SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MAY 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Seahawk Ventures Inc.

We have audited the accompanying financial statements of Seahawk Ventures Inc., which comprise the statements of financial position as at May 31, 2016 and 2015 and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) 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 Seahawk Ventures Inc. as at May 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended 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 financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Seahawk Ventures Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

September 28, 2016

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at May 31,

	2016	2015
ASSETS		
Current		
Cash	$ 21,626	$ 83,913
Receivables	6,663	2,378
Advances receivable (Note 4)	100,000	-
Total current assets	128,289	86,291
Loan receivable (Note 4)	-	100,000
Exploration and evaluation assets (Note 5)	31,652	-
Total assets	$ 159,941	$ 186,291
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$ 126,776	$ 39,730
Due to related parties (Note 8)	30,000	50,000
Loan payable to related party (Note 6)	25,000	-
Total current liabilities	181,776	89,730
Shareholders' equity (deficiency)		
Share capital (Note 7)	5,011,534	3,352,050
Shares receivable (Notes 4 and 7)	(195,842)	-
Reserves (Note 7)	1,956,941	1,691,304
Deficit	(6,794,468)	(4,946,793)
	(21,835)	96,561
Total liabilities and shareholders' equity (deficiency)	$ 159,941	$ 186,291

Nature and continuance of operations (Note 1)
Events subsequent to the reporting period (Note 12)

Approved and authorized on behalf of the Board on September 28, 2016:

"Giovanni Gasbarro" Director *"Bruno Gasbarro"* Director

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

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended May 31,

		2016		2015
OPERATING EXPENSES				
Consulting fees	$	-	$	17,500
Impairment of exploration and evaluation assets (Note 5)		-		252,637
Loss on disposal of investment in 096 (Note 4)		578,158		-
Management fees (Note 8)		28,500		50,000
Office and miscellaneous		3,653		1,812
Professional fees		212,499		54,184
Rent (Note 8)		8,875		15,000
Share-based compensation (Notes 7 and 8)		265,637		-
Transfer agent and filing fees		20,418		16,124
Write-off of loan and advances to 096 (Note 4)		729,935		-
Loss and comprehensive loss for the year	$	(1,847,675)	$	(407,257)
Basic and diluted loss per common share	$	(0.09)	$	(0.02)
Weighted average number of common shares outstanding		21,117,727		16,727,236

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

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended May 31,

		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(1,847,675)	$	(407,257)
Items not involving cash:				
Impairment of exploration and evaluation assets		-		252,637
Share-based compensation		265,637		-
Write-off of loan and advances to 096		729,935		-
Loss on disposal of investment in 096		578,158		-
Changes in non-cash working capital items:				
Receivables		(4,285)		(439)
Accounts payable and accrued liabilities		87,046		39,509
Due to related parties		(20,000)		50,000
Net cash used in operating activities		(211,184)		(65,550)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets		(31,652)		-
Exploration and evaluation asset expenditures		-		(50)
Cash advanced to 096		(774,259)		(100,000)
Partial repayment received from 096		44,324		-
Net cash used in investing activities		(761,587)		(100,050)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from private placement		923,450		-
Share issue costs		(37,966)		-
Loan proceeds from related party		25,000		-
Net cash provided by financing activities		910,484		-
Change in cash for the year		(62,287)		(165,600)
Cash, beginning of year		83,913		249,513
Cash, end of year	$	21,626	$	83,913

Supplemental disclosure with respect to cash flows (Note 9)

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

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Number of shares receivable	Shares receivable	Reserves	Deficit	Total
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
Shares issued for investment in 096	2,580,001	774,000	-	-	-	-	774,000
Escrowed shares issued for investment in 096 – contingently cancellable	23,219,980	-	-	-	-	-	-
Shares receivable on disposal of investment in 096	-	-	652,808	(195,842)	-	-	(195,842)
Escrowed shares receivable at disposal of investment	-	-	15,002,364	-	-	-	-
Private placement – unit offering completed	3,078,167	923,450	-	-	-	-	923,450
Share issue costs – cash	-	(37,966)	-	-	-	-	(37,966)
Share-based compensation	-	-	-	-	265,637	-	265,637
Loss for the year	-	-	-	-	-	(1,847,675)	(1,847,675)
Balance, May 31, 2016	45,605,384	$ 5,011,534	(15,655,172)	$ (195,842)	$ 1,956,941	$ (6,794,468)	$ (21,835)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Seahawk Ventures Inc. (formerly 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 entered into a share exchange agreement with the shareholders of 0969607 BC Ltd. ("096") to acquire all of the issued and outstanding shares of 096 in return for 25,799,981 common shares of the Company (the "Share Exchange"). 096 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 as well as social media marketing and web design services. After the Share Exchange, the Company changed its name to "Brabeia Inc." Tracy Wattie ("Wattie"), President and CEO of 096, became the President and CEO of the Company, and joined the board of directors of the Company. On February 10, 2016, the Company entered into an agreement (the "096 Sale Agreement", amended on March 15, 2016) with Wattie to sell its interest in 096 to her effective February 1, 2016 (Note 4). The Company changed its name to Seahawk Ventures Inc. after the disposal of 096.

