columbia company. As a result of completing the Qualifying Transaction, Pubco was no longer a Capital Pool Company and control of Pubco passed to the shareholders of TMTC. Accordingly, the Qualifying Transaction was a reverse takeover ("**RTO**") acquisition of Pubco by TMTC and was treated as a capital transaction by TMTC. Effective February 24, 2011, Pubco changed its name to Pure Living Media Inc. On August 16, 2012, Pubco changed its name to Scavo Resource Corp. During the year ended May 31, 2012, Pubco consolidated its share capital on the basis of 20 old shares for one new share.

Since 2012, Pubco has been engaged in the identification, acquisition, evaluation and exploration of mineral properties. In light of the ongoing challenges, risks, and uncertainties faced by the junior mining industry, Pubco decided to pursue a change of business into the technology industry through the acquisition of Brabeia.

On March 24, 2015 trading in the Pubco Shares was halted as a result of Pubco entering into the Share Exchange Agreement. The trading halt remains in place as of the date of this Filing Statement. As of the date hereof, there are 16,727,236 Pubco common shares issued and outstanding which trade on the CSE under the symbol "SCV".

***Brabeia***

Brabeia was incorporated under the BCBCA on May 18, 2013. Since incorporation, Brabeia has been engaged in the development and marketing of social media marketing tools and services. In July 2013, Brabeia engaged three developers to build its initial contest management system ("**CMS**") and mobile application to be deployed through the internet and on iOS and Android apps for mobile devices.

Brabeia launched its first beta version of the CMS and mobile application on Brabeia.com in November 2013. Brabeia initiated its first client contests on Brabeia.com in December 2013 using its CMS and mobile application.

In January 2014, Brabeia began to offer additional social media marketing services to assist clients to develop their web presence and brand to capture the power of its social media marketing tools and to build out Brabeia's "Lead Generating Technology".

From December 2013 to present, Brabeia has created, launched and deployed contests for clients on Brabeia.com and continued the development of its CMS as the foundation of its social media marketing tool with increased functionality for the creating, launching and deploying of contests and trivia.

Using the feedback from client contests launched on Brabeia.com, Brabeia released the second version of its social media marketing tool with additional social marketing media functionality in June 2014 including polling, chat capability and pushing such social marketing content through social media channels.

In December 2014, Brabeia released the first version of its licensed dashboard for deployment on a client's own website to allow them to utilize Brabeia's social media marketing tool to create, launch and host their own social media marketing activity.

Brabeia's social media marketing tool:

- generates and hosts customized contests and polling for contest sponsors for the local and global market with one click deployment to multiple social media channels;
- can be deployed through licensed dashboard to client's own online platform to generate and host customized contests and polling;
- allows contestants to enter multiple contests at any time and any place with mobile devices;
- allows any business or organization to advertise as part of any customized contest or on a platform;
- provides real time contest data, geographic, temporal, geo-temporal data, to business to use and target their marketing strategies to specified demographics;
- creates a dynamic environment, with trivia and chat capability, for contestants to track available contests based on time and geography and allows contestants to control how they share their contest experience.

From January 2015, Brabeia has focused on continuing to create, launch and host contests through deployment on Brabeia.com and on expanding the licensing of its social media marketing tool through building and managing user relationships with clients, resellers, marketing companies, world social media influencers, exploring white label licensing opportunities to offer its social media marketing tools and services to clients locally, nationally and internationally.

***Resulting Issuer***

The Resulting Issuer will be engaged in the building of Brabeia's business. As the owner and developer for the current Brabeia social media marketing tool and services, the Resulting Issuer will enter into licensing and distribution agreements with clients locally, regionally, nationally and internationally to create, launch and deploy contests, polling and social media marketing through their own internet channels and all social media channel and mobile applications.

### 3.2 Significant Acquisitions and Dispositions

Please refer to Section 3.1 – *General Development of the Business*.

### 3.3 Material Trends, Commitments, Events and Uncertainties

As an early stage company, the Resulting Issuer will typically need more capital than it has available to it or can expect in the short term to generate through the licensing of its technology. In the past, Pubco had raised, by way of equity financing, considerable funds to meet its capital needs. There is no guarantee that the Resulting Issuer will be able to continue to raise funds needed for its business. Failure to raise the necessary funds in a timely fashion will limit the Resulting Issuer's growth.

Although the Resulting Issuer believes that the Brabeia technology has a good foundation for the protection of its intellectual property and the licensing of its technology, it is uncertain and not foreseeable whether Brabeia technology will be granted the degree of protection applied for. Narrowing or failure to fully prosecute its patent, industrial design and trademark applications is reasonably expected to materially affect the Resulting Issuer's business, financial condition and operations.

There are significant risks associated with the Resulting Issuer's business, as described in Section 17 – *Risk Factors.*

## ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

### 4.1 General

(1) Business of the Resulting Issuer

(a) Business Objectives

Upon completion of the Share Exchange, the principal business intended to be carried on by the Resulting Issuer is the business of Brabeia which is generally the development, marketing and distribution of social media technology and services to clients. Management's goal is to make the Resulting Issuer an industry leader of innovative contest, polling and social media capability.

In the 12 months following completion of the Share Exchange, the Resulting Issuer intends to:

- expand the sales reach to the global market for its social media marketing tool and services by building and managing user relationships with clients, resellers, marketing companies, world social media influencers, white label licensees and scale up the global business strategy;
- build the Brabeia brand and awareness through its own social media marketing strategy through relationships with resellers, marketing companies and world social media influencers and expanding Brabeia's presence on the global stage at social media conventions, tradeshows, expos and through e-books and other publications;

- continue with technology development to scale up its social media marketing tool for clients globally and add innovative features and capability.

Additionally, the Resulting Issuer will continue to develop and build out its technology to meet the specific needs of the social media market. Brabeia also has an experienced management and development team in place, strategic market movers and partners in the social media market, a firm budget plan and a marketing plan.

(b) Significant Events or Milestones

In order to achieve the foregoing business objectives, the milestones that the Resulting Issuer must achieve and expected timelines to achieve them are as follows: **[NTD: needs to be completed]**

| Milestone | Target Date | Estimated Cost to Complete ($) |
|---|---|---|
| Expand the sales reach | July 15, 2016 | $500,000 |
| Build brand and awareness globally | July 15, 2016 | $250,000 |
| Continue technology development | July 15, 2016 | $250,000 |
| | | |
| **Total:** | | **$1,000,000** |

(c) Total Funds Available, Breakdown of Funds and Principal Purposes of Use

| | |
|---|---|
| **Source of Funds** | |
| **Revenue** | **$1,000,000** |
| **Private placement** | **$540,000** |
| **New Resulting Issuer Shares** | **$500,000** |
| | |
| **Total Funds Available** | **$2,040,000** |

As of February 28, 2015 (the most recent quarter-end prior to the date of this Listing Statement), the Resulting Issuer estimates that it will have consolidated working capital of approximately $589,159, which includes $540,000 from the proceeds of a private placement (the "**Offering**") that is expected to close concurrently with the closing of the Share Exchange.

(d) Purpose of Funds

Following are estimates of cash usage for a 12-month period.

| Description | ($) |
|---|---|
| | |
| Office, rent and administration, travel and promotional expenses | 154,300 |
| | |
| Consulting, management and development fees, marketing and search engine optimization | 458,000 |
| Start-up salaries of employees | 576,000 |
| | |
| Legal, accounting (audit), transfer agent | 40,000 |
| CSE Maintenance Fees | 7,400 |
| | |
| **Total:** | **$1,235,700** |

The Resulting Issuer plans to raise up to an additional $500,000 through the sale of new Resulting Issuer Shares following the filing of this Listing Statement. There cannot be any assurances that the Resulting Issuer will be able to raise such additional capital at all, or on terms that are satisfactory to its management.

(2) Principal Products or Services

**a) Method of Distribution and Principal Markets**

The Resulting Issuer principal product and services will be Brabeia's social media marketing tool together with its social media marketing services. The Resulting Issuer intends to license the social media marketing tool and offer social media marketing services directly to clients for deployment through their own websites and through strategic partnerships and distributors on a local, regional, national and international basis who will sublicense the social media marketing tool and services to their clients. The initial principal markets for the licensing of the Brabeia social media tool and social media marketing services are initially North America, Australia and Brazil. However, in the principal markets for Resulting Issuer's product and services is global.

**b) Revenues for Each Category of Principal Products or Services**

100% of the Resulting Issuer's anticipated revenues will be derived from licensing its social media marketing tool and providing services directly to clients.

**c) Stage of Development**

Brabeia's social media marketing tool is market ready having completed both alpha and beta versions of its CMS. The Brabeia social media marketing services are also market ready and are generating revenues. The Resulting Issuer will continue its internal research and development program with a combination of internal and external development resources and estimates approximately two hundred and fifty thousand dollars ($250,000) will be spent in the next 12 months to ensure the technology is sufficiently robust and scalable for the global market. The Resulting Issuer will continue the process of scaling up to offer its technology globally.

(3) Production and Sales

**a) Method of Production of Products and Method of Providing Services**

The Brabeia social media marketing tool has been produced through the creation of propriety source code for its CMS, polling, data tools and chat room using licensed development tools by the Resulting Issuer's development and branding, content and design created by the Resulting Issuer's design and content development team. The Brabeia social media marketing services are provided through the development and implementation of customized branding and social media marketing strategy for each client by the Resulting Issuer's design and content development team.

**b) Payment Terms of Material Leases and Mortgages**

This is not applicable to the Resulting Issuer.

**c) Specialized Skill and Knowledge Requirements**

The Resulting Issuer requires specialized skills and knowledge of the social media market and high level of development skills to create and scale up the Brabeia CMS and back end and to offer a licensed dashboard to deploy the CMS through the client's online platform and design and content creative talent to deliver customized branding and social media strategies.

**d) Sources, Pricing and Availability of Raw Materials**

This is not applicable to the Resulting Issuer.

**e) Identifiable Intangible Properties**

The Resulting Issuer's brand name, source code, patents, copyrights and trademarks are the foundation for the value of the Resulting Issuer. The Resulting Issuer's brand "Brabeia" is significant to the marketing and sales of its social media marketing tool and services and therefore the Resulting Issuer will continue to expand the trademark protection of the "Brabeia" mark within all of its principal markets. The Brabeia CMS is the foundation of the pending Patent Cooperation Treaty Application together with copyright protection of the source code and both patents and copyright will be of continuing strategic importance as the Resulting Issuer rolls out its global marketing strategy. As licensing is the key mechanism in which the Resulting Issuer is making its social media marketing tool available to clients and is a recurring revenue model, the license agreements are critical to setting the payment terms in which the Resulting Issuer will receive revenues from clients. The Resulting Issuer will also continue to expand the Brabeia community which offers membership for an annual subscription fee and provides a direct feedback mechanism for end users.

**f) Cyclical or Seasonal Business**

The Resulting Issuer's business is based on a recurring revenue model and is not cyclical or seasonal.

**g) Potential Effects of Renegotiation or Termination of Contracts**

The Resulting Issuer's business would be potentially affected in the event a significant number of license agreements were renegotiated to reduce license fees or were terminated as this would result in a reduction of the gross revenues being received by the Resulting Issuer.

**h) Environmental Protection Requirements**

This is not applicable to the Reporting Issuer.

**i) Number of Employees**

On close of the Share Exchange, the Resulting Issuer will have 8 employees and 5 consultants. The Resulting Issuer plans on hiring additional consultants and employees in the areas of technology development, marketing and sales. The Resulting Issuer also intends to hire additional employees in the areas of customer service, account management and accounting to facilitate the growth of our business.

**j) Foreign Operations Risk**

This is not applicable to the Resulting Issuer.

**k) Description of Contracts That the Resulting Issuer is Substantially Dependent**

This is not applicable to the Resulting Issuer.

**l) Aspects of Resulting Issuer's Business Expected to be Affected in Current Financial Year by Renegotiation or Termination of Contracts**

The Resulting Issuer does not reasonably expect to be affected in the current financial year by renegotiation or termination of contracts and if there is an affect, such an affect would be to reduce gross revenues of the Resulting Issuer.

(4) Competitive Conditions

Currently there are a variety of companies that offer software solutions and services to the social media market such as Hootsuite, Strutta, Heyo and Woobox and social media platforms such as Facebook, Instagram, Pintrest and other websites that offer incentive marketing including contests and sweepstakes.

Many of the Resulting Issuer's competitors may have greater resources, more established reputations, a broader range of content and products and services, longer operating histories and more established relationships with their clients than the Resulting Issuer. Those other companies can leverage their experience and resources against the Resulting Issuer in a variety of competitive ways, including developing ways to attract and maintain users. These factors may allow the competitors the Resulting Issuer to respond more effectively than the Resulting Issuer to new or emerging products and changes in market requirements. These competitors may develop products or services that are similar to the Resulting Issuer or that achieve greater market acceptance, undertake more far-reaching and successful efforts at marketing campaigns, or may adopt more aggressive pricing policies.

As the Resulting Issuer continues to innovate its existing social medial marketing tool and introduces new tools and services, and as other companies introduce new products and services, the Resulting Issuer expects to become subject to additional competition.

(5) Lending Operations

This is not applicable to the Resulting Issuer.

(6) Bankruptcy or Receiverships

There have been no bankruptcies, receiverships or other similar proceedings that have affected Pubco or Brabeia during the last three financial years.

(7) Material Restructuring

There has been no material restructuring transactions for either Pubco or Brabeia in the last three financial years.

(8) Social or Environmental Policies

This is not applicable to the Resulting Issuer.

**4.2 Asset Backed Securities**

This is not applicable to the Resulting Issuer.

**4.3 Companies with Mineral Projects**

This is not applicable to the Resulting Issuer.

**4.4 Issues with Oil and Gas Projects**

This is not applicable to the Resulting Issuer.

## ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

**5.1 Annual Information**

***Pubco***

Pubco's audited financial statements for the years ended May 31, 2012, 2013 and 2014 are attached hereto as Schedule A and are available on SEDAR. The following financial data summarizes selected financial data for Pubco prepared in accordance with IFRS for the three years ended May 31, 2012, 2013, 2014. The information presented below for the three fiscal years is derived from Pubco's financial statements which were audited by Pubco's independent auditor. The information set forth below should be read in conjunction with Pubco's annual financial statements and related notes thereto.

| | **Financial Year from May 31, 2011 to May 31, 2012 $ (Audited)** | **Financial Year from May 31, 2012 to May 31, 2013 $ (Audited)** | **Financial Year from May 31, 2013 to May 31, 2014 $ (Audited)** |
|---|---|---|---|
| Total Revenues (Interest Income) | Nil | Nil | Nil |
| Income from Continuing Operations | Nil | Nil | Nil |
| Total Profit (Loss) | (606,849) | (142,871) | (54,948) |
| Basic and Diluted Profit (Loss) per share | (0.13) | (0.01) | (0.00) |
| Total Assets | 155,992 | 270,513 | 504,039 |
| Total Long-Term Financial Liabilities | Nil | Nil | Nil |
| Cash Dividends per Share | Nil | Nil | Nil |

***Brabeia***

Brabeia's audited financial statements for the year ended June 30, 2014 is attached hereto as Schedule C.

| | **Financial Year from June 30, 2013 to June 30, 2014 $ (Audited)** |
|---|---|
| Total Revenues (Interest Income) | 1. 93,608 |
| Loss from Continuing Operations | 2. 518,060 |
| Total Loss | 3. 518,060 |
| Basic and Diluted Loss per Share | 4. 0.319 |
| Total Assets | 5. 55,809 |
| Total Long-Term Financial Liabilities | 6. Nil |
| Cash Dividends per Share | 7. Nil |

## 5.2 Quarterly Information

***Pubco***

Pubco's financial statements for the quarters referred to below are attached hereto as Schedule B and are available on SEDAR.

| | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Income from Operations (Total) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Income from Operations (per Share) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net income (Total) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net income (per Share) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

***Brabeia***

Brabeia's financial statements for the nine months ended March 31, 2015 are attached hereto as Schedule C.

| | Nine Months Ended March 31, 2015 |
|---|---|
| Total Revenue | 82,425 |
| Loss from Operations (Total) | 360,598 |
| Loss from Operations (per Share) | 0.215 |
| Net loss (Total) | 358,568 |
| Net loss (per Share) | 0.214 |

### 5.3 Dividends

There are no restrictions that could prevent Pubco or the Resulting Issuer from paying dividends. Pubco has not paid dividends in the past and does not anticipate paying dividends in the near future. The Resulting Issuer expects to retain any earnings to finance future growth and, when appropriate, retire debt.

### 5.4 Foreign GAAP

This is not applicable to Pubco or Brabeia.

## ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial statements of Pubco for the year ended May 31, 2014 and nine months ended February 28, 2015 attached hereto as Schedule D.

Management's discussion and analysis of the financial statements of Brabeia for the year ended June 30, 2014 and nine months ended March 31, 2015 attached hereto as Schedule E.

## ITEM 7 MARKET FOR SECURITIES

Pubco's securities are listed and posted for trading on the CSE under the symbol "SCV". Pubco currently has its securities halted on the CSE. When the Resulting Issuer resumes listing on the CSE, the trading symbol is expected to be "BRA" to better reflect the change of the Resulting Issuer's name to "Brabeia Inc.".

## ITEM 8 CONSOLIDATED CAPITALIZATION

There have been no material changes to the share and loan capital of Pubco since May 31, 2014.

## ITEM 9 OPTIONS TO PURCHASE SECURITIES

Pubco adopted a stock option plan (the "**Plan**") under which it may grant incentive stock options ("**Options**") to its directors, officers, employees and consultants or any affiliate thereof. As at the date of this Listing Statement, no Options are outstanding.

Concurrently with the closing of the Share Exchange, Pubco expects to close a non-brokered private placement of 1,800,000 units at a price of $0.30 per unit for gross proceeds of $540,000. Each unit will consist of one common share and one half of a warrant (each, a "**Warrant**"), with each Warrant entitling the holder thereof to acquire an additional common share for a price of $0.60 until the date that is two years from the closing of the Share Exchange.

## ITEM 10 DESCRIPTION OF THE SECURITIES

### 10.1 General

The Resulting Issuer Shares will be the Resulting Issuer's only class of shares outstanding upon completion of the Share Exchange. The Resulting Issuer is authorized to issue an unlimited number of common shares without par value.

All of the Resulting Issuer Shares rank equally as to voting rights, participation in a distribution of the assets of the Resulting Issuer on a liquidation, dissolution or winding-up of the Resulting Issuer and the entitlement to dividends. The holders of the Resulting Issuer Shares are entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each Resulting Issuer Share carries with it the right to one vote.

There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a security holder to contribute additional capital.

### 10.2 Debt Securities

The Resulting Issuer will not have any debt securities.

### 10.3 Placeholder

10.3 is not in Form 2A.

**10.4 Other Securities**

Other than the Resulting Issuer Shares, Options and Warrants, the Resulting Issuer will not have any other equity or debt securities outstanding upon completion of the Share Exchange.

**10.5 Modification of Terms**

Subject to the BCBCA, the directors of the Resulting Issuer may by ordinary resolution create special rights or restrictions for and attach those special rights or restrictions to, or vary or delete any special rights or restrictions attached to, the shares of any class or series of shares, whether or not any or all of those shares have been issued, and alter its notice of articles and articles accordingly.

**10.6 Other Attributes**

Subject to the special rights and restrictions attached to the shares of any class or series and the BCBCA, and provided the Resulting Issuer is not insolvent or making the payment or providing the consideration would not render the Resulting Issuer insolvent, the Resulting Issuer may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

**10.7 Prior Sales**

There have been no share issuances since May 31, 2014. During the year ended May 31, 2014, Pubco 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.

**10.8 Stock Exchange Price**

Pubco's common shares have been listed and posted for trading on the CSE since December 14, 2009. Trading of Pubco's common shares was halted upon the announcement of the Share Exchange Agreement on March 24, 2015 and remains halted as of the date hereof.

