# PREFERRED DENTAL TECHNOLOGIES INC.
# (FORMERLY WHITEWATER CAPITAL CORP.)
# FINANCIAL STATEMENTS
# MAY 31, 2017 AND 2016
# (Expressed in Canadian Dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Preferred Dental Technologies Inc. (formerly Whitewater Capital Corp.)

We have audited the accompanying financial statements of Preferred Dental Technologies Inc. which comprise the statement of financial position as at May 31, 2017 and 2016, and the statements of comprehensive loss, cash flows and changes in equity for the years ended May 31, 2017 and 2016, and the related notes comprising 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 as issued by the International Accounting Standards Board, 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 our 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, we consider 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, the financial statements present fairly, in all material respects, the financial position of Preferred Dental Technologies Inc. at May 31, 2017 and 2016, and its financial performance and cash flows for the years ended May 31, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Emphasis of Matter**
Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Preferred Dental Technologies Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 19, 2017

## PREFERRED DENTAL TECHNOLOGIES INC.

Statements of Financial Position
(Expressed in Canadian dollars)

| As at | May 31 2017 | May 31 2016 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash | 263,412 | 235,317 |
| Amounts receivable | 5,283 | 3,228 |
| **Total current assets** | 268,695 | 238,545 |
| Exploration and evaluation asset (Note 4) | - | 7,000 |
| **Total assets** | 268,695 | 245,545 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 44,422 | 28,816 |
| **EQUITY** | | |
| **Share capital** (Note 5) | 501,176 | 501,176 |
| **Subscriptions received** (Note 5) | 261,000 | - |
| **Contributed surplus** (Note 5) | 51,645 | 51,645 |
| **Deficit** | (589,548) | (336,092) |
| **Total equity** | 224,273 | 216,729 |
| **Total liabilities and equity** | 268,695 | 245,545 |

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

**Subsequent events (Note 10)**

These financial statements are authorized for issue by the Board of Directors on September 19, 2017

They are signed on the Company's behalf by:

*"Erik Siegmund"*
Director

*"Camille Pinette"*
Director

**PREFERRED DENTAL TECHNOLOGIES INC.**
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

| | Year ended May 31, 2017 | Year ended May 31, 2016 |
|---|---|---|
| | $ | $ |
| **General and administrative expenses** | | |
| Office and miscellaneous | 6,877 | 688 |
| Professional fees (Note 8) | 99,981 | 51,559 |
| Rent (Note 8) | 6,747 | - |
| Share-based payments (Note 8) | - | 49,000 |
| Transfer agent and filing fees | 22,539 | 14,118 |
| Travel and promotion | 4,292 | 2,179 |
| Loss before other item | (140,436) | (117,544) |
| Other item | | |
| Write off exploration and evaluation asset (Note 4) | (113,020) | - |
| **Net loss and comprehensive loss for the year** | (253,456) | (117,544) |
| **Net loss per share** – basic and diluted | (0.03) | (0.03) |
| **Weighted average number of common shares outstanding** | 9,786,667 | 4,132,514 |

The accompanying notes are an integral part of these financial statements

## PREFERRED DENTAL TECHNOLOGIES INC.

Statements of Cash Flows
(Expressed in Canadian dollars)

| | Year ended May 31, 2017 | Year ended May 31, 2016 |
|---|---|---|
| | $ | $ |
| **Cash flows from (used in)** | | |
| **Operations** | | |
| Net loss and comprehensive loss for the year | (253,456) | (117,544) |
| Adjustment for items not involving cash: | | |
| Write off exploration and evaluation asset | 113,020 | - |
| Share-based payments | - | 49,000 |
| Changes in non-cash working capital: | | |
| Decrease in amounts receivable | (2,055) | (2,489) |
| Increase in accounts payable and accrued liabilities | 15,606 | 32,495 |
| | (126,885) | (38,538) |
| **Investing activities** | | |
| Exploration and evaluation asset | (106,020) | (2,000) |
| **Financing activities** | | |
| Issuance of special warrants | - | 300,000 |
| Shares subscription received | 261,000 | - |
| Share issuance costs | - | (44,512) |
| | 261,000 | 255,488 |
| **Increase in cash** | 28,095 | 214,950 |
| **Cash,** beginning of year | 235,317 | 20,367 |
| **Cash,** end of year | 263,412 | 235,317 |
| **Supplemental cash flows information:** | | |
| Income taxes paid | $ - | $ - |
| Interest expense | $ - | $ - |
| **Non-cash transactions:** | | |
| Issuance of shares for settlement of accounts payable | $ - | $ 18,000 |
| Share issuance costs - agent warrants | $ - | $ 2,645 |