The Company'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 Bowron 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 a going concern is dependent upon it 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 favorable 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. BASIS OF PREPARATION

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 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").

2. BASIS OF PREPARATION (cont'd…)

Basis of measurement and presentation currency

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 cash flow information.

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Use of estimates and critical judgments

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.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and critical judgments (cont'd…)

c) Accounting for the Share Exchange and 096 Sale Agreement

The Company has assessed whether it had a controlling financial interest in 096 in accordance with the provisions of IFRS 10 "Consolidated Financial Statements". This standard requires the Company to assess if it had:

i) power over the entity;
ii) exposure, or rights, to variable returns from its involvement with the entity; and
iii) power to affect the amount of the entity's return.

The Company then further assessed whether it had significant influence in 096 in accordance with the provisions of IAS 28 "Investments in Associates and Joint Ventures". This standard requires the Company to assess if it had power to participate in the financial and operating policy decisions of the entity, without having direct control or joint control of those polices.

Each of these factors requires the Company to make significant judgments as to the extent of its involvement with the entity and whether it is required to consolidate the operations of the entity or record the investment in accordance with the equity method of accounting.

For the transactions with the shareholders of 096, the Company concluded that it had not obtained control or significant influence of the entity and therefore should record the value of the investment as an available for sale investment and the advances as a financial asset at amortized cost, with a loss being recognized on a subsequent impairment write-off of advances made. (Note 4)

3. SIGNIFICANT ACCOUNTING POLICIES

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 known amounts of cash and which are subject to an insignificant risk of change in value. As at May 31, 2016 and 2015, the Company did not hold any cash equivalents.

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.

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.

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.

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.

Shares that are contingently cancellable are not included in the calculation of basic or diluted loss per share.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Deferred taxes

Deferred income taxes are calculated using the asset and 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 date 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.

Financial instruments

Financial assets at fair value through profit or loss:

The Company's financial assets at fair value through profit or 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 or loss are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in profit or loss.

The Company has classified its cash at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Loans and receivables:

Financial assets classified as loans and receivables 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 collectability issues. Net gains and losses arising from changes in fair value are recognized in profit or loss upon derecognition or impairment.

The Company has classified its advances receivable as loans and receivables.

Available for sale:

Financial assets classified as available for sale are initially recognized at their fair value with unrealized gains and losses recognized in other comprehensive income (loss), except for losses in value that are considered other than temporary.

During the year ended May 31, 2016, the Company held an investment in common shares of 096 that were classified as available for sale.

Financial liabilities measured at amortized cost:

Financial liabilities measured at amortized cost 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 or loss upon derecognition.

The Company has classified its accounts payable and accrued liabilities, due to related parties and loan payable to related party as financial liabilities measured at amortized cost.

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.

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, 2016 and 2015, the Company does not have any known rehabilitation obligations.

Future changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for the May 31, 2016 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 contains 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, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future changes in accounting policies (cont'd…)

(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.

4. TRANSACTIONS WITH 0969607 BC LTD. ("096") AND ITS SHAREHOLDERS

Share Exchange Agreement

On August 21, 2015, the Company and 096 entered into the Share Exchange (Note 1), pursuant to which the Company acquired all of the issued and outstanding shares of 096 by issuing 25,799,981 common shares of the Company (the "Transaction") to the shareholders of 096, of which 23,219,980 common shares (the "Performance Escrow Shares") were placed into escrow in accordance with an escrow agreement. The Performance Escrow Shares have no voting rights and cannot be transferred or pledged. The Performance Escrow Shares would 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) 5,804,980 common shares upon earning a total of $6,000,000 in gross revenue.

If the Performance Escrow Shares were 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 were to be returned to the Company's treasury for cancellation. The shareholders of 096 were not to be entitled to the payment of any consideration or other compensation should the Performance Escrow Shares be cancelled.

Concurrently with the closing of the Transaction, 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 (Note 7).