The following table sets out the price ranges and trading volume of Pubco's common shares for the last 12 months:

| Period | High ($) | Low ($) | Trading Volume |
|---|---|---|---|
| June 1 – June 30, 2014 | 0.25 | 0.24 | 55,900 |
| July 1 – July 31, 2014 | 0.35 | 0.21 | 130,229 |
| August 1 – August 31, 2014 | 0.30 | 0.21 | 84,254 |
| September 1 – September 30, 2014 | 0.36 | 0.23 | 34,500 |
| October 1 – October 31, 2014 | 0.50 | 0.36 | 80,050 |
| November 1 – November 30, 2014 | 0.50 | 0.475 | 19,000 |
| December 1 – December 31, 2014 | 0.54 | 0.45 | 127,006 |
| January 1 – January 31, 2015 | 0.51 | 0.46 | 34,500 |
| February 1 – February 28, 2015 | 0.495 | 0.39 | 61,750 |
| March 1 – March 31, 2015 | 0.39 | 0.32 | 95,500 |
| April 1 – April 30, 2015 | 0.36 | 0.36 | Nil |
| May 1 – May 31, 2015 | 0.36 | 0.36 | Nil |
| June 1 – June 19, 2015 | 0.36 | 0.36 | Nil |

## ITEM 11 ESCROWED SECURITIES

Prior to closing of the Share Exchange, an escrow agreement will be entered into among Computershare Trust Company of Canada ("**Computershare**"), the Resulting Issuer, Brabeia Shareholders and principal holders of all of the Resulting Issuer Shares.

| Stockholder Name | Number of Resulting Issuer Shares in Escrow on Close of Share Exchange(1) | % of Resulting Issuer shares in escrow on close of the Share Exchange(1) |
|---|---|---|
| Tracy Wattie | 6,528,081.42 | 14.73% |
| Christopher Chalmers | 4,515,124.15 | 10.00% |

(1) Assuming earn-in of all Resulting Issuer Shares and closing of the Offering.

The Resulting Issuer Shares held in escrow will be released in accordance with the conditions and release schedule provided in National instrument 46-201 Escrow for Initial Public Offerings.

## ITEM 12 PRINCIPAL SHAREHOLDERS

### 12.1 and 12.2 Principal Shareholders

The following table lists shareholders that are expected to hold 10% or more of the Resulting Issuer Shares immediately after closing of the Share Exchange:

| Name | Number of Resulting Issuer Shares immediately after close of the Share Exchange(1) | Nature of Ownership | Percentage of Resulting Issuer Shares immediately after close of the Share Exchange(1)(2) |
|---|---|---|---|
| Tracy R. Wattie | 6,528,081 | Beneficial | 14.73% |
| Christopher Chalmers | 4,515,124 | Beneficial | 10.00% |

(1) Assuming earn-in of all Resulting Issuer Shares and closing of the Offering.
(2) Calculated on a fully-diluted basis.

### 12.3 Voting Trusts

To the knowledge of Pubco and Brabeia no voting trust will exist within the Resulting Issuer such that more than 10% of any class of voting securities of the Resulting Issuer are held, or are to be held, subject to any voting trust or other similar agreement.

### 12.4 Associates and Affiliates

To the knowledge of Pubco and Brabeia, none of the principal shareholders is an associate or affiliate of any other principal shareholder.

## ITEM 13 DIRECTORS AND OFFICERS

### 13.1 – 13.3 Directors and Officers

| Name of Nominee, Current Position(s) and Province or State and Country of Residence | Occupation, Business or Employment | Period as a Director of Pubco | Common Shares of Pubco Beneficially Owned or Controlled(1) | Percentage of Issued Common Shares of Pubco(1)(2) |
|---|---|---|---|---|
| Giovanni Gasbarro<br>President, Chief Executive Officer, Director<br>British Columbia, Canada | President and Chief Executive Officer of the Corporation since September, 2014; Investment advisor at PI Financial from 1992 to 2014. September 2014; Investment advisor, PI Financial. | September 26, 2014 – present | 1,655,000 | 9.95% |

| Name of Nominee, Current Position(s) and Province or State and Country of Residence | Occupation, Business or Employment | Period as a Director of Pubco | Common Shares of Pubco Beneficially Owned or Controlled(1) | Percentage of Issued Common Shares of Pubco(1)(2) |
|---|---|---|---|---|
| Bruno Gasbarro<br>Chief Financial Officer, Corporate Secretary and Director<br>British Columbia, Canada | Chief Financial Officer of the Corporation since March 2010 and Corporate Secretary since February 2013; President and CEO of Ceiba Energy Inc. (formerly, Ravenstar Ventures Inc.) from September 2010 to October 2011 and a Director from September 2010 to January 2012; President and CEO of Metallis Resources Inc. (formerly, Coltstar Ventures Inc.), a former CPC, which completed its qualifying transaction on April 29, 2009, from June 2007 to July 2009, and the CFO and a Director from June 2007 to April 2010; and President and CEO of Waratah Coal Inc. (formerly, Eaglestar Ventures Inc.) from January 2006 to December 2006. | January 16, 2007 – present | 2,400,000 | 14.35% |
| Tracy R. Wattie<br>British Columbia, Canada | Chief Executive Officer of Brabeia since September 2013 and President of Brabeia since June 2014; Chair Brabeia Foundation 2013 to present; Managing Partner, DWLC, a law firm, from 2008 to 2013; President and Chief Executive Officer of Melody Manor Inc. from May 2002 | N/A | Nil | 0.00% |
| Kim Garst<br>British Columbia, Canada | Chief Executive Officer of Boom! Social Media Marketing since 2006. | N/A | Nil | 0.00% |
| Guy Champagne<br>British Columbia, Canada | Former Managing Partner and Senior Partner at BDC Consulting, a consulting services firm, from 2006 to 2013. | N/A | Nil | 0.00% |

(1) Prior to closing of the Share Exchange.
(2) Calculated on a fully-diluted basis.

As a group, the directors and executive officers will own directly, or indirectly, or exercise control or direction over an aggregate of 10,583,081, or approximately 24.89%, of the Resulting Issuer Shares upon closing of the Share Exchange.

### 13.4 Board Committees

The Resulting Issuer will have one board committee, the Audit Committee, which will be comprised of upon the closing of the Share Exchange. It is anticipated that the Audit

Committee will be comprised of Giovanni Gasbarro, Bruno Gasbarro, Guy Champagne and Tracy R. Wattie.

**13.5 Principal Occupation Other Than the Resulting Issuer**

The Resulting Issuer will not have any director or officer acting as an officer of a person or company other than the Resulting Issuer.

**13.6 – 13.9 Cease Trade Orders, Penalties, Sanctions and Bankruptcy**

Except for as disclosed herein, to the knowledge of the Resulting Issuer, none of the Resulting Issuer's directors, officers or principal shareholders are, or have been within the last 10 years, directors or officers of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer.

To the knowledge of the Resulting Issuer, none of the Resulting Issuer's directors, officers or principal shareholders are, or have been within the last 10 years, the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

To the knowledge of the Resulting Issuer, none of the Resulting Issuer's directors, officers or principal shareholders, or any personal holding company of such persons, has, within the last 10 years, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his, her or its assets.

**13.10 Potential Conflicts**

The directors of the Resulting Issuer are required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Resulting Issuer's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest between the Resulting Issuer and its directors and officers except that certain of the directors and officers may serve as directors and/or officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

### 13.11 Management

**Tracy R. Wattie**

Tracy R. Wattie, age 44, has been a director and the chief executive officer and president of Brabeia since September 2013.

Ms. Wattie was President and CEO of Melody Manor Inc., a private health services provider from 2002-2005 and business manager for Dawn Wattie Law Corporation from 2009 to 2013. Ms. Wattie has over 15 years of management and leadership experience in business.

Ms. Wattie will be devoting about 100% of his business time to the affairs of the Resulting Issuer. Ms. Wattie has entered into a non-competition and a non-disclosure agreement with the Resulting Issuer.

**Bill Horsman**

Bill Horsman, age 48, has been the Chief Technical Officer for Brabeia since November 2014.

Mr. Horsman has a degree in Aeronautical Engineering from Bath University and has been working as a software developer for 23 years.

Mr. Horsman will be devoting about 80% of his business time to the affairs of the Resulting Issuer. Mr. Horsman has entered into a non-competition and a non-disclosure agreement with the Resulting Issuer.

**Barb Kirton**

Barb Kirton, age 64, has been the General Manager for Brabeia since September 2013.

Ms. Kirton has a diploma in Business and has over 30 years' experience in the sales and marketing industry.

Ms. Kirton will be devoting about 100% of her business time to the affairs of the Resulting Issuer. Ms. Kirton has entered into a non-competition and a non-disclosure agreement with the Resulting Issuer.

**Richard Todd Hanas**

Richard Todd Hanas, age 47, has been the Investor Relations Officer for Brabeia since June 2015.

Mr. Hanas has a Marketing Communications Certificate from BCIT and has 19 years' experience in all aspects of business communication, corporate identity, corporate finance and investor relations for both private and public companies.

Mr. Hans will be devoting about 50% of his business time to the affairs of the Resulting Issuer. Mr. Hanas has entered into a non-competition and a non-disclosure agreement with the Resulting Issuer.

## ITEM 14 CAPITALIZATION

### 14.1

The following chart indicates each class of securities to be listed:

| **Issued Capital** | **Number of Securities (non-diluted)(1)** | **Number of Securities (fully diluted) (1)** | **% of Issued (non-diluted)(1)** | **% of Issued (fully diluted) (1)** |
|---|---|---|---|---|
| Public Float | | | | |
| Total outstanding (A) | 44,327,236 | 45,227,236 | 100% | 100% |
| Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities | 15,108,205 | 15,108,205 | 34.1% | 33.4% |
| Total Public Float (A-B) | 29,219,031 | 30,119,031 | | |

(1) The number assumes earn-in of all Performance Shares and closing of the Offering.

| | | | | |
|---|---|---|---|---|
| Freely-Tradeable Float | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | 10,593,081 | 23.9% | 10,593,081 | 23.4% |
| Total Tradeable Float (A-C) | 33,734,155 | 76.1% | 34,634,155 | 76.6% |

Public Securityholders (Registered)

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 499 securities | 1 | 1 |
| 500 – 999 securities | 0 | 0 |
| 1,000 – 1,999 securities | 1 | 1,240 |
| 2,000 – 2,999 securities | 2 | 5,067 |
| 3,000 – 3,999 securities | 0 | 0 |
| 4,000 – 4,999 securities | 0 | 0 |
| 5,000 or more securities | 12 | 16,720,918 |
| **Total** | 16 | 16,727,236 |

Public Securityholders (Beneficial)

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 499 securities | 185 | 28,956 |
| 500 – 999 securities | 68 | 50,077 |
| 1,000 – 1,999 securities | 53 | 71,008 |
| 2,000 – 2,999 securities | 19 | 44,156 |
| 3,000 – 3,999 securities | 7 | 23,156 |
| 4,000 – 4,999 securities | 11 | 48,146 |
| 5,000 or more securities | 183 | 15,852,149 |
| Unable to confirm | Nil | Nil |
| **Total** | 326 | 16,117,648 |

Non-Public Securityholders (Registered)

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| | | |
| 1 – 499 securities | Nil | Nil |
| 500 – 999 securities | Nil | Nil |
| 1,000 – 1,999 securities | Nil | Nil |
| 2,000 – 2,999 securities | Nil | Nil |
| 3,000 – 3,999 securities | Nil | Nil |
| 4,000 – 4,999 securities | Nil | Nil |
| 5,000 or more securities | Nil | Nil |

### 14.2 Securities Convertible or Exchangeable Into Any Class of Listed Securities

| Designation of Security | Number of Convertible Securities Outstanding | Number of Listed Securities Issuable Upon Exercise |
|---|---|---|
| Warrants | 900,000 | 900,000 |
| **Total** | 900,000 | 900,000 |

(1) To be issued on close of the Share Exchange.

### 14.3 Listed Securities Reserved for Issuance that are not Included in Section 14.2

There are no listed securities reserved for issuance that are not included in 14.2.

## ITEM 15 EXECUTIVE COMPENSATION

### 15.1 General

Compensation to be paid to the officers and directors of the Resulting Issuer is determined by the board of directors of the Resulting Issuer.

### 15.2 Compensation Discussion and Analysis

During the most recently completed fiscal year, there were no arrangements, standard or otherwise, for cash or non-cash compensation pursuant to which directors of Pubco or Brabeia were compensated for their attendance at board meetings or in their capacity as directors. The directors of the Resulting Issuer may be reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors.

### 15.3 Summary Compensation Table

The following table sets out all compensation awarded to, earned by or paid to the proposed NEOs of the Resulting Issuer for each of the last three fiscal years. No other executive officer's total salary and bonus during such periods exceeded $150,000.

| Name and Position | Year | Salary ($) | Share Based Awards ($) | Option-Based Awards ($) | Non-equity Incentive Plan Compensation ($) | | Pension Value ($) | All other Compensation ($) | Total Compensation ($) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Annual Incentive Plans | Long-term Incentive Plans | | | |
| Tracy R. Wattie | 2015 | 162,000 | Nil | Nil | Nil | Nil | Nil | Nil | 162,000 |

### 15.4 Incentive Plan Awards

Management of the Resulting Issuer believes that awards of equity in the Resulting Issuer serve an important function in furnishing directors, officers, employees and consultants of the Resulting Issuer (collectively, the "**Eligible Parties**") an opportunity to invest in the Resulting Issuer in a simple and effective manner and better aligning the interests of the Eligible Parties with those of the Resulting Issuer and its shareholders through ownership of the Resulting Issuer Shares.

The following table provides for each NEO for all awards outstanding at the end of the most recently completed financial year (of May 31, 2014) and includes awards granted before the most recently completed financial year (of May 31, 2014).

| | Option-Based Awards | | | Share-Based Awards | | | |
|---|---|---|---|---|---|---|---|
| **Name** | **Number of Securities Underlying Unexercised Options (#)** | **Option Exercise Price ($)** | **Option Expiration Date** | **Value of Unexercised In-The-Money Options ($)** | **Number of Shares or Units of Shares that have not Vested (#)** | **Market or Payout Value of Share-Based Awards that have not Vested ($)** | **Market/Payout Value of Vested Share-Based Awards not paid out or Distributed ($)** |
| Giovanni Gasbarro | Nil | N/A | N/A | Nil | Nil | Nil | Nil |
| Bruno Gasbarro | Nil | N/A | N/A | Nil | Nil | Nil | N/A |
| Tracy R. Wattie | Nil | N/A | N/A | N/A | Nil | N/A | N/A |

The following table sets out the value of option or stock based awards that vested during the most recently completed financial year and the value of non-equity incentive plan compensation earned during the most recently completed financial year for each NEO.

| **Name** | **Option-Based Awards – Value Vested During the Year ($)** | **Share-Based Awards – Value Vested During the Year ($)** | **Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)** |
|---|---|---|---|
| **(a)** | **(b)** | **(c)** | **(d)** |
| Giovanni Gasbarro | Nil | Nil | 50,000 |
| Bruno Gasbarro | 12,500 | Nil | Nil |
| Tracy R. Wattie | Nil | Nil | Nil |

### 15.5 Pension Plan Benefits

The Resulting Issuer does not have a pension plan or other related pension benefits.

### 15.6 Termination and Change of Control Benefits

The Resulting Issuer will not have any contract, agreement, plan or arrangement that provides for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the company or a change in an NEO's responsibilities.

### 15.7 Director Compensation Table

The following table sets out details of compensation provided to the directors of the Resulting Issuer who are not NEOs for the Resulting Issuer's most recently completed financial year.

| Name | Fees Earned ($) | Share-Based Awards ($) | Option-Based Awards ($) | Non-Equity Incentive Plan Compensation ($) | Pension Value ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| Jurgen Wolf | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Arndt Roelig | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Guy Champagne | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

**15.8 Material Changes**

The Resulting Issuer does not currently intend to make any material changes to the compensation set forth in the tables above.

## ITEM 16 INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or executive officer of the Resulting Issuer, or associate or affiliate of any such director or officer, is or has been indebted to the Resulting Issuer since the date of incorporation. No director or executive officer of the Resulting Issuer, or associate or affiliate of any such director or officer, or has been indebted to the Resulting Issuer since the beginning of the last completed financial year of the Resulting Issuer.

## ITEM 17 RISK FACTORS

This section discusses factors relating to the Resulting Issuer's business that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Resulting Issuer may face risks and uncertainties not discussed in this section, or not currently known to the management of the Resulting Issuer, or that we deem to be immaterial. All risks to the Resulting Issuer's business have the potential to influence its operations in a materially adverse manner.

**Forward Looking Information**

Certain information set out in this Listing Statement includes or is based upon expectations, estimates, projections or other "forward looking information". Such forward looking information includes projections or estimates made by the Resulting Issuer about its future business operations. While such forward looking statements and the assumptions underlying them are made in good faith and reflect the Resulting Issuer's current judgment regarding the direction of their business, actual results will almost certainly vary (sometimes materially) from any estimates, predictions, projections, assumptions or other type of performance suggested here.

**Market Risk for Securities**

Brabeia is a private company whose common shares are not listed for trading on a stock exchange. There can be no assurance that an active trading market for the Resulting Issuer Shares will be established and sustained after the Share Exchange. Upon the close of the Share Exchange and/or listing, the market price for the Resulting Issuer Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Resulting Issuer Shares. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

**Limited No Operating History Risk**

As the Resulting Issuer will be a start-up company, there are limited operating histories. Brabeia is an early stage technology company. The Resulting Issuer will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risks that it will be unable to acquire establish a market for products and services. The Resulting Issuer anticipates positive cash flow from operations by the earliest of December 2015. There can be no assurance that consumer demand for the products will be as anticipated, or that the Resulting Issuer will become profitable.

**Change in Law, Regulations and Guidelines**

The Resulting Issuer's business will be subject to particular laws, regulations, and guidelines. Although the Resulting Issuer intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change which will be outside of the Resulting Issuer's control. A detailed description of this order can be found under Section 4 - "Narrative Description of the Business".

**Availability of Skilled Labour**

The Resulting Issuer's ability to maintain operations will be dependent on access to skilled labour. There is no guarantee that the Resulting Issuer will be successful in maintaining its supply of skilled labour, and a failure to do so would limit the Resulting Issuer's ability to license and distribute its products and services. This would have an adverse effect on the Resulting Issuer's operations and financial results.

**Competitive Risk**

Although the market for the Resulting Issuer's technology and services does appear to be sizeable, the Resulting Issuer expects competition from other companies in the social media market segment may diminish its ability to market and license its products and services.

The Resulting Issuer hopes to be competitive by continuing to innovate and invest significantly in ongoing research and development and international marketing. If the

Resulting Issuer is not successful in achieving sufficient resources to invest in these areas, the Resulting Issuer's ability to compete in the market may be adversely affected, which could materially and adversely affect the Resulting Issuer's business, its financial condition and operations.

**Marketing, Advertising and Promotional Risk**

The Resulting Issuer's future growth and profitability will depend on the effectiveness and efficiency of its international marketing strategy and promotional costs, including the Resulting Issuer's ability to (i) create brand recognition for its technology and services; (ii) determine appropriate marketing and advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that marketing, advertising and promotional costs will result in revenues for the Resulting Issuer's business in the future, or will generate awareness of the Resulting Issuer's Product. In addition, no assurance can be given that the Resulting Issuer will be able to manage the Resulting Issuer's marketing, advertising and promotional costs on a cost-effective basis.

**Uninsured or Uninsurable Risk**

The Resulting Issuer may become subject to liability for risks against which it cannot insure or against which the Resulting Issuer may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Resulting Issuer's usual business activities. Payment of liabilities for which the Resulting Issuer does not carry insurance may have a material adverse effect on the Resulting Issuer's financial position and operations.

**Conflicts of Interest Risk**

Certain of the Resulting Issuer's directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Resulting Issuer's interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, the Resulting Issuer's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Resulting Issuer. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Resulting Issuer.

**Key Personnel Risk**

The Resulting Issuer's success will depend on its directors' and officers' ability to develop the Resulting Issuer's business and manage its operations, and on the Resulting

Issuer's ability to attract and retain key quality assurance, technical, sales, public relations and marketing staff or consultants to ramp up its business activities. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Resulting Issuer's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Resulting Issuer will be able to attract or retain key personnel in the future, which may adversely impact the Resulting Issuer's operations.

**Speculative Nature of Investment Risk**

An investment in the Resulting Issuer's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Resulting Issuer has limited history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Resulting Issuer is in the early stage of revenue generation for its business. The Resulting Issuer's operations are not yet sufficiently established such that the Resulting Issuer can mitigate the risks associated with the Resulting Issuer's planned activities.

