



Consolidated Financial Statements

ISSUER DETAILS

For the Three Months Ended:
Date of the Report:

August 31, 2021
October 29, 2021

Name of Issuer:
Issuers Address:

HAWKEYE GOLD & DIAMOND INC.
M 202 – 1985 Alberni Street
Vancouver, BC, Canada V6G 0A2

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President & CEO
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HAWKEYE Gold & Diamond Inc.
Consolidated Financial Statements
August 31, 2021 and 2020

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HAWKEYE GOLD & DIAMOND INC.

NOTICE - No Independent Auditor Review of the Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of HAWKEYE Gold & Diamond Inc. (the “Company” or “HAWKEYE”), for the three months ended August 31, 2021, have been prepared by management, approved by the audit committee and board of directors, and authorized for issuance on October 29, 2021. These condensed consolidated interim financial statements have not been the subject of a review by the Company’s external independent auditor.

HAWKEYE GOLD & DIAMOND INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	August 31, 2021	May 31, 2021
ASSETS		
Current		
Cash	\$ 4,006	\$ 32,877
Prepaid expenses and deposits	1,750	1,750
	5,756	34,627
Equipment (note 6)	10,471	11,382
Exploration and evaluation assets (schedules 1 and 2, note 7)	1,375,896	1,374,295
Total Assets	\$ 1,392,123	\$ 1,420,304
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 713,805	\$ 694,147
Due to related parties (note 16)	767,151	734,151
Loans payable (note 8)	398,230	398,230
	1,879,186	1,826,528
CEBA Loan (note 8)	28,438	28,438
Total Liabilities	1,907,624	1,854,966
SHAREHOLDERS' DEFICIENCY		
Share capital (note 9)	16,418,608	16,418,608
Reserves (notes 9 and 10)	785,628	785,628
Deficit	(17,719,737)	(17,638,898)
Total Shareholders' Deficiency	(515,501)	(434,662)
Total Liabilities and Shareholders' Deficiency	\$ 1,392,123	\$ 1,420,304

Nature and Continuance of Operations (Note 1)

Subsequent Events (Note 18)

Approved on behalf of the Board:

“Greg Neeld”
Greg Neeld

“Christopher Fraser”
Christopher Fraser

HAWKEYE GOLD & DIAMOND INC.
Consolidated Statements of Loss and Comprehensive Loss
Three Months Ended August 31,
(Expressed in Canadian dollars)

	2021	2020
Expenses		
Advertising, entertainment and promotion	\$ 4,604	\$ 787
Automobile	1,045	548
Bank and financing charges and interest (note 8)	12,050	6,922
Depreciation (note 6)	911	488
Filing and regulatory fees	857	-
Management fees (note 16)	36,000	36,000
Office and miscellaneous	1,784	1,064
Professional fees	10,783	6,800
Rent (note 16)	10,920	10,920
Telecommunications	299	307
Travel and convention	194	-
Transfer agent	1,392	749
	\$ (80,839)	\$ (64,595)
Loss and comprehensive loss for the period	\$ (80,839)	\$ (64,595)
Loss per common share - basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	75,556,442	58,506,442

HAWKEYE GOLD & DIAMOND INC.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Subscriptions Received	Reserves	Deficit	Total Equity (Deficiency)
Balance, May 31, 2021	75,556,442	\$ 16,418,608	\$ -	\$ 785,628	\$ (17,638,898)	\$ (434,662)
Loss for the period	-	-	-	-	(80,839)	(80,839)
Balance, August 31, 2021	75,556,442	\$ 16,418,608	\$ -	\$ 785,628	\$ (17,719,737)	\$ (515,501)

	Number of Shares	Share Capital	Subscriptions Received	Reserves	Deficit	Total Equity (Deficiency)
Balance, May 31, 2020	58,506,442	\$ 16,011,419	\$ -	\$ 768,845	\$ (17,245,076)	\$ (464,812)
Subscriptions received	-	-	1,000	-	-	1,000
Loss for the period	-	-	-	-	(64,595)	(64,595)
Balance, August 31, 2020	58,506,442	\$ 16,011,419	\$ 1,000	\$ 768,845	\$ (17,309,671)	\$ (528,407)

HAWKEYE GOLD & DIAMOND INC.
Consolidated Statements of Cash Flow
(Expressed in Canadian dollars)