**PREFERRED DENTAL TECHNOLOGIES INC.**
Statements of Changes in Equity
As expressed in Canadian dollars

| | Common shares | | Special warrants | | Shares | Contributed | | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Subscription | Surplus | Deficit | Total |
| | | $ | | $ | $ | $ | $ | $ |
| Balance, May 31, 2015 | 4,106,667 | 205,333 | 2,500,000 | 25,000 | - | - | (218,548) | 11,785 |
| Issuance of special warrants | - | - | 3,000,000 | 300,000 | - | - | - | 300,000 |
| Issuance of agent warrants | - | - | 26,450 | - | - | 2,645 | - | 2,645 |
| Share issuance costs | - | - | - | (47,157) | - | - | - | (47,157) |
| Issuance of shares for settlement of accounts payable | 180,000 | 18,000 | - | - | - | - | - | 18,000 |
| Exercise of special warrants | 5,500,000 | 277,843 | (5,500,000) | (277,843) | - | - | - | - |
| Share-based payments | - | - | - | - | - | 49,000 | - | 49,000 |
| Net loss for the year | - | - | - | - | - | - | (117,544) | (117,544) |
| Balance, May 31, 2016 | 9,786,667 | 501,176 | 26,450 | - | - | 51,645 | (336,092) | 216,729 |
| Shares subscription received | - | - | - | - | 261,000 | - | - | 261,000 |
| Net loss for the year | - | - | - | - | - | - | (253,456) | (253,456) |
| Balance, May 31, 2017 | 9,786,667 | 501,176 | 26,450 | - | 261,000 | 51,645 | (589,548) | 224,273 |

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Preferred Dental Technologies Inc. (formerly Whitewater Capital Corp.) (the "Company") was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on December 8, 2010 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange"). On June 8, 2017, the Company completed an acquisition transaction with Preferred Dental Implant Corp. ("PDIC") whereby the Company acquired all the issued and outstanding common shares of PDIC. As the former shareholders of PDIC own a majority of the common shares of the combined entity, the transaction is considered a reverse take-over transaction ("RTO") (see Note 10(a)). On June 8, 2017, the Company also changed its name from Whitewater Capital Corp. to Preferred Dental Technologies Inc. The principal business of the Company is to advance development and commercialization of various evolutionary and disruptive technologies in the dental implant industry.

The head office, principal address and registered and records office of the Company are located at B01 – 185 Provencher Blvd, Winnipeg, MB, Canada, R2H 0G4.

The financial statements of the Company for the fiscal year ended May 31, 2017 were authorized for issue in accordance with a resolution of the directors on September 19, 2017.

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a foreseeable future. The Company has incurred losses since its inception and had an accumulated deficit of $589,548 at May 31, 2017. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. These factors give rise to a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business. Such adjustments could be material.

## 2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with International Accounting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Significant accounting judgments, estimates and assumptions

Use of estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets, decommissioning liabilities, recognition of deferred tax assets, and assumptions used in valuing options and warrants in share-based payment calculations. Actual results could differ from these estimates.

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

The assessment of the Company's ability to identify potential mineral reserves and obtain financing to fund the working capital requirements involves judgment. The judgment made by management with a significant risk of material adjustment is the going concern assumption.

[a] Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. As at May 31, 2017, the Company only held cash.

[b] Financial instruments

*Financial assets*

All financial assets are initially recorded at fair value and classified upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as financial assets at FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings.

