SCAVO RESOURCE CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MAY 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Scavo Resources Corp.

We have audited the accompanying financial statements of Scavo Resources Corp., which comprise the statements of financial position as at May 31, 2015 and 2014 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Scavo Resources Corp. as at May 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

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 Resources Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

July 24, 2015

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

	May 31, 2015	May 31, 2014
ASSETS		
Current		
Cash	$ 83,913	$ 249,513
Receivables	2,378	1,939
Current assets	86,291	251,452
Loan receivable (Note 4)	100,000	-
Exploration and evaluation assets (Note 5)	-	252,587
Total assets	$ 186,291	$ 504,039
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 39,730	$ 221
Due to related parties (Note 8)	50,000	-
Current liabilities	89,730	221
Shareholders' equity		
Share capital (Note 7)	3,352,050	3,352,050
Reserves (Note 7)	1,691,304	1,691,304
Deficit	(4,946,793)	(4,539,536)
	96,561	503,818
Total liabilities and shareholders' equity	$ 186,291	$ 504,039

Nature and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on July 24, 2015:

"Giovanni Gasbarro" 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, 2015	Year Ended May 31, 2014
OPERATING EXPENSES		
Consulting fee	$ 17,500	$ -
Impairment of exploration and evaluation assets (Note 5)	252,637	-
Management fee (Note 8)	50,000	-
Office and miscellaneous	1,812	2,712
Professional fees	54,184	23,751
Rent (Note 8)	15,000	13,500
Transfer agent and filing fees	16,124	14,985
Loss and comprehensive loss for the year	$ (407,257)	$ (54,948)
Basic and diluted loss per common share	$ (0.02)	$ (0.00)
Weighted average number of common shares outstanding (basic and diluted)	16,727,236	14,619,457

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, 2015	Year Ended May 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (407,257)	$ (54,948)
Item not affecting cash:		
Impairment of exploration and evaluation assets	252,637	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(439)	13,312
Increase (decrease) in accounts payable and accrued liabilities	39,509	(26)
Increase (decrease) in due to related parties	50,000	(15,000)
Net cash used in operating activities	(65,550)	(56,662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(50)	(23,043)
Loan receivable	(100,000)	-
Net cash used in investing activities	(100,050)	(23,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds (Note 6)	-	20,000
Repayment of loan (Note 6)	-	(20,000)
Share capital issued	-	303,500
Net cash provided by financing activities	-	303,500
Change in cash for the year	(165,600)	223,795
Cash, beginning of year	249,513	25,718
Cash, end of year	$ 83,913	$ 249,513

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, 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
Loss for the year	-	-	-	(407,257)	(407,257)
Balance, May 31, 2015	16,727,236	$ 3,352,050	$ 1,691,304	$ (4,946,793)	$ 96,561

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. 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.

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.

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.

2. BASIS OF PREPARATION (cont'd…)

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 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.
b) 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.
c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

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 and loan receivable as loans and receivables and its accounts payable and accrued liabilities, and due to related parties as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd…)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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, 2015 and 2014, 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.

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.

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…)

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 asset and 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.

Future changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for the May 31, 2015 reporting period. These standards have been assessed and are not expected to have a significant impact on the Company's financial statements:

(a) IFRS 2, Share-based Payment

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

(b) IFRS 3, Business Combinations

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

(c) IFRS 8, Operating Segments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future changes in accounting policies (cont'd…)

(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.

4. PROPOSED TRANSACTION

On May 28, 2015, the Company entered into a Share Exchange 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.

In March 2015, the Company made 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 loan is secured against all present and after acquired property of Brabeia.

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.

(Expressed in Canadian Dollars)

5. 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, May 31, 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 during the year ended May 31, 2015.

6. 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 same fiscal year.

(Expressed in Canadian Dollars)

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

There were no share issuances during the year ended May 31, 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.

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	(25,000)	3.80
Balance, May 31, 2015	-	$ -
Exercisable, at May 31, 2015	-	$ -

(Expressed in Canadian Dollars)

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

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 2015	-	$	-

8. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2015, the Company entered into the following transactions with related parties:

(a) The Company paid rent of $15,000 (2014 - $13,500) 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 May 31, 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.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash investing or financing transactions during the years ended May 31, 2015 and May 31, 2014.

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, loan receivable, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the short-term nature of these instruments. 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. The Company also made a $100,000 interest free demand loan to Brabeia in relation with the proposed transaction (Note 4).

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, 2015, the Company had a cash balance of $83,913 (May 31, 2014 - $249,513) and current liabilities of $89,730 (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.

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

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 during the year ended May 31, 2015.

11. INCOME TAXES

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

		2015		2014
Loss for the year	$	(407,257)	$	(54,948)
Expected income tax (recovery)	$	(106,000)	$	(14,000)
Change in statutory tax rates and other		(7,000)		(45,000)
Change in unrecognized deductible temporary differences		113,000		59,000
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:

	2015	2014
Deferred tax assets (liabilities):		
Share issue costs	$ 1,000	$ 5,000
Allowable capital losses	97,000	97,000
Non-capital losses available for future periods	978,000	934,000
	1,076,000	1,036,000
Unrecognized deferred tax assets	(1,076,000)	(1,036,000)
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:

	2015	Expiry Date Range	2014	Expiry Date Range
Temporary differences:				
Share issue costs	$ 5,000	2036	$ 21,000	2035 - 2036
Allowable capital losses	$ 375,000	No expiry date	$ 375,000	No expiry date
Non-capital losses available for future periods	$ 3,770,000	2027 - 2035	$ 3,600,000	2027 - 2034

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