Three Months Ended August 31,

	2021	2020
Cash flows (used in) provided by operating activities		
Loss for the period	\$ (80,839)	\$ (64,595)
Adjustments for:		
Depreciation	911	488
Changes in non-cash working capital items:		
GST receivable / payable	-	1,130
Accounts payable and accrued liabilities	19,658	26,537
	(60,270)	(36,440)
Cash flows used in investing activities		
Deferred exploration expenditures incurred (net)	(1,601)	(1,584)
Acquisition costs associated with properties	-	(800)
Purchase of property and equipment	-	(800)
	(1,601)	(3,184)
Cash flows provided by (used in) financing activities		
Increase (decrease) in due to related parties	33,000	40,441
Proceeds from subscriptions	-	1,000
Increase (decrease) in bank indebtedness	-	(1,593)
	33,000	39,848
Net increase in cash and equivalents	(28,871)	224
Balance, beginning of period	32,877	-
Balance, end of period	\$ 4,006	\$ 224
Cash and equivalents consists of:		
Cash	\$ 4,006	\$ 224
Cash equivalents	-	-
	\$ 4,006	\$ 224

Supplemental disclosure with respect to cash flows (Note 11)

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Hawkeye Gold & Diamond Inc. (the “Company”) is an exploration stage company and the primary function of the business is to be engaged in the exploration for and the development of natural resources in Canada. The Company’s registered office is M202 – 1985 Alberni Street, Vancouver BC, V6G 0A2. The common shares of the Company trade on the TSX Venture Exchange (“TSXV”) under the symbol “HAWK” and on the Frankfurt Stock Exchange under the symbol “HGT”.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. At August 31, 2021, the Company had not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for an exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and future profitable production from the properties or realizing proceeds from their disposition.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2021 the Company has a working capital deficiency of \$1,873,430 (2020 - \$1,904,690) and a deficit of \$17,719,737 (2020: \$17,309,671). The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company may be required to curtail operations. These circumstances comprise a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

During March 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19. However, the duration and impact of the pandemic could continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company’s operations going forward.

These consolidated financial statements were approved for issuance by the Board of Directors on October 29, 2021.

2. Statement of Compliance

These consolidated 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”).

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

3. Basis of Measurement

The annual consolidated financial statements have been prepared on a historical cost basis. The annual consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The accounting policies set out in Note 5 have been applied consistently by the Company to all periods presented.

4. Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

	August 31, 2021	August 31, 2020
Hawkeye Oro de Mexico S.A. de C.V	100%	100%
Tesla Nickel Corporation	100%	N/A

On October 29, 2020, the Company incorporated its wholly-owned subsidiary, Tesla Nickel Corporation, in the province of British Columbia.

The Company's subsidiaries are currently inactive. All inter-company amounts have been eliminated on consolidation.

5. Significant Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents comprise of highly liquid investments with original maturities of three months or less. As at August 31, 2021 and 2020 the Company did not have any cash-equivalents.

b) Equipment

Equipment is recorded at cost, less accumulated depreciation and impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item. Depreciation is provided for on a declining balance basis at the following annual rates:

Computer equipment	30%
Computer software	100%
Office equipment	20%

In the year of acquisition, the rate used is one-half of that shown above.

c) Exploration and evaluation assets

(i) Pre-license expenditures

(ii) Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

5. Significant Accounting Policies (continued)

c) Exploration and evaluation assets (continued)

(ii) Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired ("E&E costs"). Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and or probable mineral reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, exploration and evaluation assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

The Company has not established any NI 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

(iii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher 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 the profit or loss for the period.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure for further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

5. Significant Accounting Policies (continued)

c) Exploration and evaluation assets (continued)

(iii) Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Share capital

Common shares are classified as equity. Transactions costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

e) Loss per share

Basic earnings (loss) per share are calculated based on the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should "in-the-money" options and warrants be exercised and the proceeds be used to repurchase common shares at the average market price in the year. For the periods presented, this calculation proved to be anti-dilutive.

f) Share-based payments

The Company grants stock options to directors, officers, employees and consultants. Options granted are accounted for using the fair value method. Under this method, the fair value of stock options granted to employees are measured at estimated fair value at the grant date and recognized over the vesting period. The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used.

The Company uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Consideration received on the exercise of stock options is recorded as share capital and the related reserves on options granted is transferred to share capital.

g) Warrants

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to warrants in shareholders' equity. The warrants are measured using the Black-Scholes option pricing model.