To finance the operations of 096, the Company loaned an amount of $100,000 to 096 during the year ended May 31, 2015. Further advances were made in the amount of $770,000 in August 2015 and $4,259 in October 2015, totaling $874,259.

4. TRANSACTIONS WITH 0969607 BC LTD. ("096") AND ITS SHAREHOLDERS (cont'd…)

Termination of the Transaction

Subsequent to the Share Exchange, the Company's board of directors concluded that the acquisition of 096 was not in the best interest of its shareholders as the Company was unable to obtain control of 096 and its operations. On February 10, 2016, the Company entered into the 096 Sale Agreement (Note 1) with 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 096 Sale Agreement was further amended on March 15, 2016.

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

(a) The Company will transfer all of the shares of 096 to Wattie with an effective date of February 1, 2016.

(b) In consideration for the transfer of the 096 shares to Wattie, the Company will receive from Wattie a reimbursement of advances in the amount of $100,000, which shall be payable as to $5,000 on Closing ($5,000 received subsequently), two additional payments of $5,000 due within the 1st and 2nd months after Closing ($10,000 received subsequently), three additional payments of $10,000 due within the 3rd, 4th and 5th months after Closing ($30,000 received subsequently), and a final payment of $55,000 due within the 6th months after Closing.

(c) Common shares of the Company which were issued and released to the former holders of 096 at the time of the Share Exchange will be retained by them, with the exception of the 652,808 common shares issued to Wattie, which will be returned to the Company and cancelled (returned and cancelled on June 10, 2016). Of the 23,219,980 Performance Escrow Shares that are currently in escrow and contingently cancellable, Wattie has also agreed to the cancellation of her 5,875,272 Performance Escrow Shares (returned and cancelled on June 10, 2016). The remaining 17,344,708 Performance Escrow Shares (8,325,568 returned and cancelled on June 10, 2016) will remain in escrow and will be returned to treasury and cancelled when the release targets are not met. The Company intends to seek their earlier cancellation.

(d) After the Closing, 096 will be entitled to use the name "Brabeia" in connection with its business.

Accounting for the Share Exchange and 096 Sale Agreement

The Share Exchange was structured as it was to permit the Company to determine if 096's business was viable before the former shareholders of 096 received their full consideration. The majority of the shares issued to the former shareholders of 096 were placed in escrow, only to be released when performance milestones were reached, proving 096 to be a viable business. Subsequent to the completion of the Share Exchange and advancing of funds, the Company's board of directors determined that it had never obtained, nor would it be able to obtain, control of 096 and accordingly it was in the best interests of the shareholders of the Company to dispose of its investment. Certain of the shares issued to the former 096 shareholders were returned and cancelled (Note 12). The Company considers this transaction as a failed investment, which was originally recorded at cost with a loss recognized on the statement of loss and comprehensive loss on disposal of the investment in 096 based on completion of the 096 Sale Agreement.

(Expressed in Canadian Dollars)

4. TRANSACTIONS WITH 0969607 BC LTD. ("096") AND ITS SHAREHOLDERS (cont'd…)

Accounting for the Share Exchange and 096 Sale Agreement (cont'd…)

	Number of shares issued	*Reconciliation of shares receivable*	*Reconciliation of loan and advances receivable*
Balance, May 31, 2014	-	$ -	$ -
Cash advance in March 2015	-	-	100,000
Balance, May 31, 2015	-	-	100,000
Investment in 096 - 2,580,001 shares issued to 096 shareholders on August 21, 2015	2,580,001	774,000	-
23,219,980 Performance Escrow Shares issued to 096 shareholders on August 21, 2015	23,219,980	-	-
Cash advance in August 2015	-	-	770,000
Cash advance in October 2015	-	-	4,259
Partial repayment in February 2016		-	(44,324)
Loss on disposal of investment in 096 – shares not returned by former 096 shareholders		(578,158)	-
Write-off of cash advances		-	(729,935)
Balance, May 31, 2016		**$ 195,842**	**$ 100,000**

Share issuance

The Performance Escrow Shares were to be released to shareholders of 096 only if certain performance milestones were reached within three years after the Closing. If the milestones were not met, the Performance Escrow Shares would be returned to the treasury of the Company and cancelled. Management did not expect the performance milestones to be met within the three year period and had determined that no value should be attributed to the Performance Escrow Shares on issuance.

The remaining 2,580,001 common shares were valued at $0.30 per share on the date of issuance for a total fair value of $774,000.

