

**BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)**

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

**FOR THE THREE MONTHS ENDED AUGUST 31, 2015
(Restated)**

These unaudited condensed consolidated interim financial statements of Brabeia Inc. (formerly Scavo Resource Corp.) for the three months ended August 31, 2015 have been prepared by management and approved by the Board of Directors. These financial statements have not been reviewed by the Company's external auditors.

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

	August 31, 2015	May 31, 2015
	(Restated)	
	Note 2	
ASSETS		
Current		
Cash and cash equivalents	\$ 408,914	\$ 83,913
Receivables	<u>34,086</u>	<u>2,378</u>
Current assets	443,000	86,291
Loan receivable	<u>-</u>	<u>100,000</u>
Total assets	<u>\$ 443,000</u>	<u>\$ 186,291</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 129,427	\$ 39,730
Due to related parties (Note 7)	<u>99,653</u>	<u>50,000</u>
Current liabilities	<u>229,080</u>	<u>89,730</u>
Shareholders' equity		
Share capital (Note 6)	5,011,534	3,352,050
Reserves (Note 6)	1,950,676	1,691,304
Deficit	<u>(6,748,290)</u>	<u>(4,946,793)</u>
	<u>213,920</u>	<u>96,561</u>
Total liabilities and shareholders' equity	<u>\$ 443,000</u>	<u>\$ 186,291</u>

Nature and continuance of operations (Note 1)

Events subsequent to the reporting period (Note 10)

Approved and authorized on behalf of the Board on February 26, 2016:

"Giovanni Gasbarro " Director "Bruno Gasbarro " Director

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

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

	Three Months Ended August 31, 2015	Three Months Ended August 31, 2014
	(Restated) Note 2	
OPERATING EXPENSES		
Consulting	\$ 7,500	\$ -
Office and miscellaneous	21,196	702
Management fees (Note 7)	3,000	-
Professional fees	110,475	11,884
Rent (Note 7)	3,750	3,750
Salaries and benefits	13,505	-
Share-based compensation (Notes 6 and 7)	259,372	-
Transfer agent and filing fees	12,026	6,106
Website development	12,124	-
Overpayment at business acquisition (Note 5)	<u>1,358,549</u>	<u>-</u>
Loss and comprehensive loss for the period	\$ (1,801,497)	\$ (22,442)
Basic and diluted loss per common share	\$ (0.10)	\$ (0.00)
Weighted average number of common shares outstanding	17,241,879	16,727,236

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

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

	Three Months Ended August 31, 2015	Three Months Ended August 31, 2014
	(Restated)	
	Note 2	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (442,948)	\$ (22,442)
Items not involving cash:		
Share-based compensation	259,372	-
Overpayment at business acquisition	1,358,549	-
Changes in non-cash working capital items:		
Receivables	(5,177)	(787)
Accounts payable and accrued liabilities	(38,606)	11,002
Due to related parties	<u>(50,000)</u>	<u>1,250</u>
Net cash used in operating activities	<u>(277,359)</u>	<u>(10,977)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash overdrawn obtained from business acquisition	(283,123)	-
Exploration expenditure	<u>-</u>	<u>(50)</u>
Net cash used in investing activities	<u>(283,123)</u>	<u>(50)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	923,450	-
Share issue costs	<u>(37,967)</u>	<u>-</u>
Net cash obtained from financing activities	<u>885,483</u>	<u>-</u>
Change in cash for the period	325,001	(11,027)
Cash, beginning of period	<u>83,913</u>	<u>249,513</u>
Cash, end of period	<u>\$ 408,914</u>	<u>\$ 238,486</u>

Supplemental disclosure with respect to cash flows (Note 8)