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.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

5. Significant Accounting Policies (continued)

g) Warrants (continued)

The fair value of the common shares issued in the placements are determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in warrants.

h) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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 tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

i) Provision for environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

6. Significant Accounting Policies (continued)

i) Provisions for environmental rehabilitation (continued)

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

j) Provisions

Provisions are recognized when present legal or constructive obligations exist as a result of a past event 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.

k) Flow-through shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or “premium” are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

l) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company’s financial assets and liabilities are classified as follows:

Financial assets/liabilities	Classification
Cash	Amortized cost
Bank over-draft	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

5. Significant Accounting Policies (continued)

l) Financial instruments (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of income (loss) in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss).

m) Leases

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

5. Significant Accounting Policies (continued)

m) Leases (continued)

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The Company applies the short-term lease exemption available for leases within a term of 12 months.

During the period ended August 31, 2021, the Company recognized rent expense of \$10,920 (2020: \$10,920) in relation to short term leases.

n) Government assistance

The Company recognizes government grant income when there is reasonable assurance the grant will be received and any conditions associated with the grant will be met.

o) Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

Judgements

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties maybe subject to prior agreements or transfers and title may be affected by undetected defects.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

5. Significant Accounting Policies (continued)

- o) Critical accounting Estimates and judgements (continued)

Estimates

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Useful lives of equipment

Depreciation of equipment is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgement. The assessment of any impairment of these assets' is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Income tax

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Discount rate on long-term loan

Management is required to estimate the discount rate for its long-term loans. The rate is used to discount future loan cash flows to determine the carrying value of the loan. Management estimates its incremental borrowing rate based on the risk-free rate and a credit risk premium for a period commensurate with the term of the loan.

- p) Application of new and revised International Financial Reporting Standards

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for current or future account periods. None of these are expected to have a significant effect on the consolidated financial statements.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
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(Expressed in Canadian dollars)

6. Equipment

	Costs			
	Computer Equipment	Computer Software	Office Equipment	Total
Balance, May 31, 2020	\$ 60,439	\$ 535	\$ 33,240	\$ 94,214
Additions	5,516	1,774	800	8,090
Balance, May 31, 2021	\$ 65,955	\$ 2,309	\$ 34,040	\$ 102,304
Additions	-	-	-	-
Balance, August 31, 2021	<u>\$ 65,955</u>	<u>\$ 2,309</u>	<u>\$ 34,040</u>	<u>\$ 102,304</u>

	Accumulated Depreciation			
	Computer Equipment	Computer Software	Office Equipment	Total
Balance, May 31, 2020	\$ 57,763	\$ 268	\$ 29,223	\$ 87,254
Depreciation	1,630	1,155	883	3,668
Balance, May 31, 2021	\$ 59,393	\$ 1,423	\$ 30,106	\$ 90,922
Depreciation	492	222	197	911
Balance, August 31, 2021	<u>\$ 59,885</u>	<u>\$ 1,645</u>	<u>\$ 30,303</u>	<u>\$ 91,833</u>

	Net Carrying Amount			
	Computer Equipment	Computer Software	Office Equipment	Total
Balance, May 31, 2021	\$ 6,562	\$ 886	\$ 3,934	\$ 11,382
Balance, August 31, 2021	<u>\$ 6,070</u>	<u>\$ 664</u>	<u>\$ 3,737</u>	<u>\$ 10,471</u>

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
August 31, 2021
(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets

a) Bonanza Project

On January 16, 2017, the Company entered into a purchase and sale agreement to acquire a 100% interest in the Bonanza Property located on the northern end of Vancouver Island. The Company has acquired a 100% interest in the property by paying \$5,000 and issuing 250,000 common shares with a fair value of \$0.06 per share. On October 14, 2020 the Company entered into an agreement to amend the terms regarding the Net Smelter Return (“NSR”) provision. The new terms states that the Property is subject to a two percent (2%) Net Smelter Return in favour of the Vendor for all minerals. The Company may repurchase 1.5 percent (1.5%) of the NSR for \$1.5 million. The remaining 0.5 percent (0.5%) held by the Vendor will be subject to a right of first refusal by the Company until October 14, 2030. The Company paid \$3,750 and issued 150,000 common shares to secure the amending agreement. The Company received TSXV acceptance for the amending agreement on November 4, 2020.

