

**SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)**

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

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2017

These unaudited condensed interim financial statements of Seahawk Ventures Inc. (formerly Brabeia Inc.) for the nine months ended February 28, 2017 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.

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	February 28, 2017	May 31, 2016
ASSETS		
Current		
Cash	\$ 35,726	\$ 21,626
Receivables	3,585	6,663
Advances receivable (Note 4)	<u>-</u>	<u>100,000</u>
Total current assets	39,311	128,289
Exploration and evaluation assets (Note 5)	<u>40,652</u>	<u>31,652</u>
Total assets	<u>\$ 79,963</u>	<u>\$ 159,941</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 101,006	\$ 126,776
Due to related parties (Note 8)	116,990	30,000
Loan payable to related party (Note 6)	<u>25,000</u>	<u>25,000</u>
Total current liabilities	<u>242,996</u>	<u>181,776</u>
Shareholders' equity (deficiency)		
Share capital (Note 7)	5,020,534	5,011,534
Shares receivable (Notes 4 and 7)	-	(195,842)
Reserves (Note 7)	1,956,941	1,956,941
Deficit	<u>(7,140,508)</u>	<u>(6,794,468)</u>
	<u>(163,033)</u>	<u>(21,835)</u>
Total liabilities and shareholders' equity (deficiency)	<u>\$ 79,963</u>	<u>\$ 159,941</u>

Nature and continuance of operations (Note 1)

Approved and authorized on behalf of the Board on April 5, 2017:

"Giovanni Gasbarro" Director "Bruno Gasbarro" Director

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

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended February 28, 2017	Three Months Ended February 29, 2016	Nine Months Ended February 28, 2017	Nine Months Ended February 29, 2016
OPERATING EXPENSES				
Impairment of mineral properties	\$ -	\$ -	\$ -	\$ -
Loss on disposal of investment in 096 (Note 4)	-	-	-	578,158
Management fee (Note 8)	25,500	-	76,500	3,000
Office and miscellaneous	348	657	2,936	2,151
Professional fees	1,300	7,518	33,472	90,066
Rent (Note 8)	3,500	-	12,500	4,375
Share-based compensation (Note 7)	-	-	-	265,637
Transfer agent and filing fees	6,856	8,389	24,790	18,987
Write-off of loan and advances to 096 (Note 4)	-	-	-	729,935
Loss and comprehensive loss for the period	\$ (37,504)	\$ (16,564)	\$ (150,198)	\$ (1,692,309)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.09)
Weighted average number of common shares outstanding	21,765,096	22,384,404	21,791,398	18,613,759

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

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Nine Months Ended February 28, 2017	Nine Months Ended February 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (150,198)	\$ (1,692,309)
Items not involving cash:		
Impairment of mineral properties	-	-
Share-based compensation	-	265,637
Write-off of loan and advances to 096	-	729,935
Loss on disposal of investment costs in 096	-	578,158
Changes in non-cash working capital items:		
Receivables	3,078	(3,588)
Accounts payable and accrued liabilities	(25,770)	(22,971)
Due to related parties	<u>86,990</u>	<u>(50,000)</u>
Net cash used in operating activities	<u>(85,900)</u>	<u>(195,138)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash advanced to 096	-	(774,259)
Partial repayment received from 096	<u>100,000</u>	<u>44,324</u>
Net cash used in investing activities	<u>100,000</u>	<u>(729,935)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	-	923,450
Share issue costs	<u>-</u>	<u>(37,966)</u>
Net cash obtained from financing activities	<u>-</u>	<u>885,484</u>
Change in cash for the period	14,100	(39,589)
Cash, beginning of period	<u>21,626</u>	<u>83,913</u>
Cash, end of period	<u>\$ 35,726</u>	<u>\$ 44,324</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Unaudited)

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Number of shares receivable	Shares receivable	Reserves	Deficit	Total
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)	-	-	(130,562)
Escrowed shares receivable at disposal of investment in 096	-	-	(5,875,272)	-	-	-	-
Private placement	3,078,167	923,450	-	-	-	-	923,450
Share issue costs	-	(37,966)	-	-	-	-	(37,966)
Share-based compensation	-	-	-	-	265,637	-	265,637
Loss for the period	-	-	-	-	-	(1,692,309)	(1,692,309)
Balance, February 29, 2016	45,605,384	5,011,534	(6,528,080)	(195,842)	1,956,641	(6,639,102)	133,531
Loss for the period	-	-	-	-	-	(155,366)	(155,366)
Balance, May 31, 2016	45,605,384	5,011,534	(652,808)	(195,842)	1,956,941	(6,794,468)	(21,835)
Shares receivable on disposal of investment in 096 – received and cancelled	(652,808)	-	652,808	195,842	-	(195,842)	-
Escrowed shares received and cancelled	(19,702,804)	-	-	-	-	-	-
Shares issued for exploration and evaluation assets	75,000	9,000	-	-	-	-	9,000
Loss for the period	-	-	-	-	-	(150,198)	(150,198)
Balance, February 28, 2017	25,324,772	\$ 5,020,534	-	\$ -	\$ 1,956,941	\$ (7,140,508)	\$ (163,033)

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

SEAHAWK VENTURES INC.
(FORMERLY BRABEIA INC.)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2017

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 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 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 unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These financial statements should be read in conjunction with the Company’s audited financial statements for the fiscal year ended May 31, 2016.