(Expressed in Canadian Dollars)

4. TRANSACTIONS WITH 0969607 BC LTD. ("096") AND ITS SHAREHOLDERS (cont'd…)

Accounting for the Share Exchange and 096 Sale Agreement (cont'd…)

As per the 096 Sale Agreement, the Company received 652,808 common shares from Wattie subsequent to the year ended May 31, 2016 (Note 12), which were valued at $0.30 per share for a total fair value of $195,842. The difference between the fair value of the shares issued pursuant to the Share Exchange and the value of the shares retuned by Wattie, being $578,158, was recognized as a loss on disposal of the investment in 096.

Cash advance

The Company loaned an amount of $100,000 to 096 during the year ended May 31, 2015. Further advances were made in the amount of $770,000 in August 2015 and $4,259 in October 2015, totaling $874,259. In February 2016, the Company received $44,324 in partial repayment. As a result, the Company wrote off $729,935 as uncollectible as at May 31, 2016, leaving $100,000 as advances receivable as per the 096 Sale Agreement entered into with Wattie.

5. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

	Mackenzie Property	*Purple Onion Claims*
Balance, May 31, 2014	$ -	$ 252,587
Government filing fees	-	50
Impairment of mineral properties	-	(252,637)
Balance, May 31, 2015	-	-
Acquisition	31,652	-
Balance, May 31, 2016	**$ 31,652**	**$ -**

Mackenzie Property

On May 25, 2016, the Company entered into a property purchase agreement (the "Agreement") with Metallis Resources Inc. ("Metallis") to acquire a 100% interest in 9 mineral claims collectively known as the Mackenzie Mountain Iron-Copper Property (the "Mackenzie Property") located in the Mackenzie Mining District, Northwest Territories, Canada. The Company's former President is also the President and a director of Metallis.

Pursuant to the Agreement, the Company is to:

a) Pay a non-refundable payment of $5,000 upon execution of the Agreement (paid);
b) Pay a further $26,652 associated with the cost of extending the expiration of the claims (paid); and
c) Issue 75,000 common shares upon TSX Venture Exchange approval.

Metallis retains a 2.0% net smelter return ("NSR") royalty on the Mackenzie Property. The Company may elect to purchase all or part of the NSR royalty interest for a price of $500,000 for each one-half of one percent of the royalty interest up to an aggregate purchase price of $2,000,000.

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

Purple Onion Claims

During the year ended May 31, 2012, the Company acquired a 100% interest in the Purple Onion Claims in the Northwest Territories, Canada from Metallis. As consideration, the Company paid $70,000 and issued 300,000 common shares valued at $75,000. Metallis will retain an NSR royalty of 0.5%. The Company may elect to purchase the NSR royalty by expending $325,413 on exploration expenditures by September 19, 2013 and issuing an additional 100,000 common shares.

In January 2015, the Company decided not to proceed with furthering the 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 TO RELATED PARTY

On May 15, 2016, the Company received loan proceeds of $25,000 from the Chief Executive Officer ("CEO") of the Company. The loan bears 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.

7. SHARE CAPITAL AND RESERVES

Authorized

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

Share issuance and cancellation

As at May 31, 2016, the Company has 45,605,384 (May 31, 2015 – 16,727,236) common shares outstanding, 23,219,980 shares of which are held in escrow and contingently cancellable. At the closing of the 096 Sale Agreement (Note 4), the Company will receive from Wattie 652,808 common shares (valued at $195,842, received and cancelled on June 10, 2016) and 5,875,272 Escrowed Performance Shares (valued at $Nil, received and cancelled on June 10, 2016).

During the year ended May 31, 2016,

a) On August 21, 2015, the Company issued 25,799,981 shares to 096 shareholders upon the closing of the Transaction (Note 4), 23,219,980 of which were Performance Escrow Shares and contingently cancellable. The fair value of the Company's non-escrowed common shares on issuance (2,580,001 in total) was $0.30 per share.

b) In August 2015, cconcurrently with the closing of the Transaction described in Note 4, 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 $37,966 in share issue costs in connection with the financing.

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

(Expressed in Canadian Dollars)

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

Performance Escrow Shares

As at May 31, 2016, the Company has a total of 23,219,980 (May 31, 2015 – Nil) Performance Escrow Shares outstanding which were originally issued in connection with the Share Exchange (Note 4). These Performance Escrow Shares were to be released on certain performance milestones being met by 096 over a period of three years, but pursuant to the 096 Sale Agreement (Note 4), will not be released based on the Company's disposal of its investment in 096. Subsequent to May 31, 2016, 15,002,364 of the Performance Escrow Shares were returned to treasury and cancelled, with the remaining amount to be returned and cancelled by August 21, 2018.