During the year ended May 31, 2021, the Company wrote off the \$43,962 (2020: \$nil) carrying value of the property as there were no immediate plans for exploration activities.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

b) 2-Aces Project

The Company entered into a Sale and Purchase Agreement (“SAPA”) with the Vendor of the 2-Aces Project on June 8, 2017 to acquire a 100% interest in the property. The terms call for payment of \$12,000 cash and issuance of 50,000 common shares of the Company, plus an additional 250,000 common shares of the Company if it proceeds to a pre-feasibility study. The Company received TSXV acceptance of the agreement on October 4, 2017.

During the year ended May 31, 2020, the Company revised the terms of the SAPA whereby the payment terms were replaced in their entirety and the 100% interest could be earned by issuing 550,000 common shares. On November 20, 2019, the Company acquired a 100% interest in the property by issuing 550,000 common shares with a fair value of \$0.035 per share.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

c) Keithley Creek Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the Keithley Creek Project on June 26, 2017 to acquire a 100% interest in the property. The terms call for payment of \$7,000 cash and issuance of 50,000 common shares of the Company, plus an additional 250,000 common shares of the Company if it proceeds to a pre-feasibility study. The Company received TSXV acceptance of the agreement on October 5, 2017.

During the year ended May 31, 2020, the Company revised the terms of the SAPA whereby the payment terms were replaced in their entirety and the 100% interest could be earned by issuing 350,000 common shares. On November 20, 2019, the Company acquired a 100% interest in the property by issuing 350,000 common shares with a fair value of \$0.035 per share. During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

HAWKEYE GOLD & DIAMOND INC.
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7. Exploration and Evaluation Assets (continued)

d) Cariboo Valley Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the Cariboo Valley Project on July 4, 2017 to acquire a 100% interest in the property. The terms call for payment of \$5,000 cash and issuance of 50,000 common shares of the Company, plus an additional 250,000 common shares of the Company if it proceeds to a pre-feasibility study. The Company received TSXV acceptance of the agreement on October 6, 2017.

During the year ended May 31, 2020, the Company revised the terms of the SAPA whereby the payment terms were replaced in their entirety and the 100% interest could be earned by issuing 250,000 common shares. On November 20, 2019, the Company acquired a 100% interest in the property by issuing 250,000 common shares with a fair value of \$0.035 per share.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

e) Seller Creek Project

The Company entered into a Sale and Purchase Agreement (SAPA) with the Vendor of the Seller Creek Project on August 23, 2017 to acquire a 100% interest in the property. The terms call for payment of \$15,000 cash and issuance of 50,000 common shares of the Company, plus an additional 250,000 common shares of the Company if it proceeds to a pre-feasibility study. The Company received TSXV approval on October 17, 2017.

During the year ended May 31, 2020, the Company revised the terms of the SAPA whereby the payment terms were replaced in their entirety and the 100% interest could be earned by issuing 650,000 common shares. On November 20, 2019, the Company acquired a 100% interest in the property by issuing 650,000 common shares with a fair value of \$0.035 per share.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

f) McBride Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the McBride Project on September 13, 2017 to acquire a 100% interest in the property. The Company has acquired a 100% interest in the property by paying \$8,000 and issuing 100,000 common shares with a value of \$0.06 per share. If the project proceeds to a pre-feasibility study, the Company will be required to issue an additional 250,000 common shares. The Company received TSXV acceptance of the agreement on October 25, 2017.

On October 11, 2018, the Company announced that it had entered into a Sale and Purchase Agreement with the vendor of the Klappan Project (these claims are contiguous to the eastern border and form part of the McBride Property) to acquire a 100% interest in the property. The Company has acquired a 100% interest in the property by paying \$3,000 and issuing 100,000 common shares with a fair value of \$0.055 per share. If the project proceeds to a Preliminary Economic Assessment ("PEA"), the Company will be required to issue an additional 250,000 common shares. The acquisition is not subject to any NSR. The Company received TSXV acceptance of the agreement on November 15, 2018.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
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7. Exploration and Evaluation Assets (continued)

f) McBride Project (continued)

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$1,601 (2020: \$1,584) in exploration expenditures.

The Company posted a reclamation deposit in the amount of \$7,000 which is included in Exploration and Evaluation Assets.