**No Established Market for Shares Risk**

There is currently no established consistent trading market through which common shares in the Resulting Issuer's authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. Any investor of Pubco or the Resulting Issuer may lose their entire investment.

**Liquidity and Future Financing Risk**

Brabeia is and the Resulting Issuer will be in an early stage technology company, having not achieved break even on its revenue generation. The Resulting Issuer will likely operate at a loss until its business becomes established and therefore may require additional financing in order to fund future operations and expansion plans. The Resulting Issuer's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Resulting Issuer's business success. There can be no assurance that the Resulting Issuer will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Resulting Issuer's management. If additional financing is raised by issuing Resulting Issuer Shares, control may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Resulting Issuer may be required to scale back its business plan or cease operating.

**Going-Concern Risk**

The financial statements of Pubco and Brabeia have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Resulting Issuer's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Resulting Issuer will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Resulting Issuer be unable to continue as a going concern.

**Global Economy Risk**

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Resulting Issuer will be dependent upon the capital markets to raise additional financing in the future, while it establishes rolls out its international marketing strategy to new clients worldwide. As such, the Resulting Issuer is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Resulting Issuer's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Resulting Issuer and its management. If uncertain market conditions persist, the Resulting Issuer's ability to raise capital could be jeopardized, which could have an adverse impact on the Resulting Issuer's operations and the trading price of the Resulting Issuer Shares on the CSE.

**Dividend Risk**

Brabeia and Pubco have not paid dividends in the past and the Resulting Issuer does not anticipate paying dividends in the near future. The Resulting Issuer expects to retain its earnings to finance further growth and, when appropriate, retire debt.

**Share Price Volatility Risk**

It is anticipated that the Resulting Issuer Shares will be re-listed for trading on the CSE. As such, external factors outside of the Resulting Issuer's control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward the technology sector stocks may have a significant impact on the market price of the Resulting Issuer Shares. Global stock markets, including the CSE, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

**Increased Costs of Being a Publicly Traded Company**

As the Resulting Issuer will have publicly-traded securities, the Resulting Issuer will incur significant legal, accounting and filing fees not presently incurred by Brabeia. Securities legislation and the rules and policies of the CSE requires listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material compliance costs.

**Value of Brabeia, Pubco and the Resulting Issuer**

Brabeia, Pubco and the Resulting Issuer's assets are of indeterminate value. For further particulars see the financial statements scheduled hereto.

**Negative Cash Flow**

Pubco had negative cash flows from operating activities in their respective most recent financial years.

**Political and Economic Instability May Adversely Affect the Resulting Issuer**

The Resulting Issuer may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes or shifts in political attitude in certain countries may adversely affect the Resulting Issuer's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on price controls, export controls, income taxes and maintenance of assets. The effect of these factors cannot be accurately predicted.

**Lack of Share Liquidity**

Pubco Shares and the Resulting Issuer Shares are subject to certain trade restrictions, which may include a hold period restricting the trading of the securities.

**Limited Operating History and No Assurance of Profitability**

Prior to the close of the Share Exchange, Brabeia operated as a private company since its inception on May 8, 2013. The brand is young, while growing, is still comparatively modest, owing in part to the industry, inability to aggressively execute our business plan because of a lack of working capital. The listing on the CSE and, if any, capital raise is designed to provide the Resulting Issuer with the working capital we need to more fully implement the business objectives of the Resulting Issuer.

We are subject to all of the risks and uncertainties associated with any new business, including the risk that we will be unable to establish a market for our products and services, achieve our growth objectives, and/or ultimately become profitable.

**Intellectual Property**

The success of the Resulting Issuer's business depends in part on its ability to protect its ideas and technology. Brabeia and the Resulting Issuer have pending patented technology and pending trademarks for its brand which Brabeia is moving to complete the prosecution and registration of these pending patent and trademarks.

Even if the Resulting Issuer completes the registration of its technology with trademarks, patents, copyrights or by other means, the Resulting Issuer is not assured that competitors will not develop similar technology, business methods or that the Resulting Issuer will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

**Significant Ownership Interest of Management and Directors**

As of the date of this Listing Statement and on close of the Share Exchange, officers and directors of the Resulting Issuer owned an aggregate of 10,583,081 shares or approximately 9.68% of the issued and outstanding Resulting Issuer Shares. As a group, these individuals could exercise substantial control over matters requiring shareholder approval, such as election of directors, approval of transactions, and changes to share structure. Until further rounds of financing are completed, other shareholders may be limited in their ability to exercise control over important corporate decisions.

**Marketing Effectiveness**

The Resulting Issuer's ability to grow its business and achieve positive earnings will depend in part on the effectiveness of the roll out of its international marketing strategy and other forms of promotion that, among other objectives, would seek to build brand awareness and meaningfully increase our client base. There can be no assurance that international marketing strategy and promotional expenditures will achieve these objectives.

## ITEM 18 PROMOTERS

The Resulting Issuer has entered into an agreement with Todd Hanas from Bluesky Corporate Communications Ltd. to undertake investor relations on behalf of the Corporation for a one year period at $7,500 per month.

## ITEM 19 LEGAL PROCEEDINGS

As of the date of this Listing Statement, the Resulting Issuer is not a party to any material legal proceedings or any regulatory actions. The Resulting Issuer does not contemplate any material legal proceedings and is not aware of any material legal proceedings to be contemplated against it.

## ITEM 20 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than with respect to the Share Exchange, the directors, senior officers and principal shareholders of the Resulting Issuer or any associate or affiliate of the foregoing have had no material interest, direct or indirect, in any transactions in which the Resulting Issuer has participated within the three year period prior to the date of this Listing Statement, or will have any material interest in any proposed transaction, which has materially affected or will materially affect the Resulting Issuer.

## ITEM 21 AUDITORS, TRANSFER AGENTS AND REGISTRARS

### 21.1 Auditors

The Resulting Issuer expects to retain Pubco's auditor, Davidson & Company LLP, Chartered Accountants at 1200 – 626 Granville Street, Vancouver, BC, V7Y 1G6, following completion of the Share Exchange.

### 21.2 Transfer Agent and Registrar

The transfer agent and registrar of the Resulting Issuer's common shares is Computershare Trust Company of Canada, located at 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9.

## ITEM 22 MATERIAL CONTRACTS

The Share Exchange Agreement is the only contract made within the last two years of the date of this Listing Agreement which is material to the Resulting Issuer.

## ITEM 23 INTEREST OF EXPERTS

The persons or companies whose profession or business gives authority to a statement made by such person or company and who is named in this Listing Statement as having prepared or certified a part of this Listing Statement or a report or valuation described or included in this Listing Statement, are as follows:

(1) The audited financial statements of Pubco included in this Listing Statement have been included in reliance upon the report of Davidson & Company LLP, Chartered Accountants, and upon the authority of such firm as experts in accounting and auditing and their audit report is included herein. Davidson & Company LLP, Chartered Accountants have advised that they are independent with respect to Pubco within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

(2) The audited financial statements of Brabeia included in this Listing Statement have been included in reliance upon the report of MNP, LLP, Chartered Accountants, and upon the authority of such firm as experts in accounting and auditing and their audit report is included herein. MNP, LLP have advised that they are independent with respect to Brabeia within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Based on information provided by the relevant persons, none of those persons or companies or any director, officer, employee or partner thereof has received or will receive any direct or indirect interest in our property or the property of any associate or affiliate of us, nor has any beneficial ownership, direct or indirect, in any securities issued by us. None of those persons is or is expected to be elected, appointed, or employed as a director or employee of us.

## ITEM 24 OTHER MATERIAL FACTS

There are no other material facts other than as disclosed therein.

## ITEM 25 FINANCIAL STATEMENTS

The audited annual financial statements for Pubco for the last three financial years are attached hereto as Schedule A.

Additionally, audited financial statements for the fiscal year end of June 30, 2014 for Brabeia prepared in accordance with the requirements of National Instrument 41-101 General Prospectus Requirements are attached as Schedule C and pro-forma consolidated financial statements of the Resulting Issuer giving effect to the Share Exchange are attached as Schedule F.

**CERTIFICATE OF THE ISSUER**

Pursuant to a resolution duly passed by its Board of Directors, Scavo Resource Corp. hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true, and plain disclosure of all material information relating to Scavo Resource Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at the City of Vancouver, British Columbia, this 19th day of June, 2015.

| | |
|---|---|
| "*Giovanni Gasbarro*" | "*Bruno Gasbarro*" |
| Giovanni Gasbarro<br>President, CEO and Director | Bruno Gasbarro<br>CFO and Director |

**CERTIFICATE OF BRABEIA**

The foregoing contains full, true and plain disclosure of all material information relating to Brabeia Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at the City of Vancouver, British Columbia, this 19th day of June, 2015.

| | |
|---|---|
| "*Tracy R. Wattie*" | "*Guy Champagne*" |
| Tracy R. Wattie<br>President, CEO and Director | Guy Champagne<br>Director |

## Schedule A

## AUDITED FINANCIAL STATEMENTS OF PUBCO FOR THE YEARS ENDED MAY 31, 2014, 2013 AND 2012

# SCAVO RESOURCE CORP.

## FINANCIAL STATEMENTS
## (Expressed in Canadian Dollars)

## FOR THE YEAR ENDED MAY 31, 2014

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Scavo Resource Corp.

We have audited the accompanying financial statements of Scavo Resource Corp., which comprise the statements of financial position as at May 31, 2014 and 2013, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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.



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Scavo Resource Corp. as at May 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Scavo Resource Corp.'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

July 18, 2014

**SCAVO RESOURCE CORP.**
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

| | May 31, 2014 | May 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 249,513 | $ 25,718 |
| Receivables | 1,939 | 15,251 |
| **Current assets** | 251,452 | 40,969 |
| **Exploration and evaluation assets** (Note 4) | 252,587 | 229,544 |
| **Total assets** | $ 504,039 | $ 270,513 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 221 | $ 247 |
| Due to related parties (Note 8) | - | 15,000 |
| **Current liabilities** | 221 | 15,247 |
| **Shareholders' equity** | | |
| Share capital (Note 6) | 3,352,050 | 3,048,550 |
| Reserves (Note 6) | 1,691,304 | 1,691,304 |
| Deficit | (4,539,536) | (4,484,588) |
| | 503,818 | 255,266 |
| **Total liabilities and shareholders' equity** | $ 504,039 | $ 270,513 |

**Nature and continuance of operations** (Note 1)

**Approved and authorized on behalf of the Board on July 18, 2014:**

*"Salvatore Giantomaso"* Director *"Bruno Gasbarro"* Director

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

**SCAVO RESOURCE CORP.**
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

| | Year Ended May 31, 2014 | Year Ended May 31, 2013 |
|---|---|---|
| **OPERATING EXPENSES** | | |
| Administration fees (Note 8) | $ - | $ 12,250 |
| Management fees (Note 8) | - | 30,000 |
| Office and miscellaneous | 2,712 | 4,852 |
| Professional fees | 23,751 | 62,368 |
| Rent (Note 8) | 13,500 | 11,349 |
| Transfer agent and filing fees | 14,985 | 27,903 |
| **Loss from operating expenses** | (54,948) | (148,722) |
| Gain on write-off of amount due to related party | - | 5,851 |
| **Loss and comprehensive loss for the year** | $ (54,948) | $ (142,871) |
| **Basic and diluted loss per common share** | $ (0.00) | $ (0.01) |
| **Weighted average number of common shares outstanding** | 14,619,457 | 13,024,673 |

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

**SCAVO RESOURCE CORP.**
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

| | Year Ended May 31, 2014 | Year Ended May 31, 2013 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (54,948) | $ (142,871) |
| Item not affecting cash: | | |
| Gain on write-off of amount due to related party | - | (5,851) |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in receivables | 13,312 | (2,919) |
| Decrease in prepaids | - | 5,000 |
| Decrease in accounts payable and accrued liabilities | (26) | (2,757) |
| Decrease in due to related parties | (15,000) | (5,000) |
| Net cash used in operating activities | (56,662) | (154,398) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Expenditures on exploration and evaluation assets | (23,043) | (84,544) |
| Net cash used in investing activities | (23,043) | (84,544) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Loan proceeds (Note 5) | 20,000 | - |
| Repayment of loan (Note 5) | (20,000) | - |
| Share capital issued | 303,500 | 196,000 |
| Net cash provided by financing activities | 303,500 | 196,000 |
| **Change in cash for the year** | 223,795 | (42,942) |
| **Cash, beginning of year** | 25,718 | 68,660 |
| **Cash, end of year** | $ 249,513 | $ 25,718 |

**Supplemental disclosure with respect to cash flows** (Note 9)

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

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

| | Number of Common Shares | Share Capital Amount | Reserves | Deficit | Total |
|---|---|---|---|---|---|
| **Balance, May 31, 2012** | 11,432,235 | $ 2,777,550 | $ 1,691,304 | $ (4,341,717) | $ 127,137 |
| Exercise of warrants | 1,960,000 | 196,000 | - | - | 196,000 |
| Shares issued for acquisition of exploration and evaluation asset | 300,000 | 75,000 | - | - | 75,000 |
| Loss for the year | - | - | - | (142,871) | (142,871) |
| **Balance, May 31, 2013** | 13,692,235 | 3,048,550 | 1,691,304 | (4,484,588) | 255,266 |
| Exercise of warrants | 3,035,001 | 303,500 | - | - | 303,500 |
| Loss for the year | - | - | - | (54,948) | (54,948) |
| **Balance, May 31, 2014** | 16,727,236 | $ 3,352,050 | $ 1,691,304 | $ (4,539,536) | $ 503,818 |

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

## 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. During the year ended May 31, 2012, the Company entered into an agreement to acquire the Purple Onion Claims (Note 4) . The Company is now engaged in mineral exploration. 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.

## 2. BASIS OF PREPARATION

**Statement of compliance**

These financial statements, including comparatives, have been prepared in accordance with International Accounting Standards using accounting policies consistent 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. In addition, these financial statements have been prepared using the accrual basis of accounting, except for the cash flows. All dollar amounts are presented in the Company's functional currency, the Canadian dollar, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

**Financial instruments**

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss (“FVTPL”)* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Financial instruments** (cont'd…)

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash as fair value through profit or loss, its receivables as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Exploration and evaluation assets**

*Pre-exploration costs*

Pre-exploration costs are expensed in the period in which they are incurred.

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "'mines under construction."

Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is evaluated at the cash generating unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of the CGU is the greater of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

As at May 31, 2014 and 2013, the Company does not have any known rehabilitation obligations.

### Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of the options is recognized as an expense with a corresponding increase in equity.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted, and is recognized over the vesting period on a graded basis. The share-based payments are recorded as an operating expense with an offset to equity reserves. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as equity reserves are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable losses, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**Loss per share**

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**New and amended IFRS pronouncements**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective June 1, 2013. These changes were made in accordance with the applicable transitional provisions and did not have a material impact on the Company's financial statements:

IFRS 10 Consolidated Financial Statements ("IFRS 10") replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

IFRS 11 Joint Arrangements ("IFRS 11") supersedes IAS 31 Interests in Joint Ventures and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28 Investments in Associates and Joint Ventures (amended in 2011) ("IAS 28").

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate that nature, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement ("IFRS 13") provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis.

The Company has adopted the amendments to IAS 1 Presentation of Financial Statements ("IAS 1"). These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified.

**New standards not yet adopted**

The Company is currently assessing whether or not the adoption of the following standards will have a material effect on the Company's future financial statements:

*IFRS 9, "Financial Instruments"*

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2018. Early adoption is permitted and the standard is required to be applied retrospectively.

(Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**New standards not yet adopted** (cont'd…)

*IAS 32, "Financial Instruments: Presentation"*

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

## 4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

| | *Purple Onion Claims* |
|---|---|
| Balance, May 31, 2012 | $ 70,000 |
| Acquisition costs | 75,000 |
| Technical report | 84,544 |
| Balance, May 31, 2013 | 229,544 |
| Government filing fees | 22,536 |
| Project management | 507 |
| **Balance, May 31, 2014** | **$ 252,587** |

**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.

## 4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES (cont'd…)

### 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.).

During the year ended May 31, 2013, the Company paid Aurora Geosciences Ltd. $84,544 to prepare a NI 43-101 compliant technical report on the property.

## 5. LOAN PAYABLE

During the year ended May 31, 2014, the Company received loan proceeds of $20,000. The loan bore interest at 5% per annum and was repayable on demand, upon the Company having sufficient resources, in cash or in shares at the option of the lender. The loan was repaid with cash, in full, during the current year.

## 6. SHARE CAPITAL AND RESERVES

### Authorized

As at May 31, 2014 and 2013, the authorized share capital of the Company is an unlimited number of common shares without par value.

### Issued

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.

During the year ended May 31, 2013, the Company issued a total of 1,960,000 common shares on the exercise of 1,960,000 warrants at $0.10 per share for gross proceeds of $196,000. The Company also issued an additional 300,000 common shares in association with the Purple Onion Claims option agreement (Note 4).

## 7. 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, 2014, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

(Expressed in Canadian Dollars)

**7. STOCK OPTIONS AND WARRANTS** (cont'd…)

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 12,500 | $ 5.20 | January 18, 2015 |
| 12,500 | 2.40 | May 20, 2015 |
| 25,000 | | |

Stock option transactions are summarized as follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, May 31, 2012 | 25,000 | $ | 3.80 |
| Options cancelled/expired | - | | - |
| Balance, May 31, 2013 and 2014 | 25,000 | $ | 3.80 |
| Number of options currently exercisable | 25,000 | $ | 3.80 |

**Warrants**

As at May 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, 2012 | 8,500,000 | $ | 0.10 |
| Exercised | (1,960,000) | | 0.10 |
| As at May 31, 2013 | 6,540,000 | | 0.10 |
| Exercised | (3,035,001) | | 0.10 |
| Expired | (3,504,999) | | 0.10 |
| As at May 31, 2014 | - | $ | - |

(Expressed in Canadian Dollars)

## 7. STOCK OPTIONS AND WARRANTS (cont'd…)

**Share-based compensation**

For the year ended May 31, 2014, the Company recorded $Nil (2013 - $Nil) as share-based compensation expense as no options were granted during the year.

## 8. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2014, the Company entered into the following transactions with related parties:

(a) The Company paid or accrued management fees of $Nil (2013 - $15,000) and rent of $13,500 (2013 - $9,500) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer and director of the Company.

(b) The Company paid or accrued management fees of $Nil (2013 - $15,000) and rent of $Nil (2013 - $1,849) to Raincoast Capital Inc., a company controlled by the former President and director of the Company.

(c) The Company paid or accrued administrative fees of $Nil (2013 - $12,250) to the Company's former corporate secretary.

During the year ended May 31, 2013, the Company acquired the Purple Onion Claims from a company with a common director (Note 4).

As at May 31, 2014, $Nil (2013 - $15,000) 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.

## 9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | 2014 | 2013 |
|---|---|---|
| Cash paid during the year for interest | $ - | $ - |
| Cash paid during the year for income taxes | $ - | $ - |

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

The significant non-cash investing and financing transaction during the year ended May 31, 2013 was the issuance of 300,000 common shares valued at $75,000 to acquire the Purple Onion Claims (Note 4).

## 10. 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 May 31, 2014, the Company had a cash balance of $249,513 (2013 - $25,718) and current liabilities of $221 (2013 - $15,247).

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.

## 10. 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.

## 11. INCOME TAXES

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

| | 2014 | 2013 |
|---|---|---|
| Loss for the year | $ (54,948) | $ (142,871) |
| Expected income tax (recovery) | $ (14,000) | $ (36,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (45,000) | - |
| Change in unrecognized deductible temporary differences | 59,000 | 36,000 |
| Total income tax expense (recovery) | $ - | $ - |

(Expressed in Canadian Dollars)

## 11. INCOME TAXES (cont'd…)

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

| | 2014 | 2013 |
|---|---|---|
| Deferred tax assets (liabilities): | | |
| Share issue costs | $ 5,000 | $ 18,000 |
| Allowable capital losses | 97,000 | 94,000 |
| Non-capital losses available for future periods | 934,000 | 871,000 |
| | 1,036,000 | 983,000 |
| Unrecognized deferred tax assets | (1,036,000) | (983,000) |
| Net deferred tax assets | $ - | $ - |

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

| | 2014 | 2013 | Expiry Date Range |
|---|---|---|---|
| Temporary differences: | | | |
| Share issue costs | $ 21,000 | $ 73,000 | 2035 - 2036 |
| Allowable capital losses | $ 375,000 | $ 375,000 | No expiry date |
| Non-capital losses available for future periods | $ 3,600,000 | $ 3,485,000 | 2027 - 2034 |

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

# SCAVO RESOURCE CORP.

## FINANCIAL STATEMENTS
## (Expressed in Canadian Dollars)

## FOR THE YEAR ENDED MAY 31, 2013

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Scavo Resource Corp.