Transactions costs associated with financial assets at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Significant accounting judgments, estimates and assumptions (continued)

[b] Financial instruments

*Financial liabilities*

All financial liabilities are initially recorded at fair value and classified upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company does not have any derivative instruments and foreign exchange hedges at this time.

[c] Exploration and evaluation assets

Exploration and evaluation costs, including the acquisition, exploration and development of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately. Upon commencement of commercial production, the related accumulated costs are amortized to income using the units of production method over estimated recoverable ore reserves. Management periodically assesses the carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of exploration and evaluation assets is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as exploration and evaluation assets represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values. The costs incurred include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Significant accounting judgments, estimates and assumptions (continued)

[c] Exploration and evaluation assets (continued)

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

[d] Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indications of impairment exist, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

[e] Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur decommissioning liabilities and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for a decommissioning liability is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at May 31, 2016 and 2015, the Company had not incurred any decommissioning liabilities related to the exploration and development of its mineral properties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Significant accounting judgments, estimates and assumptions (continued)

[f] Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

[g] Share-based payments

The Company has a stock option plan, which is described in Note 5(d). The Company applies the fair value method to all share-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in share option reserve. When the options are exercised, share capital is credited for the consideration received and the related share option reserve is decreased.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received in the statement of comprehensive loss. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. Amounts related to the issuance of shares are recorded as a reduction of share capital.

[h] Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[i] Deferred financing costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

[j] Income taxes

The Company utilizes the asset and liability method of accounting for deferred taxes. Under the liability method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities, and are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

[k] Recent accounting pronouncements

There were no new or revised accounting standards scheduled for mandatory adoption on June 1, 2016 that affected the Company's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[l] New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Corporation may have been excluded from the list below. The Company is evaluating any impact the standards noted below may have on the Company's financial statements and this assessment has not been completed.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 *Financial Instruments* – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 2 *Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 *Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

## 4. EXPLORATION AND EVALUATION ASSET

Pursuant to an agreement with a third party dated November 25, 2014 (the "Effective Date") and amended agreements in October 2015 and March 2016, the Company acquired an option to purchase a 100% interest in the Harmony Property (the "Option"), comprising six mineral claims located in the Nanaimo Mining Division, British Columbia, Canada for cash payments of $60,000 and a commitment for exploration expenditures of $51,600 as follows:

- On the Effective Date, the sum of $1,000 (paid);
- $4,000 (paid), on receipt of a 43-101 report recommending a $51,600 work program;
- Within five days of listing on the Canadian Securities Exchange (the "CSE") the sum of $5,000 (paid);
- $51,600 work commitment to be completed by June 15, 2016 with a $15,000 non-refundable deposit date due 5 days after listing on the CSE. The Company has expended $101,020 in exploration expenditures as at May 31, 2017;
- $50,000 cash payment due on June 30, 2017;

In connection with the amended agreements noted above, the Company paid $2,000 to the optionor and the amount has been capitalized as exploration and evaluation assets.

During the year ended May 31, 2017, the Company wrote off the carrying amount of $113,020 in the Harmony Property due to the change of business as a result of the transaction described in Note 10.

## 5. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During the year ended May 31, 2017, the Company received shares subscription of $261,000, the shares have yet to be issued.

During the year ended May 31, 2016, the Company issued 180,000 common shares at $0.10 per share to settle an accounts payable of $18,000. No gains or losses were recognized from the debt settlement.

On May 30, 2016, the Company filed a Prospectus which qualifies the distribution of 5,500,000 common shares of the Company to be distributed without additional payment upon the exercise of the outstanding special warrants disclosed in Note 5(e). The Prospectus also qualifies for distribution the 180,000 common shares issued to settle accounts payable and the 26,450 common shares issued upon exercise of the agent warrants described in Note 5(e).

(Expressed in Canadian dollars)

## 5. SHARE CAPITAL (CONTINUED)

(c) Escrow Shares

As a result of the Company's decision to abandon its application to list on the TSX Venture Exchange as a CPC company, the CPC Escrow Agreement was replaced by a new escrow agreement on January 7, 2015 which requires only the insiders' shares to be escrowed pursuant to national Policy 46-201 "Escrow for Initial Public Offerings". As a result, only the 2,430,000 shares held by the directors and officers and a spouse of a director were placed in escrow to be released as follows: 10% on the first day of trading on a Canadian exchange and 15% of the 2,430,000 every 6 months thereafter.