A vendor has filed a lien against one of the McBride Project claims (note 17).

g) Todagin Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the Todagin Project on September 19, 2017 to acquire a 100% interest in the property. The Company has acquired a 100% interest in the property by paying \$7,000 and issuing 100,000 common shares with a fair value of \$0.06 per share. If the project proceeds to a Preliminary Economic Assessment, the Company will be required to issue an additional 250,000 common shares. The Company received TSXV acceptance of the agreement on October 27, 2017.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

The Company posted a reclamation deposit in the amount of \$6,000 which is included in Exploration and Evaluation Assets.

h) Boomerang Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the Boomerang Project on December 4, 2017 to acquire a 100% interest in the property. The Company has acquired a 100% interest in the property by paying \$10,000 and issuing 100,000 common shares with a fair value of \$0.06 per share. If the project proceeds to a Preliminary Economic Assessment, the Company will be required to issue an additional 250,000 common shares. The Company received TSXV acceptance of the agreement on December 13, 2017.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

The Company posted a reclamation deposit in the amount of \$22,000 which is included in Exploration and Evaluation Assets.

i) Swift River Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the Swift River Project on November 30, 2018 to acquire a 100% interest in the property. The terms call for payment of \$4,000 cash and issuance of 200,000 common shares of the Company, plus an additional 250,000 common shares of the Company if it proceeds to a pre-feasibility study. The Company received TSXV acceptance of the agreement on January 10, 2019.

HAWKEYE GOLD & DIAMOND INC.
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(Expressed in Canadian dollars)

7. Exploration and Evaluation Assets (continued)

i) Swift River Project (continued)

During the year ended May 31, 2020, the Company revised the terms of the SAPA whereby the payment terms were replaced in their entirety and the 100% interest could be earned by issuing 360,000 common shares. On November 20, 2019, the Company acquired a 100% interest in the property by issuing 360,000 common shares with a fair value of \$0.035 per share.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

j) Bonanza Lake Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the Bonanza Lake Project on February 7, 2019 to acquire a 100% interest in the property. The terms call for payment of \$1,500 cash and issuance of 100,000 common shares of the Company, plus an additional 250,000 common shares of the Company if it proceeds to a pre-feasibility study. The Company received TSXV acceptance of the agreement on March 6, 2019. The Company completed the transaction on March 6, 2019 by issuing 100,000 common shares with a fair value of \$0.035 per share.

During the year ended May 31, 2021, the Company wrote off the \$6,800 (2020: \$nil) carrying value of the property as there were no immediate plans for exploration activities.

During the period ended Aug 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

k) Cariboo Lake

The Company entered into a Sale and Purchase Agreement with the Vendor of the Cariboo Lake Project on November 30, 2018 to acquire a 100% interest in the property. The terms call for payment of \$1,000 cash and issuance of 100,000 common shares of the Company, plus an additional 250,000 common shares of the Company if it proceeds to a pre-feasibility study. The Company received TSXV acceptance of the agreement on January 10, 2019.

During the year ended May 31, 2020, the Company revised the terms of the SAPA whereby the payment terms were replaced in their entirety and the 100% interest could be earned by issuing 140,000 common shares. On November 20, 2019, the Company acquired a 100% interest in the property by issuing 140,000 common shares with a fair value of \$0.035 per share.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

l) Klastline Project

The Company entered into a Sale and Purchase Agreement with the Vendor of the Klastline Project to acquire a 100% interest in the property. The terms call for the issuance of 600,000 common shares of the Company, plus an additional 250,000 common shares of the Company within 90 days of the completion of a Preliminary Economic Assessment report.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
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7. Exploration and Evaluation Assets (continued)

l) Klastline Project (continued)

On November 4, 2019, the Company acquired a 100% interest in the property by issuing 600,000 common shares with a fair value of \$0.03 per share.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$nil) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures.

m) Railway Project

The Company entered into a Sale and Purchase Agreement with three separate Vendors of properties that forms the Railway project.

- SAPA #1 calls for the payment of \$1,000 and the issuance of 200,000 common shares. On September 24, 2019, the Company issued 200,000 common shares with a fair value of \$0.05 per share and acquired a 100% interest in 14 mineral property claims.
- SAPA #2 calls for the issuance of 100,000 common shares. On September 24, 2019 the Company issued 100,000 common shares with a fair value of \$0.05 per share and acquired a 100% interest in one mineral property claim.
- SAPA #3 calls for the issuance of 150,000 common shares and an additional 150,000 common shares within 90 days of the completion of a Preliminary Economic Assessment report. On October 11, 2019, the Company issued 150,000 common shares with a fair value of \$0.05 share and acquired a 100% interest in one mineral property claim.

During the period ended August 31, 2021, the Company incurred \$nil (2020: \$800) in acquisition costs and incurred \$nil (2020: \$nil) in exploration expenditures

For a breakdown of exploration and evaluation expenditures incurred during the year ended May 31, 2021 and period ended August 31, 2021, refer to Schedules 1 and 2 in the consolidated financial statements.