We have audited the accompanying financial statements of Scavo Resource Corp., which comprise the statements of financial position as at May 31, 2013 and 2012 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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.



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***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Scavo Resource Corp. as at May 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Scavo Resource Corp.'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada Chartered Accountants

July 16, 2013

**SCAVO RESOURCE CORP.**
SATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 25,718 | $ 68,660 |
| Receivables | 15,251 | 12,332 |
| Prepaids | - | 5,000 |
| **Current assets** | 40,969 | 85,992 |
| **Exploration and evaluation assets** (Note 4) | 229,544 | 70,000 |
| **Total assets** | $ 270,513 | $ 155,992 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 247 | $ 3,004 |
| Due to related parties (Note 7) | 15,000 | 25,851 |
| **Current liabilities** | 15,247 | 28,855 |
| **Shareholders' equity** | | |
| Share capital (Note 5) | 3,048,550 | 2,777,550 |
| Reserves (Note 5) | 1,691,304 | 1,691,304 |
| Deficit | (4,484,588) | (4,341,717) |
| | 255,266 | 127,137 |
| **Total liabilities and shareholders' equity** | $ 270,513 | $ 155,992 |

**Nature and continuance of operations** (Note 1)

**Approved and authorized on behalf of the Board on July 16, 2013:**

*"Salvatore Giantomaso"* Director *"Bruno Gasbarro"* Director

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

**SCAVO RESOURCE CORP.**
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

| | Year Ended May 31, 2013 | Year Ended May 31, 2012 |
|---|---|---|
| **OPERATING EXPENSES** | | |
| Administration fees (Note 7) | $ 12,250 | $ 28,000 |
| Consulting fees (Note 7) | - | 5,000 |
| Management fees (Note 7) | 30,000 | 120,000 |
| Office and miscellaneous | 4,852 | 8,909 |
| Professional fees | 62,368 | 60,335 |
| Rent (Note 7) | 11,349 | 22,066 |
| Transfer agent and filing fees | 27,903 | 17,138 |
| **Loss from operating expenses** | (148,722) | (261,448) |
| Gain on write-off of amount due to related party | 5,851 | - |
| Loss on sale of TBwaP, Inc. (Note 1) | - | (343,983) |
| Foreign exchange loss | - | (1,418) |
| | 5,851 | (345,401) |
| **Loss and comprehensive loss for the year** | $ (142,871) | $ (606,849) |
| **Basic and diluted loss per common share** | $ (0.01) | $ (0.13) |
| **Weighted average number of common shares outstanding** | 13,024,673 | 4,585,660 |

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

**SCAVO RESOURCE CORP.**
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

| | Year Ended May 31, 2013 | Year Ended May 31, 2012 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (142,871) | $ (606,849) |
| Items not affecting cash: | | |
| Gain on write-off of amount due to related party | (5,851) | - |
| Loss on sale of TBwaP, Inc. | - | 343,983 |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in receivables | (2,919) | 6,552 |
| (Increase) decrease in prepaids | 5,000 | (5,000) |
| Decrease in accounts payable and accrued liabilities | (2,757) | (31,792) |
| Decrease in due to related parties | (5,000) | (5,149) |
| Net cash used in operating activities | (154,398) | (298,255) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Expenditures on exploration and evaluation assets | (84,544) | (70,000) |
| Net cash used in investing activities | (84,544) | (70,000) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from sale of TBwaP, Inc. | - | 10 |
| Share capital issued | 196,000 | 425,000 |
| Share issuance costs | - | (24,250) |
| Loan proceeds | - | 58,750 |
| Repayment of loans | - | (58,750) |
| Net cash provided by financing activities | 196,000 | 400,760 |
| **Change in cash for the year** | (42,942) | 32,505 |
| **Cash, beginning of year** | 68,660 | 36,155 |
| **Cash, end of year** | $ 25,718 | $ 68,660 |

**Supplemental disclosure with respect to cash flows** (Note 8)

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

**SCAVO RESOURCE CORP.**
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

| | Number of Common Shares | Share Capital Amount | Reserves | Deficit | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| **Balance, May 31, 2011** | 2,932,235 | $ 2,376,800 | $ 1,691,304 | $ (3,734,868) | $ (384,622) | $ (51,386) |
| Private placement | 8,500,000 | 425,000 | - | - | - | 425,000 |
| Share issuance costs | - | (24,250) | - | - | - | (24,250) |
| Non-controlling interest | - | - | - | - | 384,622 | 384,622 |
| Loss for the year | - | - | - | (606,849) | - | (606,849) |
| **Balance, May 31, 2012** | 11,432,235 | 2,777,550 | 1,691,304 | (4,341,717) | - | 127,137 |
| Exercise of warrants | 1,960,000 | 196,000 | - | - | - | 196,000 |
| Shares issued for acquisition of exploration and evaluation asset | 300,000 | 75,000 | - | - | - | 75,000 |
| Loss for the year | - | - | - | (142,871) | - | (142,871) |
| **Balance, May 31, 2013** | 13,692,235 | $ 3,048,550 | $ 1,691,304 | $ (4,484,588) | $ - | $ 255,266 |

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

## 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.

During the year ended May 31, 2012, the Company consolidated its share capital on the basis of 20 old shares for one new share. All common share, per share, option, warrant and weighted average price amounts were restated to reflect this consolidation.

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.

## 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.

The comparative financial statements include the accounts of the Company and its 51% owned US subsidiary, TBwaP, Inc., until March 23, 2012, when the Company sold its interest for $10. The Company recognized a net loss of $343,983 during the year ended May 31, 2012 on disposition of its interest.

**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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its former subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

### Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss (“FVTPL”)* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Financial instruments** (cont'd…)

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

<u>Financial liabilities</u>

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash as fair value through profit or loss, its receivables as loans and receivables and its accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities.

<u>Impairment of financial assets</u>

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Exploration and evaluation assets**

*Pre-exploration costs*

Pre-exploration costs are expensed in the period in which they are incurred.

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "'mines under construction."

Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is evaluated at the cash generating unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of the CGU is the greater of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

As at May 31, 2013, the Company does not have any known rehabilitation obligations.

### Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of the options is recognized as an expense with a corresponding increase in equity.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted, and is recognized over the vesting period on a graded basis. The share-based payments are recorded as an operating expense with an offset to equity reserves. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as equity reserves are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable losses, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**Loss per share**

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**New standards not yet adopted**

The Company is currently assessing whether or not the adoption of the following standards will have a material effect on the Company's future financial statements:

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

**New standards not yet adopted** (cont'd…)

*IFRS 9, "Financial Instruments"*

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

*IFRS 10, "Consolidated Financial Statements"*

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013.

*IFRS 11, "Joint Arrangements"*

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013.

*IFRS 12, "Disclosure of Interests in Other Entities"*

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**New standards not yet adopted** (cont'd…)

*IFRS 13, "Fair Value Measurement"*

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The new converged fair value framework is effective for annual periods beginning on or after January 1, 2013.

*IAS 28, "Investments in Associates and Joint Ventures" (Amended in 2011)*

IAS 28 (2011), "Investments in Associates and Joint Ventures", supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The amended standard is effective for annual periods beginning on or after January 1, 2013.

*IAS 32, "Financial Instruments: Presentation"*

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

## 4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

### 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.

### Purple Onion Claims

During the year ended May 31, 2012, the Company acquired the Purple Onion Claims in 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, Coltstar Ventures Inc.

During the year ended May 31, 2013, the Company paid Aurora Geosciences Ltd. $84,544 to prepare a NI 43-101 compliant technical report on the property.

## 5. SHARE CAPITAL AND RESERVES

### Authorized

As at May 31, 2013, the authorized share capital of the Company is an unlimited number of common shares without par value.

### Share consolidation

During the year ended May 31, 2012, the Company consolidated its share capital on the basis of 20 old shares for one new share.

### Private placement

On March 21, 2012, the Company completed a private placement by issuing 8,500,000 units at a price of $0.05 per unit for gross proceeds of $425,000. Each unit consisted of one common share and one warrant enabling the holder to acquire an additional common share at $0.10 until March 21, 2014. A commission of 10% of the proceeds from certain investors, totalling $24,250, was paid.

### Escrow shares

As at May 31, 2013, Nil (May 31, 2012 – 209,305) common shares are held in escrow.

(Expressed in Canadian Dollars)

## 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.

As at May 31, 2013, 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 |
| 12,500 | 2.40 | May 20, 2015 |
| 25,000 | | |

Stock option transactions are summarized as follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, May 31, 2011 | 186,250 | $ | 3.00 |
| Options cancelled/expired | (161,250) | | 2.96 |
| Balance, May 31, 2012 and 2013 | 25,000 | $ | 3.80 |
| Number of options currently exercisable | 25,000 | $ | 3.80 |

(Expressed in Canadian Dollars)

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

**Warrants**

As at May 31, 2013, the Company had 6,540,000 outstanding share purchase warrants enabling the holders to acquire shares at $0.10 per share to March 21, 2014.

Warrant transactions are summarized as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| As at May 31, 2011 | 395,728 | $ | 4.60 |
| Issued | 8,500,000 | | 0.10 |
| Expired | (395,728) | | 4.60 |
| As at May 31, 2012 | 8,500,000 | | 0.10 |
| Exercised | (1,960,000) | | 0.10 |
| As at May 31, 2013 | 6,540,000 | $ | 0.10 |

**Share-based compensation**

For the year ended May 31, 2013, the Company recorded $Nil (2012 - $Nil) as share-based compensation expense as no options were granted during the year.

(Expressed in Canadian Dollars)

## 7. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2013 , the Company entered into the following transactions with related parties:

(a) The Company paid or accrued management fees of $15,000 (2012 - $60,000) and rent of $9,500 (2012 - $2,000) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer and director of the Company.

(b) The Company paid or accrued management fees of $15,000 (2012 - $60,000) and rent of $1,849 (2012 - $20,066) to Raincoast Capital Inc., a company controlled by the former President and director of the Company.

(c) The Company paid or accrued administrative fees of $12,250 (2012 - $28,000) to the Company's former corporate secretary.

During the year ended May 31, 2013, the Company acquired the Purple Onion Claims from a company with a common director (Note 4).

As at May 31, 2013, $15,000 (May 31, 2012 - $25,851) is owed to directors and companies controlled by directors of the Company.

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

## 8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | 2013 | 2012 |
|---|---|---|
| Cash paid during the year for interest | $ - | $ - |
| Cash paid during the year for income taxes | $ - | $ - |

The significant non-cash investing and financing transaction during the year ended May 31, 2013 was the issuance of 300,000 common shares valued at $75,000 to acquire the Purple Onion Claims (Note 4).

There were no significant non-cash investing or financing transactions during the year ended May 31, 2012.

## 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 and amounts due to related parties 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:

<u>Credit Risk</u>

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.

<u>Liquidity Risk</u>

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2013, the Company had a cash balance of $25,718 (May 31, 2012 - $68,660) and current liabilities of $15,247 (May 31, 2012 - $28,855).

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.

## 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.

## 10. INCOME TAXES

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

| | | 2013 | | 2012 |
|---|---|---|---|---|
| Loss for the year | $ | (142,871) | $ | (606,849) |
| Expected income tax (recovery) | $ | (36,000) | $ | (157,000) |
| Change in statutory tax rates and other | | - | | 6,000 |
| Permanent differences | | - | | (8,000) |
| Change in unrecognized deductible temporary differences | | 36,000 | | 159,000 |
| Total income tax expense (recovery) | $ | - | $ | - |

(Expressed in Canadian Dollars)

**10. INCOME TAXES** (cont'd…)

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

| | 2013 | 2012 |
|---|---|---|
| Deferred tax assets (liabilities): | | |
| Share issue costs | $ 18,000 | $ 31,000 |
| Allowable capital losses | 94,000 | 94,000 |
| Non-capital losses available for future periods | 871,000 | 822,000 |
| | 983,000 | 947,000 |
| Unrecognized deferred tax assets | (983,000) | (947,000) |
| Net deferred tax assets | $ - | $ - |

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

| | 2013 | 2012 | Expiry Date Range |
|---|---|---|---|
| Temporary differences: | | | |
| Share issue costs | $ 73,000 | $ 125,000 | 2033 - 2036 |
| Allowable capital losses | $ 375,000 | $ 375,000 | No expiry date |
| Non-capital losses available for future periods | $ 3,485,000 | $ 3,289,000 | 2014 - 2033 |

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

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Scavo Resources Corp.
(formerly Pure Living Media Inc.)

We have audited the accompanying consolidated financial statements of Scavo Resources Corp. (formerly Pure Living Media Inc.), which comprise the consolidated statements of financial position as at May 31, 2012, May 31, 2011 and June 1, 2010 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended May 31, 2012 and May 31, 2011, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Scavo Resources Corp. (formerly Pure Living Media Inc.) as at May 31, 2012, May 31, 2011 and June 1, 2010 and its financial performance and its cash flows for the years ended May 31, 2012 and May 31, 2011 in accordance with International Financial Reporting Standards.

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*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 Scavo Resources Corp. (formerly Pure Living Media Inc.)'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada Chartered Accountants

September 21, 2012

**SCAVO RESOURCE CORP.**
(formerly Pure Living Media Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS**
**(Expressed in Canadian Dollars)**

**FOR THE YEAR ENDED MAY 31, 2012**

**SCAVO RESOURCE CORP.**
(formerly Pure Living Media Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

| | May 31, 2012 | May 31, 2011 (Note 13) | June 1, 2010 (Note 13) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | $ 68,660 | $ 36,155 | $ 147,717 |
| Receivables | 12,332 | 18,884 | 14,607 |
| Prepaids | 5,000 | - | 45,541 |
| **Current assets** | 85,992 | 55,039 | 207,865 |
| **Restricted cash** | - | - | 10,000 |
| **Exploration and evaluation assets** (Note 4) | 70,000 | - | - |
| **Equipment** | - | - | 1,112 |
| **Domain name** (Note 5) | - | - | 3,571 |
| **Software license** (Note 5) | - | - | 239,659 |
| **Website development costs** (Note 5) | - | - | 905,695 |
| **Total assets** | $ 155,992 | $ 55,039 | $ 1,367,902 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | $ 3,004 | $ 75,425 | $ 70,100 |
| Due to related parties (Note 9) | 25,851 | 31,000 | 5,595 |
| Convertible debenture (Note 6) | - | - | 89,845 |
| **Current liabilities** | 28,855 | 106,425 | 165,540 |
| **Shareholders'equity (deficiency)** | | | |
| Share capital (Note 7) | 2,777,550 | 2,376,800 | 1,598,150 |
| Reserves (Note 7) | 1,691,304 | 1,691,304 | 1,691,304 |
| Deficit | (4,341,717) | (3,734,868) | (2,087,092) |
| Non-controlling interest | - | (384,622) | - |
| | 127,137 | (51,386) | 1,202,362 |
| **Total liabilities and shareholders' equity (deficiency)** | $ 155,992 | $ 55,039 | $ 1,367,902 |

**Nature and continuance of operations** (Note 1)
**Events after the reporting period** (Note 14)

**Approved and authorized on behalf of the Board on September 21, 2012:**

*"Arndt Roehlig"* Director *"Bruno Gasbarro"* Director

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

**SCAVO RESOURCE CORP.**
(formerly Pure Living Media Inc.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEARS ENDED MAY 31

| | 2012 | 2011 (Note 13) |
|---|---|---|
| **OPERATING EXPENSES** | | |
| Administration fees (Note 9) | $ 28,000 | $ - |
| Consulting fees | 5,000 | - |
| Contract labour | - | 301,525 |
| Management fees (Note 9) | 120,000 | 61,343 |
| Marketing | - | 50,507 |
| Office and miscellaneous | 8,909 | 51,805 |
| Photography | - | 1,912 |
| Professional fees | 60,335 | 102,704 |
| Rent (Note 9) | 22,066 | 2,500 |
| Transfer agent and filing fees | 17,138 | 15,962 |
| Travel and related costs | - | 10,568 |
| Website | - | 320,628 |
| **Loss before other items** | (261,448) | (919,454) |
| **OTHER ITEMS** | | |
| Foreign exchange loss | (1,418) | (14,691) |
| Loss on sale of TBwaP, Inc. (Note 1) | (343,983) | - |
| Write-off of assets (Note 5) | - | (1,216,905) |
| Other income | - | 123,498 |
| Interest expense | - | (10,155) |
| | (345,401) | (1,118,253) |
| **Loss and comprehensive loss for the year** | (606,849) | (2,037,707) |
| **Non-controlling interest** | - | 389,931 |
| **Loss and comprehensive loss for the year** | $ (606,849) | $ (1,647,776) |
| **Basic and diluted loss per common share** | $ (0.13) | $ (0.62) |
| **Weighted average number of common shares outstanding** | 4,585,660 | 2,651,110 |

**SCAVO RESOURCE CORP.**
(formerly Pure Living Media Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED MAY 31

| | 2012 | 2011 (Note 13) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the year | $ (606,849) | $ (2,037,707) |
| Items not affecting cash: | | |
| Amortization of equipment | - | 334 |
| Loss on sale of TBwaP, Inc. | 343,983 | - |
| Write-off of assets | - | 1,216,905 |
| Accretion of convertible debenture | - | 10,155 |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in receivables | 6,552 | (71,479) |
| (Increase) decrease in prepaids | (5,000) | 45,541 |
| Increase (decrease) in accounts payable and accrued liabilities | (31,792) | 66,634 |
| Increase (decrease) in due to related parties | (5,149) | 25,405 |
| Net cash used in operating activities | (298,255) | (744,212) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of exploration and evaluation assets | (70,000) | - |
| Net cash used in investing activities | (70,000) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from sale of TBwaP, Inc. | 10 | - |
| Share capital issued | 425,000 | 677,800 |
| Share issuance costs | (24,250) | (55,150) |
| Proceeds from loans received | 58,750 | - |
| Repayment of loans | (58,750) | - |
| Net cash provided by financing activities | 400,760 | 622,650 |
| **Change in cash for the year** | 32,505 | (121,562) |
| **Cash, beginning of year** | 36,155 | 157,717 |
| **Cash, end of year** | $ 68,660 | $ 36,155 |

**Supplemental disclosure with respect to cash flows** (Note 10)

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

**SCAVO RESOURCE CORP.**
(formerly Pure Living Media Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

| | Number of Common Shares | Share Capital Amount | Reserves | Deficit | Non-controlling interest | Total |
|---|---|---|---|---|---|---|
| **Balance, May 31, 2010** | 2,324,585 | $ 1,598,150 | $ 1,691,304 | $ (2,087,092) | $ - | $ 1,202,362 |
| Private placements | 479,650 | 677,800 | - | - | - | 677,800 |
| Share issuance costs | - | (55,150) | - | - | - | (55,150) |
| Shares issued to settle accounts payable | 28,000 | 56,000 | - | - | - | 56,000 |
| Shares issued to settle convertible debenture | 100,000 | 100,000 | - | - | - | 100,000 |
| Non-controlling interest | - | - | - | - | (384,622) | (384,622) |
| Loss for the year | - | - | - | (1,647,776) | - | (1,647,776) |
| **Balance, May 31, 2011** | 2,932,235 | 2,376,800 | 1,691,304 | (3,734,868) | (384,622) | (51,386) |
| Private placement | 8,500,000 | 425,000 | - | - | - | 425,000 |
| Share issuance costs | - | (24,250) | - | - | - | (24,250) |
| Non-controlling interest | - | - | - | - | 384,622 | 384,622 |
| Loss for the year | - | - | - | (606,849) | - | (606,849) |
| **Balance, May 31, 2012** | 11,432,235 | $ 2,777,550 | $ 1,691,304 | $ (4,341,717) | $ - | $ 127,137 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Scavo Resource Corp. (formerly Pure Living Media 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 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 consolidated 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.