In March 2016, the Escrow agreement was amended to change the release dates. The first release date has been changed from the first day of trading on a Canadian Stock Exchange to the date when the Company has expended $100,000 on the Harmony Property on its filed financial statements. The escrow shares are to be released as follows: 10% at the first release date and 15% of the remaining escrow shares at every 6 months thereafter.

(d) Stock Options

The Company adopted a rolling 10% Stock Option Plan (the "Plan") on June 22, 2011 which was amended and restated on March 31, 2016 to reflect the plan to apply for a listing on the Canadian Stock Exchange ('CSE').

Under the Plan, the Company can issue up to 10% of the issued and outstanding common shares as incentive stock options to directors, officers, employees and consultants to the Company. The Plan limits the number of stock options which may be granted to any one individual to not more than 5% of the total issued common shares of the Company in any 12 month period. The number of options granted to any one consultant or a person employed to provide investor relations activities in any 12 month period must not exceed 2% of the total issued common shares of the Company. As well, stock options granted under the Plan may be subject to vesting provisions as determined by the Board of Directors.

In a prior year, the Company had granted 1,000,000 stock options to its officers and directors. The options are exercisable at $0.10 per share with expiry date of 10 years from the Listing Date (June 10, 2016). During the year ended May 31, 2016, the Company reduced the stock options to 500,000, all other terms remained the same. The fair value of the stock options was estimated at $49,000 using the Black Scholes Pricing Model with the following assumptions:

| | |
|---|---|
| Share price | $0.10 |
| Risk free interest rate | 1.22% |
| Expected life | 10 years |
| Expected volatility | 190% |
| Expected forfeiture rate | Nil |
| Expected dividends | Nil |

Details of stock options outstanding at May 31, 2017 are as follows:

| Number of Stock Options | | Exercise Price | Remaining Contractual Life (years) | Expiry Date |
|---|---|---|---|---|
| 500,000 | $ | 0.10 | 9 | June 10, 2026 |

(Expressed in Canadian dollars)

## 5. SHARE CAPITAL (CONTINUED)

(e) Warrants

i. During the fiscal year ended May 31, 2016 the Company received subscriptions of $300,000 for 3,000,000 Special Warrants at a price of $0.01 each. In connection with the subscriptions, the Company had incurred cash commission of $2,645 and issued 26,450 agent warrants as finder's fees. Each agent warrant can be converted into a common share of the Company with an exercise price of $0.10 per share for 2 years. The fair value of the agent warrants of $2,645 was estimated using the Black Scholes Pricing Model with the following assumptions:

| | |
|---|---|
| Share price | $0.10 |
| Risk free interest rate | 0.56% |
| Expected life | 2 years |
| Expected volatility | 187% |
| Expected forfeiture rate | Nil |
| Expected dividends | Nil |

Details of agent warrants outstanding at May 31, 2017 are as follows:

| Number of Agent Warrants | | Exercise Price | Remaining Contractual Life (years) | Expiry Date |
|---|---|---|---|---|
| 26,450 | $ | 0.10 | 0.81 | March 21, 2018 |

ii. In a prior year, the Company received subscriptions in the amount for $25,000 for 2,500,000 Special Warrants, which was received on December 8, 2014, at a price of $0.01 each. Each Special Warrant entitles the holder to acquire, without further payment of any consideration, a common share in the capital of the Company. The Special Warrants may be exercised by the holder, in whole or in part, at any time without any additional cost to the holder of the Special Warrants. Any unexercised Special Warrants will be deemed to be exercised on that day which is the earlier of: the first business day following the day on which a receipt for a final prospectus has been issued by or on behalf of the securities regulatory authorities in the Province of British Columbia and in such other jurisdictions as may be determined by the Company qualifying the distribution of the common shares to be issued upon exercise of the special Warrants and the tenth (10th) anniversary of the date of the Special Warrants certificate.