8. Loans Payable

As at August 31, 2021, the Company had three loans with arm's length parties. The loans are unsecured and non-interest bearing with no terms of repayment.

	Principal Amount	Finance Fee	Total Amount Outstanding
Balance, May 31, 2020	\$ 194,000	\$ 280,670	\$ 474,730
Repayment	(76,500)	-	(76,500)
Balance, May 31, 2021	117,560	280,670	398,230
Repayment	-	-	-
Balance, August 31, 2021	\$ 117,560	\$ 280,670	\$ 398,230

As of August 31, 2021, all finance fees on the outstanding loans have been accrued.

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8. Loans Payable (continued)

b) Canada Emergency Business Account (CEBA) Loan

The Company was approved for a \$60,000 COVID-19 relief line of credit via the Canada Emergency Business Account Program ("CEBA"). The terms provide for an interest free period of 24 months from December 31, 2020 and if 2/3 of the loan is repaid on or before December 31, 2022, the remaining 1/3 (\$20,000) will be forgiven. If the loan is not repaid by that date, it will be extended for a two-year term and becomes interest bearing 5% per annum. As at May 31, 2021, the loan is recognized at fair market value of \$28,438 (2020: \$nil). The fair value of the loan was calculated using an annual interest rate of 24%. As at August 31, 2021, the face value of the loan is \$60,000 (2020: \$Nil). During the period ended August 31, 2021, the Company recorded a gain on favourable interest rate of \$nil (2020: \$nil) and accretion expense of \$nil (2020: \$nil).

9. Share Capital

a) Authorized:

Unlimited common shares without par value.

b) Issued and outstanding:

As at August 31, 2021, there are 75,556,442 (2020: 58,506,442) common shares issued and outstanding.

During the period ended August 31, 2021, the Company did not issue any shares.

During the period ended August 31, 2020, the Company did not issue any shares.

c) Share Purchase Warrants

Summary of the warrants outstanding at August 31, 2021:

	Number of Warrants	Weighted avg exercise price
Balance at May 31, 2020	18,627,600	\$ 0.10
Issued	17,243,000	0.05
Cancelled/expired	(337,600)	0.10
Balance at May 31, 2021	35,533,000	0.08
Issued	-	-
Cancelled/expired	-	-
Balance at August 31, 2021	35,533,000	\$ 0.08

The 35,533,000 share purchase warrants outstanding as at August 31, 2021 are as follows:

Number of Warrants	Exercise Price	Expiry Date
6,000,000	\$0.10	September 16, 2021
3,380,000	\$0.10	November 15, 2021
2,110,000	\$0.10	September 16, 2023*
5,000,000	\$0.10	September 18, 2023*
1,300,000	\$0.10	October 22, 2023*
500,000	\$0.10	November 15, 2023*
17,243,000	\$0.05	September 24, 2023

HAWKEYE GOLD & DIAMOND INC.
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9. Share Capital (continued)

c) Share Purchase Warrants (continued)

*On September 23, 2020 the Company received TSXV acceptance to extend the expiry dates for three (3) additional years from 2020 to 2023. An incremental value of \$11,805 was calculated relating to the warrant modification using the Black-Scholes option pricing model with an expected life of 3.15 years, risk-free interest rate of 0.26%, dividend yield of 0% and historical volatility of 212%.

The weighted average remaining contractual life of granted and outstanding warrants at August 31, 2021 is 1.55 years (2020: 0.59 years). The warrants have a weighted average exercise price of \$0.08 (2020: \$0.10).

The fair value of the finders' warrants was determined using the Black-Scholes Option Pricing Model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's finders' warrants. The Company used the Black-Scholes Option Pricing Model for valuation of warrants in 2021 and 2020.

The assumptions used in the Black-Scholes Option Pricing Model were:

	May 31, 2021	May 31, 2020
Expected volatility	95%	163% - 165%
Risk free interest rate	0.26%	1.62%
Expected life in years	3	0.96 – 1.96
Grant date fair value per share	\$0.01	\$0.035 - \$0.06
Forfeiture rate	0.00%	0.00%

10. Stock Options

On February 1, 2021 the Company received TSXV approval for its current stock option plan, reserving a maximum of 10% of the issued shares of the Company for issuance under its Rolling Stock Option Plan. The maximum number of shares which may be reserved for any eligible person within a 12 month period shall not exceed 5% of issued and outstanding shares and the maximum number of shares which may be reserved for any one consultant or provider of investor relations services within a 12 month period shall not exceed 2% of the issued and outstanding shares. Shareholders of the Company approved this plan at the Issuer's Annual General Meeting held on December 24, 2020.