During the year ended May 31, 2012, the Company consolidated its share capital on the basis of 20 old shares for one new share. All common share, per share, option, warrant and weighted average price amounts were restated to reflect this consolidation.

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.

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.

## 2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

**Statement of compliance**

These consolidated 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").

The Company's transition date to IFRS was June 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, "First-time adoption of International Financial Reporting Standards". In preparing the Company's first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles ("GAAP"). Historical results and balances have been restated under IFRS. These consolidated financial statements should be read in conjunction with the Company's May 31, 2011 GAAP annual consolidated financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 13. Certain disclosures that are required to be included in annual consolidated financial statements prepared in accordance with IFRS are not included in the Company's May 31, 2011 GAAP consolidated financial statements.

**Basis of consolidation and presentation**

These consolidated 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.

These consolidated financial statements include the accounts of the Company and its 51% owned US subsidiary, TBwaP, Inc., until March 23, 2012, when the Company sold its interest for $10. The Company recognized a net loss of $343,983 on disposition of its interest.

As at May 31, 2012, the Company no longer holds an interest in TBwaP, Inc. and has written off all intercompany advances to the consolidated statement of loss and comprehensive loss.

**Use of estimates**

The preparation of these consolidated 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.

## 2. BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS (cont'd…)

**Use of estimates** (cont'd…)

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its former subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss ("FVTPL")* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Financial instruments** (cont'd…)

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash as fair value through profit or loss, its receivables as loans and receivables and its accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### Equipment

Equipment, which was comprised of a computer, was recorded at cost, net of accumulated amortization. Amortization was calculated on an annual basis over the estimated useful life using the declining balance method at a rate of 30% per annum. During the year ended May 31, 2011, the net book value of $778 was written off to operations.

### Exploration and evaluation assets

*Pre-exploration costs*

Pre-exploration costs are expensed in the period in which they are incurred.

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "'mines under construction."

Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

### Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is evaluated at the cash generating unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of the CGU is the greater of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

As at May 31, 2012, the Company does not have any known rehabilitation obligations.

### Intangible assets

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

### Website development costs

Website development costs were stated at cost less accumulated amortization. Amortization commenced once the website had been completed. Website hosting and maintenance costs were charged to operations.

### Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The fair value of the options is recognized as an expense with a corresponding increase in equity.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Share-based payments** (cont'd…)

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted, and is recognized over the vesting period. The share-based payments are recorded as an operating expense with an offset to equity reserves. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as equity reserves are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**Loss per share**

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**New standards not yet adopted**

The Company is currently assessing whether or not the adoption of the following standards will have a material effect on the Company's future financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**New standards not yet adopted** (cont'd…)

*IFRS 9, "Financial Instruments"*

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

*IFRS 10, "Consolidated Financial Statements"*

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

*IFRS 11, "Joint Arrangements"*

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

*IFRS 12, "Disclosure of Interests in Other Entities"*

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**New standards not yet adopted** (cont'd…)

*IFRS 13, "Fair Value Measurement"*

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The new converged fair value framework is effective for annual periods beginning on or after January 1, 2013.

*IAS 28, "Investments in Associates and Joint Ventures" (Amended in 2011)*

IAS 28 (2011), "Investments in Associates and Joint Ventures", supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The amended standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities" and IAS 27 (2011), "Separate Financial Statements".

*IAS 32, "Financial Instruments: Presentation"*

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

## 4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

### 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.

### Purple Onion Claims

During the year ended May 31, 2012, and subject to regulatory approval, the Company entered into a purchase agreement to acquire the Purple Onion Claims in Northwest Territories, Canada. As consideration, the Company paid $70,000 and is required to issue 300,000 common shares (issued subsequent to May 31, 2012). 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 President is also the President and a director of the vendor, Coltstar Ventures Inc.

## 5. 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 59,915 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 6).

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.

## 6. 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 (Note 5). The debenture was unsecured, non-interest bearing, and would become payable and convertible on the date the Company completed a liquidity event (receipt of a net financing of $1,500,000 or more). Once convertible, the balance could be converted into the Company's common shares. Such a conversion would occur at the fair market value of the Company's stock, being the greater of the share price governing the liquidity event or the greater of the share price at the date of conversion or $1.00 per share. Any amount of the debenture outstanding on April 7, 2011 would be converted into the Company's common shares at the share price prevailing on April 11, 2011. As the loan was 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 of the discount.

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

## 7. SHARE CAPITAL AND RESERVES

**Authorized**

As at May 31, 2012, the authorized share capital of the Company is an unlimited number of common shares without par value.

**Share consolidation**

During the year ended May 31, 2012, the Company consolidated its share capital on the basis of 20 old shares for one new share.

**Private placements**

On March 21, 2012, the Company completed a private placement by issuing 8,500,000 units at a price of $0.05 per unit for gross proceeds of $425,000. Each unit consisted of one common share and one warrant enabling the holder to acquire an additional common share at $0.10 until March 21, 2014. A commission of 10% of the proceeds from certain investors, totalling $24,250, was paid.

On February 2, 2011, the Company completed a private placement by issuing 100,650 units at a price of $2.00 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 $3.00 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 97,500 units at a price of $2.00 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 $3.00 for one year. A commission of 10% of the proceeds from certain investors, totalling $17,000, was paid.

(Expressed in Canadian Dollars)

## 7. SHARE CAPITAL AND RESERVES (cont'd…)

**Private placements** (cont'd…)

On August 13, 2010, the Company completed a private placement by issuing 110,000 common shares at a price of $1.00 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 171,500 common shares at a price of $1.00 per share for gross proceeds of $171,500. A commission of 10% of the proceeds from certain investors, totalling $14,150, was paid.

**Escrow shares**

As at May 31, 2012, 209,305 (May 31, 2011 – 418,614) common shares are held in escrow.

## 8. 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, 2012, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

| Number of Shares | Exercise Price | Expiry Date |
|---|---|---|
| 12,500 | $ 5.20 | January 18, 2015 |
| 12,500 | 2.40 | May 20, 2015 |
| 25,000 | | |

(Expressed in Canadian Dollars)

## 8. STOCK OPTIONS AND WARRANTS (cont'd…)

**Stock options** (cont'd…)

Stock option transactions are summarized as follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, May 31, 2010 | 220,220 | $ | 3.60 |
| Options cancelled/expired | (33,970) | | 7.00 |
| Balance, May 31, 2011 | 186,250 | | 3.00 |
| Options cancelled/expired | (161,250) | | 2.96 |
| Balance, May 31, 2012 | 25,000 | $ | 3.80 |
| Number of options currently exercisable | 25,000 | $ | 3.80 |

**Warrants**

As at May 31, 2012, the Company had 8,500,000 outstanding share purchase warrants enabling the holders to acquire shares at $0.10 per share to March 21, 2014.

Warrant transactions are summarized as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| As at May 31, 2010 | 413,578 | $ | 6.20 |
| Issued | 226,150 | | 3.00 |
| Expired | (244,000) | | 6.00 |
| As at May 31, 2011 | 395,728 | | 4.60 |
| Issued | 8,500,000 | | 0.10 |
| Expired | (395,728) | | 4.60 |
| As at May 31, 2012 | 8,500,000 | $ | 0.10 |

**Share-based compensation**

For the year ended May 31, 2012, the Company recorded $Nil (May 31, 2011 - $Nil) as share-based compensation expense as no options were granted during the year.

(Expressed in Canadian Dollars)

## 9. RELATED PARTY TRANSACTIONS

During the years ended May 31, 2012 and 2011, the Company entered into the following transactions with related parties:

(a) The Company paid or accrued management fees of $60,000 (2011 - $30,000) and rent of $2,000 (2011 - $6,500) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer and director of the Company.

(b) The Company paid or accrued management fees of $60,000 (2011 - $Nil) and rent of $22,066 (2011 - $Nil) to Raincoast Capital Inc., a company controlled by the President and director of the Company.

(c) The Company paid or accrued $Nil (2011 - $54,300) in commissions and administrative fees to former directors of TBwaP, Inc.

(d) The Company received $Nil (2011 - $30,961) in other income from companies controlled by a former director of TBwaP, Inc.

(e) The Company wrote-off $Nil (2011 - $65,066) in receivables owed by a former director of TBwaP, Inc.

(f) The Company paid or accrued consulting fees of $5,000 (2011 - $Nil) to a director of the Company.

(g) The Company paid or accrued administrative fees of $28,000 (2011 - $Nil) to the Company's corporate secretary.

The Company acquired an option to purchase the Purple Onion Claims from a company with a common director (Note 4).

As at May 31, 2012 $25,851 (May 31, 2011 - $31,000; June 1, 2010 - $5,595) is owed to companies controlled by directors of the Company.

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

## 10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | 2012 | 2011 |
|---|---|---|
| Cash paid during the year for interest | $ - | $ - |
| Cash paid during the year for income taxes | $ - | $ - |

There were no significant non-cash investing and financing transactions during the year ended May 31, 2012.

(Expressed in Canadian Dollars)

## 10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

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

a) issuing 28,000 common shares valued at $56,000 to settle accounts payable and accrued liabilities totaling $56,000; and

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

## 11. INCOME TAXES

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

| | 2012 | 2011 |
|---|---|---|
| Loss for the year | $ (606,849) | $ (1,647,776) |
| Expected income tax (recovery) | $ (157,000) | $ (456,000) |
| Change in statutory tax rates and other | 6,000 | 44,000 |
| Permanent differences | (8,000) | 73,000 |
| Share issue costs | (6,000) | (14,000) |
| Change in unrecognized deductible temporary differences | 165,000 | 353,000 |
| Total income tax expense (recovery) | $ - | $ - |

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

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

| | 2012 | 2011 |
|---|---|---|
| Deferred tax assets (liabilities): | | |
| Share issue costs | $ 31,000 | $ 44,000 |
| Allowable capital losses | 94,000 | - |
| Non-capital losses available for future periods | 822,000 | 738,000 |
| | 947,000 | 782,000 |
| Unrecognized deferred tax assets | (947,000) | (782,000) |
| Net deferred tax assets | $ - | $ - |

(Expressed in Canadian Dollars)

## 11. INCOME TAXES (cont'd…)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

| | 2012 | 2011 | Expiry Date Range 2011 |
|---|---|---|---|
| Temporary differences: | | | |
| Share issue costs | $ 125,000 | $ 176,000 | 2033 - 2036 |
| Allowable capital losses | 375,000 | - | No expiry date |
| Non-capital losses available for future periods | $ 3,289,000 | $ 2,952,000 | 2014 - 2032 |

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

## 12. 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 and amounts due to related parties 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:

<u>Credit Risk</u>

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.

<u>Liquidity Risk</u>

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2012, the Company had cash balances of $68,660 (May 31, 2011 - $36,155; June 1, 2010 - $147,717) and current liabilities of $28,855 (May 31, 2011 - $106,425; June 1, 2010 - $165,540).

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.

## 12. 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.

## 13. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these consolidated financial statements are for the Company's first annual financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the years ended May 31, 2012 and 2011 and the opening IFRS consolidated statement of financial position as at June 1, 2010, the Transition Date.

In preparing the opening IFRS consolidated statement of financial position and the consolidated financial statements for the year ended May 31, 2011, the Company has reviewed amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;

b) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and

c) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of June 1, 2010 are consistent with its GAAP estimates for the same date.

(Expressed in Canadian Dollars)

## 13. FIRST TIME ADOPTION OF IFRS (cont'd…)

The adoption of IFRS has not resulted in any adjustments to these balances as reported previously under GAAP. Further, the Company's transition to IFRS had no effect on previously reported cash flows.

| | June 1, 2010 | May 31, 2011 |
|---|---|---|
| **Equity (deficiency) under Canadian GAAP** | $ 1,202,362 | $ (51,386) |
| **Equity (deficiency) under IFRS** | $ 1,202,362 | $ (51,386) |

| | Year ended May 31, 2011 |
|---|---|
| **Loss and comprehensive loss under Canadian GAAP** | $ (2,037,707) |
| **Loss and comprehensive loss under IFRS** | $ (2,037,707) |

## 14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to May 31, 2012, the Company:

a) issued 780,000 common shares for total proceeds of $78,000 pursuant to the exercise of share purchase warrants; and

b) issued 300,000 common shares pursuant to the purchase agreement to acquire the Purple Onion Claims in the Northwest Territories (Note 4).

## Schedule B

## UNAUDITED QUARTERLY FINANCIAL STATEMENTS OF PUBCO

# SCAVO RESOURCE CORP.

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

## FOR THE NINE MONTHS ENDED FEBRUARY 28, 2015

**These unaudited condensed interim financial statements of Scavo Resource Corp. for the nine months ended February 28, 2015 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)

| | February 28, 2015 | May 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 198,592 | $ 249,513 |
| Receivables | 1,860 | 1,939 |
| **Total current assets** | 200,452 | 251,452 |
| **Exploration and evaluation assets** (Note 4) | - | 252,587 |
| **Total assets** | $ 200,452 | $ 504,039 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 762 | $ 221 |
| Due to related parties (Note 7) | 50,000 | - |
| **Total liabilities** | 50,762 | 221 |
| **Shareholders' equity** | | |
| Share capital (Note 5) | 3,352,050 | 3,352,050 |
| Reserves (Note 5) | 1,691,304 | 1,691,304 |
| Deficit | (4,893,664) | (4,539,536) |
| | 149,690 | 503,818 |
| **Total liabilities and shareholders' equity** | $ 200,452 | $ 504,039 |

**Nature and continuance of operations** (Note 1)
**Events subsequent to the reporting period** (Note 10)

**Approved and authorized on behalf of the Board on March 27, 2015:**

*"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 February 28, 2015 | Three Months Ended February 28, 2014 | Nine Months Ended February 28, 2015 | Nine Months Ended February 28, 2014 |
|---|---|---|---|---|
| **OPERATING EXPENSES** | | | | |
| Consulting fee | $ 10,000 | $ - | $ 10,000 | $ - |
| Impairment of exploration and evaluation assets (Note 4) | 252,637 | - | 252,637 | - |
| Management fee (Note 7) | 30,000 | - | 50,000 | - |
| Office and miscellaneous | 6 | 743 | 1,799 | 2,272 |
| Professional fees | 600 | 1,065 | 14,584 | 22,947 |
| Rent (Note 7) | 3,750 | 3,500 | 11,250 | 9,750 |
| Transfer agent and filing fees | 5,323 | 4,356 | 13,858 | 12,313 |
| **Loss and comprehensive loss for the period** | $ (302,316) | $ (9,664) | $ (354,128) | $ (47,282) |
| **Basic and diluted loss per common share** | $ (0.02) | $ (0.00) | $ (0.02) | $ (0.00) |
| **Weighted average number of common shares outstanding** | 16,727,236 | 14,332,401 | 16,727,236 | 13,938,993 |

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)

| | Nine Months Ended February 28, 2015 | Nine Months Ended February 28, 2014 |
|---|---|---|
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | |
| Loss for the period | $ (354,128) | $ (47,282) |
| Item not involving cash: | | |
| Impairment of exploration and evaluation assets | 252,637 | 13,487 |
| Changes in non-cash working capital items: | | |
| Decrease in receivables | 79 | 13,487 |
| Increase in accounts payable and accrued liabilities | 541 | 87 |
| Increase (Decrease) in due to related parties | 50,000 | (15,000) |
| Net cash used in operating activities | (50,871) | (48,708) |
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | |
| Exploration expenditures | (50) | (23,043) |
| Net cash used in investing activities | (50) | (23,043) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Loan proceeds | - | 20,000 |
| Share capital issued | - | 260,410 |
| Net cash provided by financing activities | - | 280,410 |
| **Change in cash for the period** | (50,921) | 208,659 |
| **Cash, beginning of period** | 249,513 | 25,718 |
| **Cash, end of period** | $ 198,592 | $ 234,377 |

**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 |
| Exercise of warrants | 2,604,101 | 260,410 | - | - | 260,410 |
| Loss for the period | - | - | - | (47,282) | (47,282) |
| **Balance, February 28, 2014** | 16,296,336 | 3,308,960 | 1,691,304 | (4,531,870) | 468,394 |
| Exercise of warrants | 430,900 | 43,090 | - | - | 43,090 |
| Loss for the period | - | - | - | (7,666) | (7,666) |
| **Balance, May 31, 2014** | 16,727,236 | 3,352,050 | 1,691,304 | (4,539,536) | 503,818 |
| Loss for the period | - | - | - | (354,128) | (354,128) |
| **Balance, February 28, 2015** | 16,727,236 | $ 3,352,050 | $ 1,691,304 | $ (4,893,664) | $ 149,690 |

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

## 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.

## 2. BASIS OF PREPARATION

### Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended May 31, 2014.

### 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 period.

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 valuation 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.

## 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 February 28, 2015 reporting period. These standards will 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) IAS 24, Related Party Transactions

IAS 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.

(Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

**Future changes in accounting policies** *(cont'd…)*

(g) 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.

## 4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

| | *Purple Onion Claims* |
|---|---|
| Balance, May 31, 2013 | $ 229,544 |
| Government filing fees | 22,536 |
| Project management | 507 |
| Balance, May 31, 2014 | 252,587 |
| Government filing fees | 50 |
| Impairment of mineral properties | (252,637) |
| **Balance, February 28, 2015** | **$ -** |

**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.).

In January 2015, the Company decided not to proceed with the further exploration of the Purple Onion Claims and has allowed the claims to expire. Accordingly, the Company wrote off the mineral properties as impairment during the nine month period ended February 28, 2015.

(Expressed in Canadian Dollars)

## 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 February 28, 2015, the Company has 16,727,236 (May 31, 2014 – 16,727,236) common shares outstanding.

There were no share issuances during the nine months ended February 28, 2015.

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.

Stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance, May 31, 2013 and 2014 | 25,000 | $ 3.80 |
| Expired | (12,500) | 5.20 |
| Balance, February 28, 2015 | 12,500 | $ 2.40 |
| Exercisable, at February 28, 2015 | 12,500 | $ 2.40 |

As at February 28, 2015, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 12,500 | $ 2.40 | May 20, 2015 |

(Expressed in Canadian Dollars)

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

**Warrants**

As at February 28, 2015, 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 | (3,504,999) | | 0.10 |
| As at May 31, 2014 and February 28, 2015 | - | $ | - |

## 7. RELATED PARTY TRANSACTIONS

During the nine months ended February 28, 2015, the Company entered into the following transactions with related parties:

(a) The Company paid rent of $11,250 (2014 - $9,750) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer and director of the Company.

(b) The Company accrued management fees of $50,000 (2014 - $Nil) to the Chief Executive Officer ("CEO") of the Company. As at February 28, 2015, $50,000 (May 31, 2014 - $Nil) is owed to the CEO of the Company.

Amounts due to related parties were due to a company controlled by an officer, were unsecured, were non-interest bearing and had no specific terms of repayment.

## 8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash investing or financing transactions during the nine months ended February 28, 2015 and February 28, 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 and due to related parties 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 February 28, 2015, the Company had a cash balance of $198,592 (May 31, 2014 - $249,513) and current liabilities of $50,762 (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.

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.

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

*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.

## 10. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On March 24, 2015, the Company entered into an agreement with Brabeia Inc. ("Brabeia"), a private British Columbia company which has developed a fully-interactive contest marketing platform, to acquire all of Brabeia's issued and outstanding common shares in exchange for 25,800,000 common shares of the Company (the "Transaction"). Upon closing of the Transaction, 2,580,000 common shares will be issued to the shareholders of Brabeia while the remaining 23,220,000 shares will be issued in four equal tranches upon Brabeia achieving certain revenue based performance milestones.

In conjunction with the Transaction, the Company intends to undertake a private placement to raise an estimated $1,000,000 (the "Placement"). The Placement will close in two tranches of $500,000, the first of which will close on or before the closing of the Transaction, and the second of which will close six months afterwards.

The Company also intends to make a $100,000 interest free demand loan to Brabeia for an audit of its financial statements, expenses related to attending certain conferences and expenses relating to the sales of Brabeia's product.

The Transaction is subject to a number of closing conditions, including satisfactory completion of due diligence by the Company, regulatory and shareholder approval, and receipt of approval from the Canadian Securities Exchange.