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

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
CONDENSED CONSOLIDATED 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, 2014	16,727,236	\$ 3,352,050	\$ 1,691,304	\$ (4,539,536)	\$ 503,818
Loss for the period	-	-	-	(22,442)	(22,442)
Balance, August 31, 2014	16,727,236	\$ 3,352,050	\$ 1,691,304	\$ (4,561,978)	\$ 481,376
Loss for the period	-	-	-	(384,815)	(384,815)
Balance, May 31, 2015	16,727,236	\$ 3,352,050	\$ 1,691,304	\$ (4,946,793)	\$ 96,561
Shares issued in business acquisition	2,580,000	774,000	-	-	774,000
Private placement	3,078,167	923,450	-	-	923,450
Share issue costs	-	(37,966)	-	-	(37,966)
Share-based compensation	-	-	259,372	-	259,372
Loss for the period	-	-	-	(1,358,549)	(1,358,549)
Balance, August 31, 2015 (Restated – Note 2)	22,385,403	\$ 5,011,534	\$ 1,950,676	\$ (6,748,290)	\$ 213,920

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

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

1. NATURE AND CONTINUANCE OF OPERATIONS

Brabeia Inc. (formerly Scavo Resource Corp.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on January 16, 2007. On August 21, 2015, the Company completed the acquisition of 0969607 BC Ltd. (“096”) (formerly Brabeia Inc.) through a share exchange agreement (Note 5) and changed its name to Brabeia Inc.

On February 10, 2016, the Company entered into an agreement with Tracy Wattie, former CEO, President and director of the Company, to sell its interest in 096 to her effective on February 1, 2016. (Note 10)

Brabeia's registered and records office is located at suite 1700 – 666 Burrard Street, Vancouver, BC V6C 2X8 and its head office is located at 909 Brown Street, Coquitlam, BC 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. The Company’s ability to continue as going concern is dependent upon its ability to attain profitable operations, and to continue to raise funds or obtain borrowing from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables.

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.

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

2. RESTATEMENT

The Company has restated the financial statements for the three months ended August 31, 2015 from what was originally filed on SEDAR on October 29, 2015. The restated financial statements changed the valuation of net liabilities acquired from 096 and the consideration paid to acquire 096 (Note 5).

On May 28, 2015, the Company and 096 entered into a share exchange agreement (“the Agreement”), pursuant to which the Company acquired all of the issued and outstanding shares of 096 by issuing 25,800,000 common shares of the Company (the “Transaction”) to the shareholders of 096, of which 23,220,000 common shares (the “Performance Escrow Shares”) were placed into escrow according to an escrow agreement dated August 21, 2015. The Performance Escrow Shares have no voting rights and cannot be transferred or pledged. (Note 5)

On February 10, 2016, the Company entered into an agreement with Tracy Wattie to sell its interest in 096 to her effective on February 1, 2016. (Note 10)

As a result, the Company reassessed the valuation of net liabilities acquired and consideration given in the Transaction at the acquisition date, August 21, 2015.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

2. RESTATEMENT (cont'd...)

The purchase price allocation is restated as follows:

	Original	Restated
Cash overdrawn	\$ (283,124)	\$ (383,124)
Marketable securities	11,462	-
Receivables	79,272	26,531
Property and equipment	15,365	-
Overpayment	8,244,981	1,358,549
Accounts payable and accrued liabilities	(128,303)	(128,303)
Payable to shareholders	<u>(99,653)</u>	<u>(99,653)</u>
	<u>\$ 7,740,000</u>	<u>\$ 774,000</u>

The effect on the statement of financial position as of August 31, 2105 is as follows:

	Original	Restated
ASSETS		
Current		
Cash and cash equivalents	\$ 408,914	\$ 408,914
Marketable securities	11,462	-
Receivables	<u>86,827</u>	<u>34,086</u>
Current assets	507,263	443,000
Property and equipment	15,365	-
Goodwill	<u>8,244,981</u>	<u>-</u>
Total assets	<u>\$ 8,767,549</u>	<u>\$ 443,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 129,427	\$ 129,427
Due to related parties	<u>99,653</u>	<u>99,653</u>
Current liabilities	<u>229,080</u>	<u>229,080</u>
Shareholders' equity		
Share capital	5,011,534	5,011,534
Share capital – contingently cancellable	6,966,000	-
Reserves	1,950,676	1,950,676
Deficit	<u>(5,389,741)</u>	<u>(6,748,290)</u>
	<u>8,538,469</u>	<u>213,920</u>
Total liabilities and shareholders' equity	<u>\$ 8,767,549</u>	<u>\$ 443,000</u>

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

2. RESTATEMENT (cont'd...)

For the three months ended August 31, 2015, net loss increased by \$1,358,549 due to write-off of overpayment at business acquisition. Accordingly, the basic and diluted loss per common share increased from \$0.03 to \$0.10. There was no effect to cash flow from operations, investing or activities.

3. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed consolidated 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 consolidated 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 financial statements for the fiscal year ended May 31, 2015.

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, 096. The subsidiary is the entity controlled by the Company. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions have been eliminated on consolidation.

Basis of measurement and presentation currency

These condensed consolidated interim 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.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

Functional and foreign currency

These condensed consolidated interim financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiary. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

Transactions in currencies other than the functional currency of an entity are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

3. 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) 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.

b) 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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

4. SIGNIFICANT ACCOUNTING POLICIES

Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in income as a gain from a bargain purchase. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Any contingent consideration and related indemnification right are recognized at fair value at the acquisition date. Subsequent changes in fair value of contingent consideration and related indemnification right classified as a financial liability and financial asset are recognized in income. Restructuring, transaction costs and other direct costs of a business combination are not considered part of the business acquisition transaction. Instead, such costs are expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

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.

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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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.

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.

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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (Unaudited)
 (Expressed in Canadian Dollars)
 FOR THE THREE MONTHS ENDED AUGUST 31, 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

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:

August 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	408,914	-	-	408,914

There were no transfers between the levels during the period.

Future changes in accounting policies

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

(a) 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.

(b) 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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

5. BUSINESS COMBINATION

Share Exchange Agreement

On May 28, 2015, the Company and 096 entered into a share exchange agreement (“the Agreement”), pursuant to which the Company acquired all of the issued and outstanding shares of 096 by issuing 25,800,000 common shares of the Company (the “Transaction”) to the shareholders of 096, of which 23,220,000 common shares (the “Performance Escrow Shares”) were placed into escrow according to an escrow agreement dated August 21, 2015. The Performance Escrow Shares have no voting rights and cannot be transferred or pledged. The Performance Escrow Shares will be released in four equal tranches upon 096 achieving the following milestones within a period of three years:

- (i) 5,805,000 common shares upon earning a total of \$1,000,000 in gross revenue;
- (ii) 5,805,000 common shares upon earning a total of \$3,000,000 in gross revenue;
- (iii) 5,805,000 common shares upon earning a total of \$4,500,000 in gross revenue; and
- (iv) 5,805,000 common shares upon earning a total of \$6,000,000 in gross revenue.

If the Performance Escrow Shares are not released according to the escrow agreement prior to August 21, 2018, being the date that is three years after the Closing of the Transaction, the Performance Escrow Shares will be returned to the Company and to be cancelled. The shareholders of 096 will not be entitled to the payment of any consideration or other compensation should the Performance Escrow Shares be cancelled.

Upon closing of the Transaction on August 21, 2015, 096 became a wholly-owned subsidiary of the Company and the combined entity operates under the name of Brabeia Inc.

Acquisition

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.

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.

Of the 25,800,000 shares the Company issued to 096 shareholders, 23,220,000 shares are Performance Escrow Shares that are released to shareholders of 096 only if certain performance milestones are reached with three years after the Closing of the Transaction. Otherwise, the Performance Escrow Shares will be cancelled and returned to the treasury of the Company. Management does not expect the performance milestones will be reached within the three year period and has determined that there is no viable business going forward; therefore, the fair value of the Performance Escrow Shares has been valued at \$Nil.

As such, the total purchase price has been assessed at \$774,000, being the fair value of 2,580,000 common shares issued at the closing of the Transaction. The excess of the consideration transferred over the fair value of the identifiable net assets (liabilities) acquired, being \$1,358,549, is written off in the statement of loss and comprehensive loss.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

5. BUSINESS COMBINATION (cont'd...)

Acquisition (cont'd...)