As at August 31, 2021, there were 1,601,165 stock options with a weighted average exercise price of \$0.11 outstanding.

The terms of the 1,601,165 stock options outstanding as at August 31, 2021 are as follows:

Number of Shares	Exercise Price	Expiry Date
145,000	\$ 0.10	July 9, 2022
861,165	0.10	April 25, 2026
170,000	0.12	September 9, 2026
425,000	0.12	January 25, 2027

The weighted average remaining contractual life of granted and outstanding stock options at August 31, 2021 is 4.55 years (2020: 5.55 years).

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
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11. Supplemental cash flow information

Non-cash activities for the period ended August 31, 2021 are as follows:

- a) The Company did not have any non-cash financing activities for the period.

Non-cash activities for the period ended August 31, 2020 are as follows:

- a) The Company did not have any non-cash financing activities for the period.

12. Financial Instruments

The Company's financial instruments consist of cash, bank over-draft, accounts payable and accrued liabilities, due to related parties, and loans payable.

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 Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. As at August 31, 2021 and 2020, the Company did not have any financial instruments classified as FVTPL. The fair values of bank over-draft, accounts payable and accrued liabilities, due to related parties and loans payable approximate their carrying values due to the short-term nature of these instruments. The long-term loan is carried at amortized cost using a 24% borrowing rate.

13. Risk Management

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of a major Canadian bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's cash. The Company's cash is held in corporate bank accounts available on demand.

As at August 31, 2021, the Company has a working capital deficiency as described in Note 1. The Company's continued operations remain dependent on sources of external financing, such as private placements. Based on these facts, the Company is significantly exposed to liquidity risk.

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13. Risk Management (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

- *Currency Risk*
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars; therefore, currency risk is minimal.
- *Interest Rate Risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.
- *Price Risk*
The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to finance due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

14. Capital Management

The Company's primary source of funds comes from the issuance of share capital. The Company defines its capital as all components of shareholders equity. Capital requirements are driven by the Company's planned exploration and evaluation activities and general and administrative expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities. Although the Company has been successful at raising funds in the past through the issuance of share capital and loans, there can be no assurance that it will continue to be able to do so in the future. There were no changes in the Company's approach to capital management during the period ended August 31, 2021. The Company is not subject to externally imposed capital requirements.

HAWKEYE GOLD & DIAMOND INC.
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August 31, 2021
(Expressed in Canadian dollars)

15. Income Taxes

Income tax expense recorded in these consolidated financial statements differs from the amount that would be computed by applying federal and provincial statutory income tax rates to the loss before income taxes. The Company's tax position at the last respective year-ends are as follows:

	May 31, 2021	May 31, 2020
Loss for the year	\$ (393,822)	\$ (257,565)
Combined federal and provincial tax rate	27.00%	27.00%
Expected tax recovery	\$ (106,000)	\$ (70,000)
Change in other	10,000	(12,000)
Permanent differences	3,000	-
Share issuance costs	(4,000)	(7,000)
Adjustment to prior year's provision versus statutory tax returns	(83,000)	-
Change in unrecognized deductible temporary differences	180,000	89,000
Total income tax expense (recovery)	\$ -	\$ -

The components of the unrecognized deferred income tax assets are as follows:

	May 31, 2021	May 31, 2020
Deferred income tax assets (liabilities)		
Exploration and evaluation assets	\$ 794,000	\$ 685,000
Equipment	19,000	28,000
Share issue costs	13,000	19,000
Debt with accretion	(9,000)	-
Non-capital losses available for future periods	2,127,000	2,033,000
	2,944,000	2,765,000
Unrecognized deferred income tax assets	(2,944,000)	(2,765,000)
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 consolidated statement of financial position are as follows:

	May 31, 2021		May 31, 2020	
Temporary differences				
Exploration and evaluation assets	\$ 2,942,000	No expiry date	\$ 2,536,000	No expiry date
Equipment	72,000	No expiry date	103,000	No expiry date
Share issue costs	49,000	2022 to 2026	71,000	2022 to 2025
Debt with accretion	(32,000)	No expiry date	-	No expiry date
Non-capital losses available for future periods	\$ 7,876,000	2026 to 2041	\$ 7,530,000	2026 to 2040