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.

During the year ended May 31, 2016, the Board approved the granting of a total of 1,950,000 stock options to directors, officers, consultants and employees with exercise prices ranging from $0.30 to $0.345, and expiration dates of 2 years from grant. All stock options granted during the year vested immediately, with the Company using the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the stock options granted was determined to be $265,637 ($0.136 per option).

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

Weighted average assumptions	**Year Ended May 31 , 2016**
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	(25,000)	3.80
Balance, May 31, 2015	-	-
Granted	1,950,000	0.30
Expired	(1,200,000)	0.30
Balance, May 31, 2016	750,000	$ 0.30

(Expressed in Canadian Dollars)

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

Stock options (cont'd…)

As at May 31, 2016, the following options are outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
750,000	$ 0.30	August 28, 2017

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at May 31, 2014 and 2015	-	$ -
Issued in unit offering	1,539,084	0.60
As at May 31, 2016	1,539,084	$ 0.60

As at May 31, 2016, the following warrants are outstanding:

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

8. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the financial statements, during the year ended May 31, 2016, the Company entered into the following transactions with related parties:

(a) The Company paid or accrued rent of $8,875 (2015 - $15,000) and management fees of $13,500 (2015 - $Nil) to the Chief Financial Officer ("CFO") and Brugas Holdings Inc., a company controlled by the CFO. As at May 31, 2016, a total of $15,000 (May 31, 2015 - $Nil) is owed to the CFO and Brugas Holdings Inc.

(b) The Company accrued management fees of $15,000 (2015 - $50,000) to the CEO. As at May 31, 2016, $15,000 (May 31, 2015 - $50,000) is owed to the CEO of the Company.

(c) In May 2016, the CEO advanced a loan of $25,000 to the Company (Note 6).

(d) The Company granted 1,550,000 stock options (2015 – Nil) to three directors and officers of the Company. Those stock options had a fair value of $211,032 (2015 - $Nil) on grant (Note 7).

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

During the year ended May 31, 2016, the Company had the following non-cash financing and investing activities:

a) Issued common shares with a fair value of $774,000 for all of the issued and outstanding shares of 096.

There were no non-cash financing or investing activities during the year ended May 31, 2015.

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 advances receivable, accounts payable and accrued liabilities, due to related parties and loan payable to related party approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

There were no transfers between the levels during the years ended May 31, 2016 and 2015.

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

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 May 31, 2016, the Company had a cash balance of $21,626 (May 31, 2015 - $83,913) and current liabilities of $181,776 (May 31, 2015 - $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.

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 dollars 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 (deficiency). 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.

(Expressed in Canadian Dollars)

11. INCOME TAXES

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

	2016	2015
Loss for the year	$ (1,847,675)	$ (407,257)
Expected income tax (recovery)	$ (480,000)	$ (106,000)
Change in statutory tax rates and other	168,000	(7,000)
Permanent differences	69,000	-
Share issue costs	(10,000)	-
Change in unrecognized deductible temporary differences	253,000	113,000
Total income tax expense (recovery)	$ -	$ -

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

	2016	2015
Deferred tax assets (liabilities):		
Share issue costs	$ 1,000	$ 1,000
Exploration and evaluation assets	72,000	72,000
Allowable capital losses	268,000	97,000
Non-capital losses available for future periods	1,053,000	978,000
	1,401,000	1,148,000
Unrecognized deferred tax assets	(1,401,000)	(1,148,000)
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:

	2016	Expiry Date Range	2015	Expiry Date Range
Temporary differences:				
Share issue costs	$ 30,000	2037 – 2040	$ 5,000	2036
Exploration and evaluation asset	$ 253,000	No expiry date	$ 253,000	No expiry date
Allowable capital losses	$ 1,029,000	No expiry date	$ 375,000	No expiry date
Non-capital losses available for future periods	$ 4,049,000	2028 – 2036	$ 3,770,000	2027 – 2035

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

12. EVENTS SUSBEQUENT TO THE REPORTING PERIOD

Subsequent to the year ended May 31, 2016, the Company:

a) received and cancelled 652,808 common shares and 5,875,272 Performance Escrow Shares from Wattie, and an additional 9,127,092 Performance Escrow Shares from other former 096 shareholders. (Notes 4 and 7); and
b) Received additional cash payments totaling $45,000 in respect of advance reimbursements from Wattie pursuant to the 096 Sale Agreement (Note 4).