The purchase price has been allocated as follows:

Cash overdrawn	\$ (383,124)
Receivables	26,531
Overpayment	1,358,549
Accounts payable and accrued liabilities	(128,303)
Payable to shareholders	<u>(99,653)</u>
	<u>\$ 774,000</u>

The Company entered into an agreement on February 10, 2016 with Tracy Wattie, former CEO, President and director of the Company, to sell its interest in 096 to her effective on February 1, 2016. (Note 10)

6. SHARE CAPITAL AND RESERVES

Authorized

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

Issued

As at August 31, 2015, the Company has 22,385,403 (May 31, 2015 – 16,727,236) common shares outstanding.

There were no share issuances during the year ended May 31, 2015.

During the six months ended November 30, 2015,

- a) On August 21, 2015, the Company issued 25,800,000 shares to 096 shareholders upon the closing of the Transaction (Note 5), 23,220,000 shares of which are Performance Escrow Shares and are contingently cancellable. The fair value of the Company's common shares is \$0.30 per share, being the price of the concurrent financing.
- b) In August 2015, concurrently with the closing of the Transaction described in Note 5, the Company closed a private placement by issuing 3,078,167 units at a price of \$0.30 per unit for aggregate gross proceeds of \$923,450. Each unit consists of one common share and one half of a share purchase warrant, each whole warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.60 per share for a period of two years from closing. The Company paid \$37,967 of finder's fee and brokers' fees

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

6. SHARE CAPITAL AND RESERVES (cont'd...)

Contingently cancellable shares

On May 28, 2015, the Company and 096 entered into the Agreement (Note 5), pursuant to which the Company acquired all of the issued and outstanding shares of 096 by issuing 25,800,000 common shares of the Company to the shareholders of 096, of which 23,220,000 shares are Performance Escrow Shares that are escrowed and contingently cancellable. The Performance Escrow Shares have no voting rights and cannot be transferred or pledged. The Performance Escrow Shares will be released in four equal tranches upon 096 achieving the following milestones within a period of three years:

- (i) 5,805,000 common shares upon earning a total of \$1,000,000 in gross revenue;
- (ii) 5,805,000 common shares upon earning a total of \$3,000,000 in gross revenue;
- (iii) 5,805,000 common shares upon earning a total of \$4,500,000 in gross revenue; and
- (iv) 5,805,000 common shares upon earning a total of \$6,000,000 in gross revenue.

If the Performance Escrow Shares are not released according to the escrow agreement prior to August 21, 2018, being the date that is three years after the Closing of the Transaction, the Performance Escrow Shares will be returned to the Company and to be cancelled. The shareholders of 096 will not be entitled to the payment of any consideration or other compensation should the Performance Escrow Shares be cancelled. As the Company entered into an agreement on February 10, 2016 to dispose of the business of 096 (Note 10), the performance targets for the release of the Performance Escrow Shares will not be met, and the Company anticipates that the Performance Escrow Shares will not be released, and instead will be cancelled and returned to treasury when the three year release deadline is reached.

Those shares are valued at \$Nil and excluded from the calculation of weighted average number of shares outstanding.

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.

On August 28, 2015, the Board approved of granting 1,900,000 share options to directors, officers, consultants and employees with an exercise price of \$0.30 expiring on August 28, 2017, vesting immediately. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the stock options granted is \$259,372 (\$0.1365 per option).

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

6. SHARE CAPITAL AND RESERVES (cont'd...)

Stock options (cont'd...)

The fair value of the stock options granted was determined using the following assumptions:

Weighted average assumptions	Period Ended August 31, 2015
Risk free interest rate	0.42%
Volatility	85.12%
Expected life of options	2 years
Dividend rate	0%

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2014	25,000	\$ 3.80
Expired	<u>(25,000)</u>	<u>3.80</u>
Balance, May 31, 2015	-	-
Granted	<u>1,900,000</u>	<u>0.30</u>
Balance, outstanding and exercisable, August 31, 2015	<u>1,900,000</u>	<u>\$ 0.30</u>

As at August 31, 2015, the following options are outstanding:

Number of Options	Exercise Price	Expiry Date
1,900,000	\$ 0.30	August 28, 2017

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

6. SHARE CAPITAL AND RESERVES (cont'd...)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at May 31, 2014 and 2015	-	\$ -
Issued in private placement	<u>1,539,084</u>	0.60
As at August 31, 2015	<u>1,539,084</u>	<u>\$ 0.60</u>

As at August 31, 2015, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,539,084	\$ 0.60	August 21, 2017

7. RELATED PARTY TRANSACTIONS

During the three months ended August 31, 2015, the Company entered into the following transactions with related parties:

- (a) The Company paid or accrued rent of \$3,750 (2014 - \$3,750) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer ('CFO') and director of the Company and a management fee of \$3,000 (2014 - \$Nil) to the CFO and director.
- (b) In August 2015, 1,500,000 share options (2014 - Nil) were granted to three directors and officers of the Company. Those share options are valued at \$204,767 (2014 - \$Nil).

As at August 31, 2015, \$99,653 (May 31, 2015 - \$50,000) 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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Other than the business combination described in Note 5, there were no significant non-cash investing or financing transactions during the three months ended August 31, 2015 or the year ended May 31, 2015.

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 instruments, being cash and cash equivalents, are 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

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.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2015, the Company had a cash and cash equivalent balance of \$408,914 (May 31, 2015 - \$83,913) and current liabilities of \$229,080 (May 31, 2014 - \$89,730).

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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

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.

BRABEIA INC.
(FORMERLY SCAVO RESOURCE CORP.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED AUGUST 31, 2015

10. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Company's board of directors has determined it is in the best interests of the Company to sell the social media marketing business it acquired in August 2015 (Note 5), as it has concluded this business is not viable and has no value. On February 10, 2016, the Company entered into an agreement (the "096 Sale Agreement") with former CEO, President and director Tracy Wattie ("Wattie") to sell her all of the issued and outstanding shares of 096, subject to various conditions, including receipt of disinterested shareholder approval from the Company's shareholders (the "Transaction").

Terms of the Transaction

096 is a private company which carries on a social media marketing business under the name "Brabeia". 096 was acquired by the Company from Wattie and other former shareholders of 096 in a transaction which closed on August 21, 2015 (Note 5).

The 096 Sale Agreement provides that on closing of the Transaction (the "Closing"):

- (a) The Company will transfer all of the shares of 096 to Wattie with an effective date of February 1st, 2016.
- (b) In consideration for the transfer of 096 to Wattie, the Company will receive from Wattie a payment of \$250,000, which shall be payable in monthly installments of \$10,000, payable on the first of each month, other than the payments due on March 1 and April 1, 2016, which shall be \$5,000. Wattie will personally guarantee and secure the first \$100,000. The balance will not be guaranteed by Wattie and will be unsecured.
- (c) The Company will further be entitled to receive a royalty equal to 10% of 096's gross revenues from any licensing agreements entered into by 096 or any company which is a subsidiary or affiliate of 096 following the Closing to a maximum of \$500,000 in the aggregate (the "Royalty").
- (d) Common shares of the Company which were issued and released to the former holders of 096 at the time of business acquisition will be retained by them, excepting the common shares issued to Wattie, which will be returned to the Company and cancelled. Of the 23,220,000 Performance Escrow Shares that are currently in escrow and contingently cancellable, Wattie has also agreed to the cancellation at Closing of her 5,875,272 Performance Escrow Shares at closing. The remaining 17,342,728 Performance Escrow Shares will remain in escrow and will be returned to treasury and cancelled when the release targets will not be met. The Company intends to seek their earlier cancellation.
- (e) After the Closing, 096 will be entitled to use the name "Brabeia" in connection with its business.

The Company's Board of Directors is of the view that the social media marketing business of 096 is not a viable business, and does not expect the Company will receive any Royalty payment. The Board of Directors also considers there to be a significant risk that the Company will not receive the aggregate of \$250,000 in payment required to be paid by Wattie pursuant to the 096 Sale Agreement when such payments are due, or at all.

On or prior to the Closing, the Company will change its name to "Seahawk Ventures Inc.".