## Schedule C

## AUDITED FINANCIAL STATEMENTS OF BRABEIA FOR THE PERIODS ENDED MARCH 31, 2015 AND JUNE 30, 2014

# Brabeia Inc.
## Financial Statements
*March 31, 2015*

## Management's Responsibility

To the Shareholders of Brabeia Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 29, 2015

Chief Executive Officer

## Independent Auditors' Report

To the Shareholders of Brabeia Inc.:

We have audited the accompanying financial statements of Brabeia Inc., which comprise the statement of financial position as at March 31, 2015, June 30, 2014 and July 1, 2013, and the statements of loss and other comprehensive loss, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of Brabeia Inc. as at March 31, 2015, June 30, 2014 and July 1, 2013 and its financial performance, the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 concerning the Company's ability to continue as a going concern. In order to continue operations for the next 12 months the Company is dependent upon raising additional finance. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Abbotsford, British Columbia

May 29, 2015

MNP LLP
Chartered Accountants

# Brabeia Inc.
## Statement of Financial Position
*As at March 31, 2015, June 30, 2014 and July 1, 2013*

| | *March 31* **2015** | *June 30* *2014* | *July 1* *2013* |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | **82,123** | - | 8,650 |
| Marketable securities | **11,462** | 11,462 | - |
| Accounts receivable | **68,761** | 23,887 | 12,759 |
| Prepaid expenses | **3,294** | 13,250 | - |
| Receivable from shareholders | **-** | - | 6,268 |
| | **165,640** | 48,599 | 27,677 |
| **Non-current** | | | |
| Property and equipment *(Note 6)* | **7,231** | 6,490 | - |
| **Total assets** | **172,871** | 55,089 | 27,677 |
| **Liabilities** | | | |
| **Current** | | | |
| Cheques issued in excess of funds on deposit | **-** | 10,590 | - |
| Accounts payable and accrued liabilities *(Note 7)* | **67,131** | 96,195 | 350 |
| Payable to shareholders *(Note 8)* | **157,690** | 60,186 | - |
| Note payable *(Note 9)* | **100,000** | - | - |
| **Total liabilities** | **324,821** | 166,971 | 350 |
| **Events after the reporting period** *(Note 14)* | | | |
| **Equity** | | | |
| **Share capital** *(Note 10)* | | | |
| Common shares | **746,351** | 427,851 | 49,000 |
| **Deficit** | **(898,301)** | (539,733) | (21,673) |
| **Total equity** | **(151,950)** | (111,882) | 27,327 |
| **Total liabilities and equity** | **172,871** | 55,089 | 27,677 |

**Approved on behalf of the Board**

J. Watt

**Director**

Kim Harst

**Director**

*The accompanying notes are an integral part of these financial statements*

# Brabeia Inc.
## Statement of Loss and Other Comprehensive Loss
*For the periods ended March 31, 2015 and June 30, 2014*

| | ***9 Months Ended March 31 2015*** | *12 Months Ended June 30 2014* |
|---|---|---|
| **Revenues** | **82,425** | 93,608 |
| **General and administrative expenses** | | |
| Advertising and promotion | **11,628** | 8,424 |
| Automotive | **127** | 699 |
| Bad debts | **4,500** | - |
| Business taxes and licences | **1,705** | 6,208 |
| Depreciation | **2,290** | 1,527 |
| Insurance | **-** | 1,775 |
| Interest and bank charges | **3,442** | 2,439 |
| Management fees *(Note 13)* | **97,138** | 8,558 |
| Meals and entertainment | **1,678** | 8,545 |
| Miscellaneous | **1,523** | 188 |
| Office | **19,666** | 22,051 |
| Professional fees | **1,200** | 145,287 |
| Rental | **59,281** | 29,740 |
| Repairs and maintenance | **6,601** | - |
| Salaries, wages and benefits | **51,538** | 80,739 |
| Sub-contracts | **13,475** | 170,479 |
| Telephone, fax and internet | **9,699** | 2,597 |
| Training and education | **1,698** | - |
| Travel | **11,845** | 911 |
| Utilities | **2,607** | 1,464 |
| Web design and development | **141,382** | 120,037 |
| | **443,023** | 611,668 |
| **Operating loss** | **(360,598)** | (518,060) |
| **Other income** | | |
| Foreign exchange gain | **2,030** | - |
| **Loss and comprehensive loss for the period** | **(358,568)** | (518,060) |

# Brabeia Inc.
## Statement of Changes in Equity
*For the periods ended March 31, 2015 and June 30, 2014*

| | *Share capital* | *Deficit* | *Total equity* |
|---|---|---|---|
| **Balance June 30, 2013** | **49,000** | **(21,673)** | **27,327** |
| Net loss for the year | **-** | **(518,060)** | **(518,060)** |
| Issuance of shares, net of issue costs | **378,851** | **-** | **378,851** |
| **Balance June 30, 2014** | **427,851** | **(539,733)** | **(111,882)** |
| Net loss for the period | **-** | **(358,568)** | **(358,568)** |
| Issuance of shares, net of issue costs | **318,500** | **-** | **318,500** |
| **Balance March 31, 2015** | **746,351** | **(898,301)** | **(151,950)** |

| | ***9 Months Ended March 31 2015*** | *12 Months Ended June 30 2014* |
|---|---|---|
| **Cash provided by (used for) the following activities** | | |
| **Operating activities** | | |
| Loss for the period | **(358,568)** | (518,060) |
| Depreciation | **2,290** | 1,527 |
| | **(356,278)** | (516,533) |
| Changes in working capital accounts | | |
| Accounts receivable | **(44,871)** | (11,126) |
| Prepaid expenses | **9,955** | (13,250) |
| Accounts payable and accrued liabilities | **(29,066)** | 95,845 |
| | **(420,260)** | (445,064) |
| **Financing activities** | | |
| Amounts advanced from shareholders | **97,504** | 66,453 |
| Proceeds from issuance of common shares, net of issue costs | **318,500** | 378,851 |
| Note payable | **100,000** | - |
| | **516,004** | 445,304 |
| **Investing activities** | | |
| Purchase of marketable securities | **-** | (11,462) |
| Purchases of property and equipment | **(3,031)** | (8,018) |
| | **(3,031)** | (19,480) |
| **Increase (decrease) in cash resources** | **92,713** | (19,240) |
| **Cash resources (deficiency), beginning of year** | **(10,590)** | 8,650 |
| **Cash resources (deficiency), end of year** | **82,123** | (10,590) |

## 1. Reporting entity

Brabeia Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on May 8, 2013. The Company is domiciled in Canada.

The Company provides a fully interactive contest-marketing platform which offers a suite of tools that customers can use to create, launch, promote and manage contests and sweepstakes. The Company also offers social media marketing and web design services.

The address of the Company's registered office is 1174 Fir Street, White Rock, BC.

### Going Concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

The fiscal 2015 period-end covers a period from July 1, 2014 to March 31, 2015. The amounts presented in the financial statements are not entirely comparable.

## 2. Basis of presentation

***Basis of measurement***

The financial statements have been prepared in the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in Note 5.

***Functional and presentation currency***

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

***Significant accounting judgments, estimates and assumptions***

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the disclosure of contingent liabilities, and the Company's ability to continue as a going concern, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

**2. Basis of presentation** *(Continued from previous page)*

***Useful lives of property and equipment***

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset’s performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

***Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

**3. Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”). This is the first time the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Policies (“GAAP”). IFRS 1 *First Time Adoption of International Financial Reporting Standards* (“IFRS 1”) has been applied in preparing these financial statements.

The effects of the transition from GAAP to IFRS on the Company’s reported financial position, financial performance and cash flows, are set out in Note 4.

**4. Impact of adopting International Financial Reporting Standards**

As stated in Note 3, these are the Company’s first financial statements prepared in accordance with IFRS.

The accounting policies in Note 5 have been applied in preparing the financial statements for the period ended March 31, 2015, and for the period ended March 31, 2014, and the opening IFRS balance sheet as at July 1, 2013 (the Company’s date of transition to IFRS).

The adoption of IFRS had no impact on the previously reported assets, liabilities and equity of the Company, and accordingly no adjustments have been recorded in the statement of financial position, statement of comprehensive loss and deficit, changes in equity and cash flows. Certain of the Company's disclosures included in these financial statements reflect the new disclosure requirements of IFRS.

## 5. Summary of significant accounting policies

The principle accounting policies adopted in the preparation of these financial statements are set out below.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and short-term highly liquid investments with original maturities of 90 days or less that are readily convertible into to known amounts of cash and which are subject to an insignificant risk of changes in value.

***Marketable securities***

Marketable securities are classified at fair value through profit (loss).

***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated over their estimated useful lives using the declining balance method per annum.

The depreciation rates applicable for each class of asset during the current and comparative period are as follows:

| | ***Rate*** |
|---|---|
| Computer equipment | 55 % |
| Furniture and equipment | 20 % |

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

***Intangible assets***

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Development costs are expensed as incurred unless they meet the criteria to be recognized as internally-generated intangible assets in accordance with the guidance in IAS 38 *Intangible Assets*.

Subsequent to initial recognition, internally-generated intangible assets are recognized at cost less accumulated amortization and accumulated impairment losses.

Other acquired intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible asset with indefinite useful lives are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

**5. Summary of significant accounting policies** *(Continued from previous page)*

***Impairment of property and equipment & intangible assets***

Property and equipment and intangible assets with finite lives are tested for recoverability whenever events or changes in circumstances indicate a possible impairment. Impairment is assessed and tested at the cash generating unit ("CGU") level, which is the smallest identifiable group of assets that generates independent cash inflows. An impairment of property and equipment and intangible assets with finite lives is recognized in earnings when the asset's carrying value exceeds it recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. Where fair value less costs of disposal is not reliably available, value in use is used as the recoverable amount.

An impairment charge may be reversed only if there is objective evidence that a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized is warranted. Where an impairment charge is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the revised recoverable amount to the extent that it does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods. A reversal of an impairment charge is recognized immediately in earnings. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

***Revenue recognition***

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

Contest marketing and social media service revenue is recognized by the stage of completion at the report date. Stage of completion is measured using the straightline basis each month over the life of the service contract. Software licensing revenue is recognized on a straightline basis over the term of the licensing contract.

The fixed portion of web design services revenue is recognized ratably over the contract period, while revenue for the variable portion of web design services is recognized as earned.

***Income taxes***

Tax expense is comprised of current and deferred tax. Tax expense is recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity.

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using rates enacted or substantially enacted at the year end, and includes any adjustments to tax payable in respect of previous years.

***Deferred taxes***

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

**5. Summary of significant accounting policies** *(Continued from previous page)*

Deferred tax assets and liabilities are offset when: (a) the Company has a legally enforceable right to set off; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Any changes in deferred tax assets or liabilities are recognized as part of tax expense or income in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

***Financial instruments***

***Financial assets at fair value through profit or loss:***

The Company has classified the following financial assets at fair value through profit (loss): cash and cash equivalents and marketable securities.

The Company has designated the above assets on initial recognition at fair value through profit (loss). The Company's financial assets at fair value through profit (loss) are initially recognized at their fair value. Fair value is determined by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

Financial assets at fair value through profit (loss) are subsequently measured at their fair value. Net gains and losses arising from changes in fair value and are recognized immediately in profit (loss).

**Loans and receivables:**

The Company has classified the following financial assets as loans and receivables: accounts receivable. These assets are initially recognized at their fair value. Fair value is determined by reference to recent arm's length market transactions for the same instrument or approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

**Financial liabilities measured at amortized cost:**

The Company has classified the following financial liabilities measured at amortized cost: accounts payable and accrued liabilities, note payable and payable to shareholders. These liabilities are initially recognized at their fair value. Fair value is determined by reference to recent arm's length market transactions for the same instrument approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

**5. Summary of significant accounting policies** *(Continued from previous page)*

**Fair value hierarchy**

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of financial instruments was as follows:

| March 31, 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and cash equivalents | $82,123 | - | - | $82,123 |
| Marketable securities | $11,462 | - | - | $11,462 |

There were no transfers between the levels during the period.

| June 30, 2014 | | | | |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and cash equivalents | $nil | - | - | $nil |
| Marketable securities | $11,462 | - | - | $11,462 |

There were no transfers between the levels during the period.

***Standards issued but not yet effective***

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at March 31, 2015 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

***IFRS 9 Financial instruments***

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: recognition and measurement*. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of profit or loss. This new standard will also impact disclosures provided under IFRS 7 *Financial instruments: disclosures*. The Company is currently assessing the impact of this standard on its financial statements.

***IFRS 15 Revenue from contracts with customers***

IFRS 15, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – barter transactions involving advertising services*. The standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

1. Identify the contract(s) with the customer.
2. Identify the performance obligation(s) in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each performance obligation in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

## 5. Summary of significant accounting policies *(Continued from previous page)*

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company has not yet determined the impact of this standard on its financial statements.

***IAS 24 Related party disclosures***

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

## 6. Property and equipment

| | ***March 31 2015*** | *June 30 2014* | *July 1 2013* |
|---|---|---|---|
| Cost | **11,048** | 8,017 | - |
| Accumulated depreciation | **3,817** | 1,527 | - |
| | **7,231** | 6,490 | - |
| Computer equipment | **1,465** | 3,004 | - |
| Furniture and fixtures | **5,766** | 3,486 | - |
| | **7,231** | 6,490 | - |

| | ***Computer equipment*** | ***Furniture and equipment*** | ***Total*** |
|---|---|---|---|
| **Cost** | | | |
| Balance at the beginning of the period | **4,144** | **3,873** | **8,017** |
| Additions | **-** | **3,031** | **3,031** |
| Balance at the end of the period | **4,144** | **6,904** | **11,048** |

| | ***Computer equipment - accumulated amortization*** | ***Office equipment - accumulated amortization*** | ***Total*** |
|---|---|---|---|
| **Depreciation** | | | |
| Balance at the beginning of the period | **1,140** | **387** | **1,527** |
| Depreciation charge for the year | **1,539** | **751** | **2,290** |
| Balance at the end of the period | **2,679** | **1,138** | **3,817** |

**7. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are government remittances payable in the amount of $26,655 (2014 - $26,324).

**8. Payable to shareholders**

The amounts payable to shareholders are without interest or fixed terms of repayment and due on demand.

**9. Note payable**

Payable to Scavo Resource Corp., non-interest bearing, secured against all present and after-acquired personal property, due on demand.

**10. Share capital**

As at March 31, 2015, the authorized share capital comprised an unlimited number of Class A voting participating, Class B non-voting participating and Class C non-voting participating common shares. The common shares do not have a par value. All issued shares are fully paid.

During the periods, the Company had the following share transactions:

***June 30, 2014***

Issued 378,851 Class B common shares for gross proceeds of $378,851

Exchanged 100 Class A common shares with a paid-up capital of $10,000 for 1,000,000 Class C common shares

***March 31, 2015***

Issued 318,500 Class B common shares for gross proceeds of $318,500

The Company's capital consists of amounts payable to shareholders and share capital. The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern and to provide an adequate return to shareholders.

## 11. Financial instruments

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

***Fair value of all financial assets and liabilities approximate carrying amounts***

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and note payable approximates their fair values due to their short term nature.

***Credit risk***

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

The aging of trade accounts receivable as at March 31, 2015 was as follows (the aging days relates to balances past due):

| | Total | Current and <60 days | 60 + days |
|---|---|---|---|
| Trade accounts receivable | $47,514 | $35,817 | $11,697 |

A credit concentration exists relating to trade accounts receivable. As at March 31, 2015, three customers accounted for 89% of trade accounts receivable.

The aging of trade accounts receivable as at June 30, 2014 was as follows (the aging days relates to balances past due):

| | Total | Current and <60 days | 60 + days |
|---|---|---|---|
| Trade accounts receivable | $7,317 | $5,327 | $1,990 |

A credit concentration exists relating to trade accounts receivable. As at June 30, 2014, two customers accounted for 97% of trade accounts receivable.

## 12. Income tax

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) as at March 31, 2015, June 30, 2014 and July 1, 2013 are comprised of the following:

| | ***March 31 2015*** | *June 30 2014* | *July 1 2013* |
|---|---|---|---|
| Property and equipment | **35,807** | 16,411 | - |
| Cumulative eligible capital | **372** | 372 | - |
| Non-capital loss carry forward | **84,163** | 55,266 | 2,926 |
| Deferred tax asset not recognized | **(120,342)** | (72,049) | (2,926) |
| **Net deferred income taxes** | **-** | - | - |

The deferred tax assets have not been recognized because at this stage in the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations for the periods ended March 31, 2015, June 30, 2014 and July 1, 2013:

| | ***March 31 2015*** | *June 30 2014* | *July 1 2013* |
|---|---|---|---|
| Loss and comprehensive loss before taxes | **(358,568)** | (518,060) | (21,673) |
| Income tax recovery calculated at the statutory rate - 13.5% | **(48,406)** | (69,938) | (2,926) |
| Non-deductible items | **113** | 815 | - |
| Change in deferred tax assets not recognized | **48,293** | 69,123 | 2,926 |
| Total income tax expense (recovery) | **-** | - | - |

The Company has non-capital loss carryforwards of approximately $623,428 (2014- $409,374) which may be carried forward to apply against future years income for Canadian tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| | |
|---|---|
| 2033 | $21,673 |
| 2034 | $387,700 |
| 2035 | $214,055 |

## 13. Related party transactions

Key management compensation includes the Company's directors and members of the Executive. Compensation awarded to key management from continuing operations included:

| | 2015 | 2014 |
|---|---|---|
| Salaries, management fees, expense reimbursements and short term benefits | $97,138 | $8,558 |

## 14. Events after the reporting period

Subsequent to the reporting date, a certain shareholder exchanged $75,000 of shareholder loan payable for 75,000 Class B shares. A certain shareholder also surrendered 50,000 Class C shares for gross proceeds of $500.

## Schedule D

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS OF PUBCO FOR THE YEAR ENDED MAY 31, 2014 AND NINE MONTHS ENDED FEBRUAY 28, 2015

**SCAVO RESOURCE CORP.**
**Management Discussion and Analysis**
**For the Year Ended May 31, 2014**

This discussion and analysis of financial position and results of operations ("MD&A") is prepared as at July 18, 2014 and should be read in conjunction with the audited financial statements for the years ended May 31, 2014 and 2013 of Scavo Resource Corp. (the "Company") with the related notes thereto. Those financial statements 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"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

**Description of Business**

The Company was incorporated under the Business Corporations Act (British Columbia) on January 16, 2007 and 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. Effective February 24, 2011, the Company changed its name to Pure Living Media Inc. On August 16, 2012, the Company changed its name to Scavo Resource Corp.

**Overall Performance**

During the year ended May 31, 2014, the Company issued 3,035,001 common shares pursuant to the exercise of warrants for total proceeds of $303,500.

During the year ended May 31, 2013, the Company completed the acquisition of the Purple Onion Claims in 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, Coltstar Ventures Inc.

During the year ended May 31, 2013, the Company paid Aurora Geosciences Ltd. $84,544 to prepare a NI 43-101 compliant technical report on the property.

During the year ended May 31, 2013, the Company issued 1,960,000 common shares pursuant to the exercise of warrants for total proceeds of $196,000.

**Future Plans and Outlook**

Given current market conditions, the Company has significantly reduced overhead costs going forward. The Company is dependent on its ability to finance its operations through financing activities which may include issuances of additional debt or equity securities. These measures will enable the Company to maintain operations and, at the same time, maintain its management team.

During the year ended May 31, 2013, the Company acquired the Purple Onion Claims in Northwest Territories, Canada. The Company is now a junior exploration company.

**Selected Annual Financial Information**

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the consolidated financial statements.

| | Year Ended May 31, 2014 | Year Ended May 31, 2013 | Year Ended May 31, 2012 |
|---|---|---|---|
| Interest and other income | $ - | $ - | $ - |
| Loss for the year | (54,948) | (142,871) | (606,849) |
| Basic and diluted loss per common share | (0.00) | (0.01) | (0.13) |
| Total assets | 504,039 | 270,513 | 155,992 |
| Total long-term liabilities | - | - | - |
| Cash dividends | - | - | - |

**Basis of preparation**

The financial information for the years ended May 31, 2014, 2013 and 2012 have been prepared using accounting policies consistent with IFRS as issued by the IASB and Interpretations issued by the IFRIC.