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 policies.

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

These condensed interim financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgement, measurement estimates and uncertainties as those disclosed in Note 3 of the Company’s audited financial statements for the year ended May 31, 2016.

Future changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for the February 28, 2017 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 (\$55,000 received subsequently).
- (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 (13,827,532 returned and cancelled during the nine months ended February 28, 2017) 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 7). 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.

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FOR THE NINE MONTHS ENDED FEBRUARY 28, 2017

4. TRANSACTIONS WITH 0969607 BC LTD. (“096”) AND ITS SHAREHOLDERS (cont’d...)

Accounting for the Share Exchange and 096 Sale Agreement (cont’d...)

	<i>Number of shares issued</i>	<i>Reconciliation of shares receivable</i>	<i>Reconciliation of loan and advances receivable</i>
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
Repayment of loan		-	(100,000)
Shares received – 652,808 shares	(652,808)	(195,842)	-
Performance Escrow Shares received – 19,065,976 shares	(19,702,804)	-	-
Balance, February 28, 2017		\$ -	\$ -

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4. TRANSACTIONS WITH 0969607 BC LTD. (“096”) AND ITS SHAREHOLDERS (cont’d...)

Accounting for the Share Exchange and 096 Sale Agreement (cont’d...)

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.

As per the 096 Sale Agreement, the Company received 652,808 common shares from Wattie in June 2016, 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 returned by Wattie, being \$578,158, was recognized as a loss on disposal of the investment in 096 during the year ended May 31, 2016.

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. The Company received the \$100,000 during the nine months ended February 28, 2017.

5. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES

	<i>Mackenzie Property</i>
Balance, May 31, 2015	\$ -
Acquisition - cash	31,652
Balance, May 31, 2016	31,652
Acquisition - shares	9,000
Balance, February 28, 2017	\$ 40,652

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

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 (issued, valued at \$9,000) upon TSX Venture Exchange approval.

Metallis retains a 2.0% 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.

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.

As of February 28, 2017, an interest of \$990 (May 31, 2016 - \$Nil) was accrued in the due to related parties.

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 February 28, 2017, the Company has 25,324,772 (May 31, 2016 – 45,605,384) common shares outstanding, 3,517,176 shares (May 31, 2016 - 23,219,980) of which are held in escrow and contingently cancellable.

During the nine months ended February 28, 2017,

- a) the Company received 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).
- b) the Company cancelled 13,827,532 Escrowed Performance Shares received from other shareholders.
- c) the Company issued 75,000 shares (valued at \$9,000) pursuant to the Mackenzie Property option agreement.

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

Share issuance and cancellation (cont'd...)

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, concurrently 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.

Performance Escrow Shares

As at February 28, 2017, the Company has a total of 3,517,176 (May 31, 2016 – 23,219,980) 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.

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%

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2017

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

Stock options (cont'd...)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2015	-	\$ -
Granted	1,950,000	0.30
Expired	<u>(1,200,000)</u>	<u>0.30</u>
Balance, May 31, 2016 and February 28, 2017	750,000	\$ 0.30

As at February 28, 2017, 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, 2015	-	\$ -
Issued in unit offering	<u>1,539,084</u>	<u>0.60</u>
As at May 31, 2016 and February 28, 2017	1,539,084	\$ 0.60

As at February 28, 2017, 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 nine months ended February 28, 2017, the Company entered into the following transactions with related parties:

- (a) The Company paid or accrued rent of \$12,500 (2016 - \$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 \$31,500 (2016 - \$3,000) to the CFO and director. As of February 28, 2017, \$56,000 (May 31, 2016 - \$15,000) is owed to the CFO and Brugas Holdings Inc.
- (b) The Company accrued management fees of \$45,000 (2016 - \$Nil) to the CEO. As at February 28, 2017, \$60,000 (May 31, 2016 - \$15,000) is owed to the CEO of the Company.
- (c) Nil (2016 - 1,550,000) share options were granted to directors and officers of the Company. Those share options are valued at \$Nil (2016 - \$211,032) at the date of grant.
- (d) The Company accrued an interest of \$938 (2016 - \$Nil) to a loan from CEO (Note 6). As at February 28, 2017, an interest of \$990 (May 31, 2016 - \$Nil) was accrued in due to related parties.

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 nine months ended February 28, 2017, the Company issued 75,000 shares (valued at \$9,000) pursuant to the Mackenzie Property option agreement.

Other than the share exchange transaction with 096 described in Note 4, there were no significant non-cash investing or financing transactions during the nine months ended February 29, 2016.

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 nine months ended February 28, 2017 and the year ended May 31, 2016.

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 February 28, 2017, the Company had a cash balance of \$35,726 (May 31, 2016 - \$21,626) and current liabilities of \$242,996 (May 31, 2016 - \$181,776).

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.