On May 30, 2016, all the outstanding 5,500,000 Special Warrants were converted to common shares.

## 6. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed to a variety of financial instrument related risks. 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 loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. The Company's cash is held with reputable institutions in Canada. The Company believes it has no significant 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, 2017, the Company had a cash balance of $263,412 to settle current liabilities of $44,422. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

*Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

*Fair value hierarchy*

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at May 31, 2017, the Company's cash of $263,412 (2016 - $235,317) is considered to be a Level 1 instrument.

(Expressed in Canadian dollars)

## 7. 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 sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in large financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its acquisition plans and operations through its current operating year.

## 8. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors and officers of the Company.

During the year ended May 31, 2017, the Company incurred accounting fees of $27,325 (2016 - $12,000), rental expense of $6,747 (2016 - $Nil) with the former CFO and director of the Company.

During the year ended May 31, 2017, the Company recorded $Nil (2016 - $49,000) as share-based payments to the former directors of the Company.

## 9. INCOME TAXES

The following table reconciles the expected income taxes expenses (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended May 31, 2017 and 2016:

| | **2017** | **2016** |
|---|---|---|
| Loss before income taxes | $ (253,456) | $ (117,544) |
| Income tax at statutory rate (2017 - 26%, 2016 -26%) | (65,898) | (30,561) |
| Non-deductible items for tax purposes and other items | - | 12,740 |
| Share issuance costs | - | 1,692 |
| Deferred tax asset not recognized | 65,898 | 16,129 |
| Total income tax (recovery) expense | $ - | $ - |

(Expressed in Canadian dollars)

**9. INCOME TAXES (CONTINUED)**

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at May 31, 2017 and 2016 are comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| Non-capital loss carry forwards | $ 116,176 | $ 77,348 |
| Share issuance costs | 6,944 | 9,259 |
| Exploration and evaluation assets | 28,995 | (390) |
| Deferred tax asset not recognized | (152,115) | (86,217) |
| Net deferred tax assets (liabilities) | $ - | $ - |

The Company has non-capital loss carry forwards of approximately $446,832 (2016 - $297,494) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| | |
|---|---|
| 2031 | $ 17,630 |
| 2032 | 19,751 |
| 2033 | 20,280 |
| 2034 | 101,801 |
| 2035 | 60,586 |
| 2036 | 77,446 |
| 2037 | 149,338 |
| Total | $ 446,832 |

## 10. SUBSEQUENT EVENTS

[a] On June 8, 2017, the Company acquired 100% of Preferred Dental Implant Corp. ("PDIC") (see Note 1) by issuing 48,010,001 common shares and 2,510,000 share purchase warrants to the former shareholders of PDIC in exchange for all of the outstanding PDIC common shares and warrants. The warrants can be exercised at a price of $0.25 per share until June 7, 2019. In connection with the transaction, the Company completed a private placement of 3,000,000 units for gross proceeds of $450,000. Each unit comprised of one common share and one purchase warrant. Each purchase warrant entitles the holder to purchase one common share at $0.25 per share until June 7, 2018. In addition, the Company issued 1,000,000 common shares as a finder's fee.

[b] On June 17, 2017, the Company granted 4,000,000 stock options to its officers and directors. Options vested on grant date and are exercisable at $0.15 per share until June 16, 2022.

[c] On July 7, 2017, the Company issued 80,000 units of the Company at a price of $0.10 per unit to settle $8,000 of the accounts payable. Each unit comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase a common share at a price of $0.25 per share until July 9, 2018. The common shares and any shares issued from the exercise of warrants are subject to a hold period expiring on November 11, 2017.

[d] On August 4, 2017, the Company issued 425,000 units of the Company at a price of $0.10 per unit to settle $42,500 of the consulting fees due to the CEO of the Company. Each unit comprised of one common share and one purchase warrant. Each warrant entitles the holder to purchase a common share at a price of $0.25 per share until August 7, 2018. The common shares and any shares issued from the warrants are subject to a hold period expiring on December 9, 2017.