**Results of Operations**

The Company recorded a loss of $54,948 for the year ended May 31, 2014 compared to a loss of $142,871 during the comparative year ended May 31, 2013. The decrease in loss of $87,923 from the prior comparative year was due mainly to decreases in administration fees (2014 - $Nil; 2013 - $12,250), management fees (2014 - $Nil; 2013 - $30,000), and professional fees ( 2014 - $23,751; 2013 - $62,368) These expense reductions were the result of management's plan to reduce overhead costs.

The Company recorded a loss of $142,871 for the year ended May 31, 2013 compared to a loss of $606,849 during the comparative year ended May 31, 2012. The decrease in loss of $463,978 from the prior comparative year was due mainly to decreases in administration fees (2013 - $12,250; 2012 - $28,000), management fees (2013 - $30,000; 2012 - $120,000), and loss on the sale of TBwaP ( 2013 - $Nil; 2012 - $343,983) These expense reductions were the result of the winding down of the Company's former subsidiary's operations in prior years.

**Quarterly Information**

| | Three months Ended May 31, 2014 | Three months Ended Feb 28, 2014 | Three months Ended Nov 30, 2013 | Three months Ended Aug 31, 2013 |
|---|---|---|---|---|
| Total Assets | $ 504,039 | $ 488,728 | $ 268,026 | $ 259,174 |
| Working Capital | 251,231 | 215,807 | 3,104 | 14,320 |
| Net Loss for the period | (7,666) | (9,664) | (26,216) | (11,402) |
| Net Loss per share | (0.00) | (0.00) | (0.00) | (0.00) |

| | Three months Ended May 31, 2013 | Three months Ended Feb 28, 2013 | Three months Ended Nov 30, 2012 | Three months Ended Aug 31, 2012 |
|---|---|---|---|---|
| Total Assets | $ 270,513 | $ 278,624 | $ 283,620 | $ 273,160 |
| Working Capital | 25,722 | 32,879 | 8,756 | 15,408 |
| Net Loss for the period | (7,157) | (10,877) | (69,108) | (55,729) |
| Net Loss per share | (0.00) | (0.00) | (0.01) | (0.01) |

**Quarterly comparisons**

During the three months ended May 31, 2014, the Company recorded a loss of $7,666, which was comparable to the loss of $9,664 incurred during the prior quarter. There were no significant changes. During the three months ended February 28, 2014, the Company recorded a loss of $9,664, which was comparable to the loss of $26,216 incurred during the prior quarter. There were no significant changes. During the three months ended November 30, 2013, the Company recorded a loss of $26,216, which was comparable to the loss of $11,402 incurred during the prior quarter. There were no significant changes. During the three months ended August 31, 2013, the Company recorded a loss of $11,402, which was comparable to the loss of $7,157 incurred during the prior quarter. During the three months ended May 31, 2013, the Company recorded a loss of $7,157, which was comparable to the loss of $10,877 incurred during the prior quarter. There were no significant changes. During the three months ended February 28, 2013, the Company recorded a loss of $10,877, which was a decrease of $58,231 from the previous quarter. The decrease was due to a decline in professional fees incurred from $55,088 to $5,853. During the three months ended November 30, 2012, the Company recorded a loss of $69,108, which was an increase of $13,379 from the previous quarter. There were no major differences between the two quarters. A loss of $55,729 was recorded during the quarter ended August 31, 2012. This was a decrease of $389,874 from the loss of $445,603 recorded in the prior quarter. The decrease was mostly due to the loss on sale of TBwaP of $343,983 incurred during the prior quarter.

**Liquidity and capital resources**

The Company commenced fiscal 2014 with working capital of $25,722 and cash of $25,718. As at May 31, 2014, the Company had working capital of $251,231 and cash of $249,513. Operating expenditures incurred during the year ended May 31, 2014 were primarily funded from the cash on hand at May 31, 2013, and from the exercise of 3,035,001 warrants for total proceeds of $303,500.

The Company will need to raise funds through debt or equity offerings in order to have sufficient working capital to sustain its operations for the 2015 fiscal year.

**Related party transactions**

During the year ended May 31, 2014, the Company entered into the following transactions with related parties:

(a) The Company paid or accrued management fees of $Nil (2013 - $15,000) and rent of $13,500 (2013 - $9,500) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer and director of the Company.

(b) The Company paid or accrued management fees of $Nil (2013 - $15,000) and rent of $Nil (2013 - $1,849) to Raincoast Capital Inc., a company controlled by the former President and director of the Company.

(c) The Company paid or accrued administrative fees of $Nil (2013 - $12,250) to the Company's former corporate secretary.

During the year ended May 31, 2013, the Company acquired the Purple Onion Claims from a company with a common director.

As at May 31, 2014, $Nil (May 31, 2013 - $15,000) is owed to directors and companies controlled by directors of the Company.

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

**Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements.

**Investor Relations**

The Company has no investor relations agreements.

**Commitments**

The Company has no commitments.

**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, and 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 May 31, 2014, the Company had cash balances of $249,513 (2013 - $25,718) and current liabilities of $221 (2013 - $15,247).

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.

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.

**New standards not yet adopted**

The Company is currently assessing whether or not the adoption of the following standards will have a material effect on the Company's future financial statements:

*IFRS 9, "Financial Instruments"*

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2018. Early adoption is permitted and the standard is required to be applied retrospectively.

*IAS 32, "Financial Instruments: Presentation"*

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

**Events after the reporting period**

None.

**Outstanding Share Data**

Securities issued during the year ended May 31, 2014: 3,035,001 common shares

As at July 18, 2014:

| | |
|---|---|
| - Class | Common Shares |
| - Authorized | Unlimited, without par value |
| - Issued | 16,727,236 |

Options and Warrants Outstanding:

As at July 18, 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 |
| 12,500 | 2.40 | May 20, 2015 |
| 25,000 | | |

As at July 18, 2014, the Company had no outstanding share purchase warrants.

Total number of shares in Escrow/Pooled as at July 18, 2014: Nil

**Corporate governance**

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

**Directors and Officers: (as at July 18, 2014):**

Salvatore Giantomaso: President and Director
Bruno Gasbarro: Chief Financial Officer and Director
Arndt Roehlig: Director
Jurgen Wolf: Director

Company contact:
Bruno Gasbarro @ 604-936-2701

On behalf of the Board of Directors

“”

Bruno Gasbarro – July 18, 2014

**SCAVO RESOURCE CORP.**
**Management Discussion and Analysis**
**For the Nine Months Ended February 28, 2015**

This discussion and analysis of financial position and results of operations ("MD&A") is prepared as at March 27, 2015 and should be read in conjunction with the unaudited condensed interim financial statements for the nine months ended February 28, 2015 and the audited financial statements for the year ended May 31, 2014 of Scavo Resource Corp. (the "Company") with the related notes thereto. The unaudited condensed interim financial statements for the nine months ended February 28, 2015, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standard ("IFRS") and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

**Description of Business**

The Company was incorporated under the Business Corporations Act (British Columbia) on January 16, 2007 and 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. Effective February 24, 2011, the Company changed its name to Pure Living Media Inc. On August 16, 2012, the Company changed its name to Scavo Resource Corp.

**Overall Performance**

In March 2015, the Company entered into an agreement in relation with a proposed transaction. (See "Proposed Transaction" section)

In January 2015, the Company decided not to proceed with the further exploration of its Purple Onion Claims and has allowed the claims to expire. Accordingly, the Company wrote off the mineral properties as impairment during the quarter ended February 28, 2015. The Company completed the acquisition of the Purple Onion Claims in Northwest Territories during the year ended May 31, 2013. 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, Coltstar Ventures Inc.

In September 2014, Mr. Giovanni Gasbarro was appointed as CEO, President and Director of the Company. Mr. Salvatore Giantomaso stepped down from the position of President/CEO of the Company, but remains as a director of the Company.

During the year ended May 31, 2014, the Company issued 3,035,001 common shares pursuant to the exercise of warrants for total proceeds of $303,500.

**Future Plans and Outlook**

In January 2015, the Company decided not to proceed with the further exploration of its Purple Onion Claims and has allowed the claims to expire. The Company is currently seeking new investment opportunities in various industries that will provide accretive value to its shareholders. In March 2015, the Company entered into an agreement in relation with a proposed transaction. (See “Proposed Transaction” section)

Given current market conditions, the Company has significantly reduced overhead costs going forward. The Company is dependent on its ability to finance its operations through financing activities which may include issuances of additional debt or equity securities. These measures will enable the Company to maintain operations and, at the same time, maintain its management team.

**Proposed Transaction**

On March 24, 2015, the Company entered into an agreement with Brabeia Inc. ("Brabeia"), a private British Columbia company which has developed a fully-interactive contest marketing platform, to acquire all of Brabeia's issued and outstanding common shares in exchange for 25,800,000 common shares (the "Consideration Shares") of the Company (the "Transaction").

Upon closing the Transaction (the "Closing"), an aggregate of 2,580,000 of the Consideration Shares will be issued to the shareholders of Brabeia. The balance of 23,220,000 Consideration Shares will be issued to the shareholders of Brabeia in four equal tranches upon Brabeia achieving the following milestones (each, a "Milestone") after the Closing:

(a) 5,805,000 Consideration Shares upon Brabeia earning a total of $1,000,000 in gross revenue;
(b) 5,805,000 Consideration Shares upon Brabeia earning a total of $3,000,000 in gross revenue;
(c) 5,805,000 Consideration Shares upon Brabeia earning a total of $4,500,000 in gross revenue; and
(d) 5,805,000 Consideration Shares upon Brabeia earning a total of $6,000,000 in gross revenue.

With the exception of the initial 2,580,000 Consideration Shares, all of the foregoing Consideration Shares will be placed in escrow upon their issuance, and if Brabeia does not achieve all of the Milestones within three years of Closing, the terms of the escrow agreement will provide that the escrowed Consideration Shares shall be returned to the Company for cancellation, and the Company shall have no further obligation to provide any other consideration to the shareholders of Brabeia.

The Company intends to undertake a private placement in connection with the Transaction to raise an estimated $1,000,000 (the "Placement"). The Placement will close in two tranches of $500,000, the first of which will close on or before the Closing, and the second of which will close on or before the date which is six months after the Closing.

The Company also intends to make a $100,000 interest free demand loan to Brabeia for an audit of its financial statements, expenses related to attending the Social Media World Conference in San Diego and expenses relating to the sales of Brabeia’s product.

Effective upon Closing, the board of directors of the Company will be reconstituted to consist of five (5) directors, two (2) of which shall be nominees of the Company and three (3) of which shall be nominees of Brabeia, all of whom shall be subject to compliance with the policies of the CSE and corporate and securities legislation. The names of such directors shall be confirmed by the Company after the Closing.

Upon Closing, Brabeia will offer a one year employment agreement to Todd Hannas to act as Brabeia's VP Investor Relations at a salary of $7,500 per month on terms acceptable to the Company, acting reasonably.

It is intended that the acquisition of Brabeia will constitute "fundamental change", as such term is defined in Policy 8 of the CSE. The Transaction is subject to a number of closing conditions, including satisfactory completion of due diligence by the Company, regulatory and shareholder approval, and receipt of CSE approval.

**Results of Operations**

The Company recorded a loss of $354,128 for the nine months ended February 28, 2015 compared to a loss of $47,282 during the comparative nine months ended February 28, 2014. The increase in loss is mainly due to a record of impairment of $252,637 on Purple Onion Claims, an accrual of $50,000 of management fee to CEO of the Company, and a payment of $10,000 consulting fees for investor relations and market research. Other major expenses are comparative for both periods, which includes rent of $11,250 (2014 - $9,750), and registration, transfer agent and filing fees of $13,858 (2014 - $12,313).

The Company recorded a loss of $302,316 for the three months ended February 28, 2015 compared to a loss of $9,664 during the comparative three months ended February 28, 2014. The increase in loss is mainly due to a record of impairment of $252,637 on Purple Onion Claims, an accrual of $30,000 of management fee to CEO of the Company, and a payment of $10,000 consulting fee for investor relations and market research. Other major expenses are comparative for both periods, which includes rent of $3,750 (2014 - $3,500), and registration, transfer agent and filing fees of $5,323 (2014 - $4,356).

**Quarterly Information**

| | Three months ended February 28, 2015 (2) | Three months ended November 30, 2014 | Three months ended August 31, 2014 | Three months ended May 31, 2014 |
|---|---|---|---|---|
| Total Assets | $ 200,452 | $ 474,172 | $ 493,849 | $ 504,039 |
| Working Capital | 149,690 | 199,369 | 228,739 | 251,231 |
| Net Loss for the period | (302,316) | (29,370) | (22,442) | (7,666) |
| Net Loss per share | (0.02) | (0.00) | (0.00) | (0.00) |

| | Three months ended February 28, 2014 | Three months ended November 30, 2013 | Three months ended August 31, 2013 | Three months ended May 31, 2013 |
|---|---|---|---|---|
| Total Assets | $ 488,728 | $ 268,026 | $ 259,174 | $ 270,513 |
| Working Capital | 215,807 | 3,104 | 14,320 | 25,722 |
| Net Loss for the period | (9,664) | (26,216) | (11,402) | (7,157) |
| Net Loss per share | (0.00) | (0.00) | (0.00) | (0.00) |

(1) General and administrative expenses include costs for: rent, office supplies, accounting and legal services, transfer agent and listing and filing activities. Generally these expenses are consistent from quarter to quarter.
(2) The Company wrote off $252,637 of mineral properties as impairment during the quarter ended February 28, 2015.

**Liquidity and capital resources**

The Company commenced fiscal 2014 with working capital of $251,231 and cash of $249,513. As at February 28, 2015, the Company had working capital of $149,690 and cash of $198,592. Operating expenditures incurred during the nine months ended February 28, 2015 were primarily funded from the cash on hand at May 31, 2014.

The Company will need to raise funds through debt or equity offerings in order to have sufficient working capital to sustain its operations for the 2016 fiscal year.

**Related party transactions**

During the nine months ended February 28, 2015, the Company entered into the following transactions with related parties:

(a) The Company paid rent of $11,250 (2014 - $9,750) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer and director of the Company.

(b) The Company accrued management fee of $50,000 (2014 - $Nil) to CEO of the Company. As at February 28, 2015, $50,000 (May 31, 2014 - $Nil) is owed to CEO 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.

**Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements.

**Investor Relations**

The Company has no investor relations agreements.

**Commitments**

The Company has no commitments.

**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:

<u>Credit Risk</u>

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.

<u>Liquidity Risk</u>

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2015, the Company had a cash balance of $198,592 (May 31, 2014 - $249,513) and current liabilities of $50,762 (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.

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.

**Use of Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in Notes 2 and 3 of its audited consolidated financial statements for the year ended May 31, 2014.

**Future Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the February 28, 2015 reporting period. The following new standards have been assessed, but are not expected to have any 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 15, Revenue from Contracts with Customers

IFRS 15 are new standards on revenue recognition that will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. These standards are effective for the fiscal period beginning on or after January 1, 2017.

(g) 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.

**Events after the reporting period**

On March 24, 2015, the Company entered into an agreement with Brabeia Inc. (“Brabeia”), a private British Columbia company which has developed a fully-interactive contest marketing platform, to acquire all of Brabeia’s issued and outstanding common shares in exchange for 25,800,000 common shares of the Company (the “Transaction”). Upon closing of the Transaction, 2,580,000 common shares will be issued to the shareholders of Brabeia while the remaining 23,220,000 shares will be issued in four equal tranches upon Brabeia achieving certain performance milestones.

In conjunction with the Transaction, the Company intends to undertake a private placement to raise an estimated $1,000,000 (the "Placement"). The Placement will close in two tranches of $500,000, the first of which will close on or before the closing of the Transaction, and the second of which will close six months afterwards.

The Company also intends to make a $100,000 interest free demand loan to Brabeia for an audit of its financial statements, expenses related to attending the Social Media World Conference in San Diego and expenses relating to the sales of Brabeia’s product.

The Transaction is subject to a number of closing conditions, including satisfactory completion of due diligence by the Company, regulatory and shareholder approval, and receipt of approval from Canadian Securities Exchange.

**Outstanding Share Data**

As of the date of this MD&A, the following securities were outstanding:

Common Shares:
- Authorized Unlimited, without par value
- Issued 16,727,236

Options:

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 12,500 | $ 2.40 | May 20, 2015 |

**Corporate governance**

The Company’s Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

**Directors and Officers: (as at the date of this MD&A):**

Giovanni Gasbarro: Chief Executive Officer, President and Director
Bruno Gasbarro: Chief Financial Officer and Director
Salvatore Giantomaso: Director
Arndt Roehlig: Director
Jurgen Wolf: Director

Company contact:
Bruno Gasbarro @ 604-936-2701

On behalf of the Board of Directors

*"Bruno Gasbarro"*

Bruno Gasbarro – March 27, 2015

## Schedule E

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS OF BRABEIA FOR THE YEAR ENDED JUNE 30, 2014 AND NINE MONTHS ENDED MARCH 31, 2015

# BRABEIA INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2014 AND THE NINE MONTHS ENDED MARCH 31, 2015

**Table of Contents**

## 1. Introduction

The following Management's Discussion and Analysis ("MD&A") of Brabeia Inc.(the "Company", "Brabeia", "we", "us" or "our") should be read in conjunction with the audited financial statements as at March 31, 2015 and June 30, 2014 and the related notes contained therein. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A is current as at May 29, 2015.

### Corporate Structure

Brabeia Inc. was incorporated under the BCBCA on May 8, 2013 under the name Prizebox Entertainment Inc. and changed its name to "Brabeia Inc." on November 25, 2013. The registered and records office of the Company is located at 2-15621 Marine Drive, White Rock, BC V4B 1E1. The Company is a private reporting issuer in the Province of British Columbia.

### Forward-Looking Statements

This MD&A contains forward-looking statements and information about the Company which reflect management's expectations regarding the Company's future growth, results of operations, performance (both operational and financial) and business prospect opportunities. In addition, the Company may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements or information of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements and information, including, but not limited to statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual future performance, achievement or other realities to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement or realities. Although the forward-looking statements and information contained in this MD&A reflect management's current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements and information. The material factors or assumptions used to develop forward-looking information in this MD&A include prevailing and projected market prices, continued availability of capital and financing, and general economic, market or business conditions. A number of risks and factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward-looking statements and information. Such risks and factors include, but are not limited to, the following; uncertainty in global market and economic conditions; the Company may not be able to generate revenues; dependence on key personnel; officers and directors of the Company own a significant number of Common Shares and can exercise significant influence; conflicts of interest; increased costs and compliance risks as a result of being a public company; For further details, see the section on Risks and Uncertainties in this MD&A.

Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements or information, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. Further, any forward-looking statements and information contained herein are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statement or information. Accordingly, readers should not place undue reliance on forward-looking statements and information contained in this MD&A and the documents incorporated by reference herein. All forward-looking statements and information disclosed in this MD&A are qualified by this cautionary statement.

## 2. Highlights as of March 31, 2015 and Subsequent Events

### Corporate Developments

- On March 24, 2015, the Company entered into a binding Letter Agreement with Scavo Resources Inc. ("Scavo") for a transaction (the "**Transaction**") to acquire all of the issued and outstanding common shares of the Company in exchange for 25,800,000 common shares of Scavo. Following the closing of the Transaction, the Company will become a wholly-owned subsidiary of Scavo and the principal business of Scavo will be the marketing and selling of social media products and services.

- On May 28, 2015, the Company entered into a Share Exchange Agreement with Scavo (the "Definitive Agreement") whereby Scavo acquired all of the issued and outstanding common shares of the Company in exchange for 25,800,000 common shares of Scavo.

## 3. Outlook for 2015/2016

After completing regulatory approval of the Transaction, the Company's plan for the coming year is to focus on the following activities:

- Expand the sales reach to the global market for its social media marketing tool and services by building and managing user relationships with clients, resellers, marketing companies, world social media influencers, white label licensees and scale up the global business strategy;

- Build the Brabeia brand and awareness through its own social media marketing strategy through relationships with resellers, marketing companies and world social media influencer and expanding Brabeia's presence on the global stage at social media conventions, tradeshows, Expos and through e-books and other publications;

- Continue with technology development to scale up its social media marketing tool for clients globally and add innovative features and capability.

- Continue with adding talent to the Company's management structure and the strength of the Board.

The Company believes that these activities should result in the Company achieving and likely exceeding its revenue projections for 2015/2016 and to therefore not be reliant on further financing of operations from the market.

## 4. General Description of the Business and Overview of Performance

**General Development of the Business**

The Company's overall strategy has been to develop an innovative social media tool and services to position itself as an industry leader in the social media market with a tool that generates and hosts customized contests and polling for contest sponsors for the local and global market with one click deployment to multiple social media channels through the provisioning of scheduling tools for social media; offers a CMS that can be deployed through licensed dashboard to client's own online platform to generate and host customized contests and polling; a tool that allows contestants to enter multiple contests at any time and any place with mobile devices and allows any business or organization to advertise as part of any customized contest or on a platform; provides real time contest data, geographic, temporal, geo-temporal data, to business to use and target their marketing strategies to specified demographics; and creates a dynamic environment, with trivia and chat capability, for contestants to track available contests based on time and geography and allows contestants to control how they share their contest experience.

To that end, the Company's principal objectives are to:

- Continue to create, launch and host contests through deployment on Brabeia.com;
- Expand the licensing of its social media marketing tool through building and managing user relationships with clients, resellers, marketing companies, world social media influencers;
- Explore distribution and white labeling opportunities to offer its social media marketing tool and services to clients locally, nationally and internationally; and
- Attract talent at the management level to strengthen the Company's ability to bring projects to fruition and to increase the value of the Company for shareholders.

**Overview of Performance**

The Company has existing local and regional client base for its social media marketing tool and services which has generated revenues for the Company as set out in the audited Financial Statement of the Company as at March 31, 2015 and June 30, 2014 and is currently in negotiations with local and international distributors and or affiliates to offer its social media marketing tool to these distributors/affiliates who have large existing client bases.

More detailed information on the Company's social media marketing tool, including features and functionalities is available in the Management Information and Proxy Circular and Listing Statement of Scavo Resources Inc. available from Company profile on SEDAR.

Financing

**As at March 31, 2015**

Brabeia initiated a round of Seed A financing in July 2013 at a $1.00 per share to friends, family and close business associates and to March 31, 2015 a total of 1,676,298.99 commonshares have issued for proceeds of $746,351. The founders of the Company hold 970,200 shares (45.88% of the issued and outstanding common shares) and the other shareholders hold 1,144,598.99 (54.12% of the issued and outstanding common shares).

To May 29, 2015, a total of 2,114,798.99 shares have issued and $889,000.99 of investment has been raised.

Brabeia has used the proceeds from this Seed A financing to fund the development of its social media marketing tool and corporate operations.

The Company will use the proceeds from the financing that is to close concurrently with the closing of the Transaction to further its development and expand its sales locally, regionally, nationally and internationally.

Other than investment from friends, family and close business associates as further described in the Management Information and Proxy Circular, there have been no new financings during 2015.

## 5. Selected Financial Information

| Financial Position | | March 31, 2015 | | June 30, 2014 |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 82,123 | $ | – |
| Total assets | | 172,871 | | 55,089 |
| Total liabilities | | 324,821 | | 166,971 |
| Total equity (deficit) | | (151,950) | | (111,882) |

| Operations | | Nine Months Ended March 31, 2015 | | Year Ended June 30, 2014 |
|---|---|---|---|---|
| Revenues | $ | 82,425 | $ | 93,608 |
| Web design and development | | 141,382 | | 120,037 |
| Other general and administrative expenses | | 301,641 | | 491,361 |
| Loss and comprehensive loss for the period | | 358,568 | | 518,060 |

## 6. Financial Review and Results of Operations

Project Costs Capitalized and Expensed

As of March 31, 2015, the Company has capitalized $nil in regards to the development costs of its social media marketing tools. For the nine months ended March 31, 2015 $141,382 of development expenditures have been incurred and for the year ended June 30, 2014, $120,037 of development expenditures have been incurred

The Company has expensed the following development costs:

- Website design
- Patent costs
- Software application design
- Content management system design;

Results of Operations

For the nine months ended March 31, 2015 the Company incurred a net loss of $358,568 compared to a net loss of $518,060 for the year ended June 30, 2014.

Although the Company had operating revenues, such operating revenues were insufficient to cover development and corporate operating costs and the company relied on current cash reserves and financing transactions to meet its current and budgeted development and operating activities. Funds raised have been used mainly for development costs for the social media marketing tool.

The net loss for the nine months ended March 31, 2015 compared to the year ended June 30, 2014 was due to continued development work on the social media marketing tool, offset by a reduction in professional fees related mostly to company structuring and patent and trademark applications.

The web design and development expenses have increased 57% on an annualized basis for the nine months ended March 31, 2015 compared to the prior year. The increase in development costs is mainly due to increased development activities.

General and administrative expenses, which are primarily made up of management fees, salaries, sub-contracts and office expenses have decreased 3% on an annualized basis for the nine months ended March 31, 2015 compared to the year ended June, 2014.

Professional fees have decreased 99% on an annualized basis as of March 31, 2015 compared to the year ended June 30, 2014.

The Company currently has no compensation for Board of Directors or other incentive programs.

Liquidity and Capital Resources

The Company's social media marketing business has provided the Company with income but still operating at a loss. However, given the nature of its business, the results of operations as reflected in net loss and loss per share do not provide meaningful interpretation of the Company's valuation.

At March 31, 2015 the Company had cash and cash equivalents of $82,123 compared to cheques issued in excess of funds on deposit of $10,590 at June 30, 2014.

The Company intends to finance its development and marketing and sales and other corporate activities through existing cash balances, future financing activities and revenues.

Investing Activities

Cash outflows from investing activities as at March 30, 2015 were $3,031. The cash outflows in 2015 were due to the purchase of property and equipment. The cash outflows in 2014 of $19,480 were due to the purchase of property and equipment and marketable securities. ..

Financing Activities

Although the Company is generating revenues, the Company will continue to depend on equity capital to finance its short term activities. There are no assurances that capital requirements will be met by this means of financing as inherent risks are attached therein including financial market conditions, and general economic factors.

Commitments and Contractual Obligations

The Company has no significant outstanding commitments or contractual obligations.

Share Capital and Outstanding Share Data

As at May 29, 2015 the Company has no outstanding options or warrants. The Company's fully diluted share position is equal to its existing issued and outstanding common shares.

Off Balance-Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Financial Instruments

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities and note payable approximate their fair values. The Company is not exposed to currency risk on its cash and cash equivalents.

Related Party Transactions

Key management compensation includes the Company's directors and members of the Executive. Compensation awarded to key management from continuing operations included:

| | 2015 | 2014 |
|---|---|---|
| Salaries, management fees, expense reimbursements and short term benefits | $97,138 | $8,558 |

As at March 31, 2015, the Company had no amounts payable due to officers and directors of the Company for bonuses, management and legal fees. In addition, the Company had no amounts payable at March 31, 2015 to the officers of the Company as a reimbursement of expenses paid on behalf of the Company.

Critical Accounting Policies and Estimates

The Company's accounting policies are described in Note 2 and Note 5 of its audited financial statements as at March 31, 2015. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

- Significant accounting judgments, estimates and assumptions

Nature of operations and going concern

The ability of the Company to carry out its planned business objectives and continue as a going concern is dependent on its ability to raise adequate short term financing from the Transaction and/or generate operating profitability and positive cash flow from its social media marketing tool and services There can be no assurances that the Company will be able to obtain the additional short term financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations and development activities which may impact the Company's ability to maintain its proprietary intellectual property.

The financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 7. Additional Information

Proposed Transactions

There are no proposed transactions that should be disclosed.

New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, are not yet effective as of March 31, 2015, and have not been applied in preparing the Company's financial statements.

IFRS 9 *Financial instruments*, was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: recognition and measurement*. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures. The Company is currently assessing the impact of this standard on its financial statements.

IFRS 15 *Revenue from contracts with customers*, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – barter transactions involving advertising services*. The standard provides a simple, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

1. Identify the contract(s) with the customer.

2. Identify the performance obligation(s) in the contract.

3. Determine the transaction price.

4. Allocate the transaction price to each performance obligation in the contract.

5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company has not yet determined the impact of this standard on its financial statements.

The amendments to IAS 24 *Related party disclosures*, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

## 8. Risks and Uncertainties

For a more comprehensive discussion of the Company's risks and uncertainties, refer to the Risk Factors section of the Management Information and Proxy Circular, which can be found under the Scavo Resources Inc's profile on SEDAR at www.sedar.com.

The Company competes with other social media marketing companies, some of which have greater financial resources and technical facilities, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company's business plan calls for substantial investment and cost in connection with the ongoing development of social media marketing tool. There can be no assurance that the Company will have the funds required to make such expenditures or that those expenditures will prove profitable. The requirements are substantial. Obtaining additional financing would be subject to a number of factors, including market prices, investor acceptance of the Company's product and service offering. These factors may make the timing, amount, terms or conditions of additional financing unavailable to the Company. The most likely source of future funds presently available to the Company is through equity or debt financings. Any sale of share capital will result in dilution to existing shareholders.

Depending on future development plans, the Company may require additional financing which may not be available or, if available, may not be available on favourable terms.

## Schedule F

## PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE RESULTING ISSUER

# SCAVO RESOURCE CORP.

## PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
**(Unaudited)**
**(Expressed in Canadian Dollars)**

## FEBRUARY 28, 2015

**SCAVO RESOURCE CORP.**
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)
AS AT FEBRUARY 28, 2015

| | Scavo Resource Corp. February 28, 2015 | Brabeia Inc. March 31, 2015 | Note | Pro-forma Adjustments | Pro-forma Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | $ 198,592 | $ 82,123 | 3e | $ (100,000) | $ 783,365 |
| | | | 3d | 540,000 | |
| | | | 3f | 142,650 | |
| | | | 3g | (80,000) | |
| Marketable securities | - | 11,462 | | - | 11,462 |
| Receivables | 1,860 | 68,761 | | - | 70,621 |
| Prepaid expenses | - | 3,294 | | - | 3,294 |
| | 200,452 | 165,640 | | 502,650 | 868,742 |
| **Goodwill** | - | - | 3c | 7,749,300 | 7,749,300 |
| **Property and equipment** | - | 7,231 | | - | 7,231 |
| **Total assets** | $ 200,452 | $ 172,871 | | $ 8,251,950 | $ 8,625,273 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | $ 762 | $ 67,131 | | $ - | $ 67,893 |
| Due to related parties | 50,000 | 157,690 | | - | 207,690 |
| Note payable | - | 100,000 | 3e | (100,000) | - |
| | 50,762 | 324,821 | | (100,000) | 275,583 |
| **Shareholders' equity (deficiency)** | | | | | |
| Share capital | 3,352,050 | 746,351 | 3f,h | (889,001) | 4,666,050 |
| | | | 3b | 774,000 | |
| | | | 3d | 540,000 | |
| | | | 3f | 142,650 | |
| Share capital – contingently issuable | - | - | 3c | 6,966,000 | 6,966,000 |
| Reserves | 1,691,304 | - | | - | 1,691,304 |
| Deficit | (4,893,664) | (898,301) | 3h | 898,301 | (4,973,664) |
| | | | 3g | (80,000) | |
| | 149,690 | (151,950) | | 8,351,950 | 8,349,690 |
| **Total liabilities and shareholders' equity (deficiency)** | $ 200,452 | $ 172,871 | | $ 8,251,950 | $ 8,625,273 |

**Basis of presentation** (Note 1)

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

**SCAVO RESOURCE CORP.**
PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian dollars)
NINE MONTHS ENDED FEBRUARY 28, 2015

| | Scavo Resource Corp. for the 9 month period ended February 28, 2015 | Brabeia Inc. For the 9 month period ended March 31, 2015 | Note | Pro-forma Adjustments | Pro-forma Consolidated |
|---|---|---|---|---|---|
| **REVENUE** | $ - | $ 82,425 | | $ - | $ 82,425 |
| **EXPENSES** | | | | | |
| General and administration expenses | 49,679 | 440,993 | | - | 490,672 |
| Impairment of mineral properties | 252,637 | - | | - | 252,637 |
| Transaction costs | - | - | 3g | 80,000 | 80,000 |
| | (302,316) | (440,993) | | (80,000) | (823,309) |
| **Loss and comprehensive loss for the period** | $ (302,316) | $ (358,568) | | $ (80,000) | $ (740,884) |
| **Basic and diluted loss per common share** | | | | | $ (0.04) |
| **Weighted average number of common shares outstanding** | | | | | 21,107,236 |

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

**SCAVO RESOURCE CORP.**
PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian dollars)
TWELVE MONTHS ENDED MAY 31, 2014

| | Scavo Resource Corp. for the 12 month period ended May 31, 2014 | Brabeia Inc. For the 12 month period ended June 30, 2014 | Note | Pro-forma Adjustments | Pro-forma Consolidated |
|---|---|---|---|---|---|
| **REVENUE** | $ - | $ 93,608 | | $ - | $ 93,608 |
| **EXPENSES** | | | | | |
| General and administration expenses | 54,948 | 611,668 | | - | 666,616 |
| Transaction costs | - | - | 3g | 80,000 | 80,000 |
| | (54,948) | (611,668) | | (80,000) | (746,616) |
| **Loss and comprehensive loss for the period** | $ (54,948) | $ (518,060) | | $ (80,000) | $ (653,008) |
| **Basic and diluted loss per common share** | | | | | $ (0.03) |
| **Weighted average number of common shares outstanding** | | | | | 21,107,236 |

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

## 1. BASIS OF PRESENTATION

The accompanying unaudited pro-forma consolidated financial statements of Scavo Resource Corp. ("the Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") from information derived from the financial statements of the Company and Brabeia Inc. ("Brabeia") together with other information available to the Company. The unaudited pro-forma consolidated financial statements have been prepared for inclusion in the Company's Information Circular dated June 19, 2015, in conjunction with the Company's acquisition of Brabeia via a Share Exchange Agreement ("the Agreement") dated May 28, 2015. The Agreement is subject to acceptance by the Company's shareholders and certain securities regulatory approvals. In the opinion of the Company's management, the unaudited pro-forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions as described below.

The unaudited pro-forma consolidated financial statements are not necessarily indicative of the financial position and the results of operations which would have resulted if the combination had actually occurred as set out in Notes 2 and 3.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the historical financial statements and notes thereto of the Company and Brabeia.

The unaudited pro-forma consolidated financial statements of the Company have been compiled from and include:

a) the unaudited financial statements of the Company as at February 28, 2015 and for the nine month period then ended;

b) the audited financial statements of the Company as at May 31, 2014 and for the twelve month period then ended;

c) the audited financial statements of Brabeia as at March 31, 2015 and June 30, 2014, and for the nine month period and the twelve month period then ended; and

d) the additional information set out in Notes 2 and 3.

## 2. SUMMARY OF PROPOSED TRANSACTIONS

On May 28, 2015, the Company and Brabeia entered into the Agreement, pursuant to which the Company will acquire all of the issued and outstanding shares of Brabeia by issuing up to 25,800,000 common shares of the Company (the "Transaction") to Brabeia shareholders. Upon closing of the Transaction, an aggregate of 2,580,000 common shares will be issued with the balance of 23,220,000 common shares being contingently issuable in four equal tranches upon Brabeia achieving the following milestones within a period of three years from closing of the Agreement:

(i) 5,805,000 common shares upon Brabeia earning a total of $1,000,000 in gross revenue;
(ii) 5,805,000 common shares upon Brabeia earning a total of $3,000,000 in gross revenue;
(iii) 5,805,000 common shares upon Brabeia earning a total of $4,500,000 in gross revenue; and
(iv) 5,805,000 common shares upon Brabeia earning a total of $6,000,000 in gross revenue.

The contingently issuable common shares would be placed in escrow upon their issuance pursuant to Canadian Stock Exchange policies. All shares in escrow would have voting rights and would be released from escrow to Brabeia shareholders at the end of the three year period.

## 2. SUMMARY OF PROPOSED TRANSACTIONS (cont'd…)

Upon closing of the Agreement, Brabeia will become a wholly-owned subsidiary of the Company and the combined entity will operate under the name of Brabeia Inc.

This Transaction is accounted as a business combination in accordance with *IFRS 3 Business Combinations*, as the shareholders of the Company will maintain control of the combined entity. If Brabeia shareholders obtain voting control through achievement of the performance milestones and receipt of the contingently issuable common shares, Brabeia will obtain control of the combined entity and the Transaction will become a reverse takeover.

Business combinations are accounted for under the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company at the date control is obtained. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than share issue costs, are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

The excess of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

IFRS 3 allows for some changes in the fair value of contingent consideration based on new information obtained during the measurement period, which is up to twelve months following the acquisition date, about facts and circumstances existing at the acquisition date. Any such changes will be accounted for as an adjustment to goodwill. Changes resulting from events after the acquisition date are not measurement period adjustments. Contingent consideration classified as equity is not remeasured and upon settlement, is accounted for within equity.

## 3. PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS

The pro-forma consolidated financial statements ware prepared based on the following assumptions:

a) The unaudited pro-forma consolidated statement of financial position gives effect to the transaction as if it had occurred on February 28, 2015. The unaudited pro-forma consolidated statements of loss and comprehensive loss were prepared as though the Transaction had occurred on the first day presented.

b) The Company will issue 2,580,000 shares to Brabeia shareholders upon the closing of the Agreement. The fair value of the Company's common shares is $0.30 per share, being the price of the concurrent financing, for a total fair value of $774,000.

c) The Company may issue an additional 23,220,000 common shares to Brabeia shareholders if certain performance milestones are reached (Note 2). Management of the Company and Brabeia reviewed *IFRS 3 Business Combinations* in assessing the contingent consideration and both expect the milestones will be reached within the three year period. The fair value of the contingently issuable shares has been recorded at $0.30 per share with a total fair value of $6,966,000. The contingently issuable shares are not linked to Brabeia management providing post-combination services and therefore considered as part of the purchase price as opposed to a form of executive compensation. As a result, the total purchase price has been assessed at $7,740,000, being the fair value of 2,580,000 common shares issued at the closing of the Transaction (Note 3b) and the 23,220,000 contingently issuable shares.

(Expressed in Canadian dollars)

**3. PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS** (cont'd…)

c) (cont'd…)

The purchase price has been allocated as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 124,773 |
| Marketable securities | 11,462 |
| Receivables | 68,761 |
| Prepaid expenses | 3,294 |
| Property and equipment | 7,231 |
| Goodwill | 7,749,300 |
| Accounts payable and accrued liabilities | (67,131) |
| Payable to shareholders | (157,690) |
| | $ 7,740,000 |

d) The Company will complete a concurrent private placement of up to 1,800,000 units at $0.30 per unit for gross proceeds of $540,000. Each unit will consist of one common share and one half of one share purchase warrant, with each warrant entitling the holder thereof to acquire an additional common share for a price of $0.60 for a period of two years.

e) The Company made a $100,000 interest-free demand loan to Brabeia, which will be eliminated on consolidation.

f) Brabeia issued 438,500 shares with total proceeds of $142,650 in April and May 2015.

g) Total cash transaction costs are estimated at $80,000, including professional, consulting and filing fees.

h) The share capital and deficit of Brabeia will be eliminated on consolidation.

i) Income tax effects have not been considered in these pro-forma consolidated financial statements.

(Expressed in Canadian dollars)

## 4. SHARE CAPITAL AND RESERVES

Share capital in the unaudited pro-forma consolidated statement of financial position is comprised of the following:

| | Number of Shares | | Share Capital | Number of Shares – Contingently Issuable | | Share Capital – Contingently Issuable | | Reserves |
|---|---|---|---|---|---|---|---|---|
| Authorized: | | | | | | | | |
| Unlimited common shares, without par value | | | | | | | | |
| Issued: | | | | | | | | |
| Share capital of the Company as at February 28, 2015 | 16,727,236 | $ | 3,352,050 | - | $ | - | $ | 1,691,304 |
| Shares issued and contingently issuable to acquire Brabeia (Notes 3b and 3c) | 2,580,000 | | 774,000 | 23,220,000 | | 6,966,000 | | - |
| Shares issued pursuant to the concurrent private placement (Note 3d) | 1,800,000 | | 540,000 | - | | - | | - |
| | 21,107,236 | $ | 4,666,050 | 23,220,000 | $ | 6,966,000 | $ | 1,691,304 |

**Warrants**

| Number of Warrants | | Exercise Price | Expiry Date |
|---|---|---|---|
| 900,000 | $ | 0.60 | 2 year following the transaction |