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
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16. Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

- a) During the period ended August 31, 2021, \$30,000 (2020: \$30,000) was paid or accrued to the President and director of the Company as management fees. The Company reimbursed the president and director \$10,920 (2020: \$10,920) for shared office premises.
- b) During the period ended August 31, 2021, \$6,000 (2020: \$6,000) was paid or accrued to an individual related to the President of the Company as compensation for services rendered and included in management fees.
- c) As at August 31, 2021, there is a balance of \$650,683 (2020: \$546,332) due to the President and director of the Company included in due to related parties.
- d) As at August 31, 2021, there is a balance of \$1,743 (2020: \$1,743) due to a company owned by the President of the Company included in due to related parties.
- e) As at August 31, 2021, there is a balance of \$114,725 (2020: \$102,725) due to an individual related to the president and director of the Company included in due to related parties.
- f) As at August 31, 2021, there is a balance of \$5,600 (2020: \$15,600) due to a related party included in loans payable.
- g) As at August 31, 2021, there is a balance of \$nil (2020: \$9,440) due to a director of the Company (since resigned) included in due to related parties.

The above noted transactions have been reported at amounts agreed to by the related parties.

Amounts outstanding in due to related parties and loans payable are unsecured, non-interest bearing with no specific terms of repayment.

17. Settlement

On February 10, 2021, the Company received notice of a civil claim commenced by a vendor to collect an outstanding accounts payable balance in the amount of \$86,369 plus interest. Pursuant to the claim, the vendor has filed a lien in the amount of \$126,396 against one of the McBride Project claims (note 7(f)). On July 12, 2021, the Company filed a response to the civil claim.

On September 3, 2021, the Company paid \$40,000 as partial payment to the vendor.

18. Subsequent events

- a. On September 2, 2021, the Company announced that it had arranged to complete a non-brokered private placement to sell up to 10,000,000 common units at \$0.02 per common unit and 10,000,000 flow-through units at \$0.025 per flow-through unit for total proceeds of \$450,000.

Each common unit will consist of one non-flow through common share and one transferable share purchase warrant. Each flow-through unit will consist of one flow-through common share and one-half (1/2) of a transferable share purchase warrant. One full share purchase warrant will entitle the holder to acquire one non-flow through common share at a price of \$0.075 per common share for a period of twenty-four (24) months following the closing date of the offer.

HAWKEYE GOLD & DIAMOND INC.
Notes to Consolidated Financial Statements
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18. Subsequent events (continued)

If at any time after the closing date; the Company's common shares have a closing price of \$0.15 (CAD) or more per share for ten (10) consecutive trading days on the TSX Venture Exchange, the Company shall be entitled to give notice to the holders of the warrants that the warrants will expire at 4:30 pm (Vancouver time) thirty (30) days from the date of mailing of such notice or the news release of such notice.

On September 28, 2021, the Company closed the first tranche of the offering by issuing 10,518,060 non-flow through units at \$0.02 per unit and issuing 5,200,000 flow-through units at \$0.025 per unit for gross proceeds of \$340,361.

The Company paid \$15,200 in cash relating to finders' fee's and issued a total of 656,000 finders warrants in connection with the closing of the first tranche of this private placement. The finders warrants have the same terms and conditions of the warrants connected to the Common and Flow-Through Units.

The Common Units, the Flow-Through Units, and the underlying securities issued pursuant to the closing of the first tranche of the private placement offering are subject to a four month hold period expiring January 28, 2022.

Proceeds will be used for work programs, possible acquisitions, trades and general working capital purposes.

On October 18, 2021, the Company received TSX Venture Exchange acceptance to extend the time period to close the second tranche of the offering to November 15, 2021.

- b.** On September 16, 2021, the Company extended the expiry date of 5,480,000 warrants with an exercise price of \$0.10 for three additional years from September 16, 2021 to September 16, 2024.
- c.** On October 25, 2021, the Company requested TSX Venture Exchange approval to extend 3,380,000 warrants with an exercise price of \$0.10 for three additional years from November 15, 2021 to November 15, 2024.

HAWKEYE GOLD & DIAMOND INC.
Schedule 1
Consolidated Schedule of Deferred Exploration Expenditures
Period ended August 31, 2021
(Expressed in Canadian dollars)

	2-Aces	Keithley Creek	Cariboo Valley	Seller Creek	McBride	Todagin	Boomerang	Swift River	Cariboo Lake	Klastline	Railway	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balances, May 31, 2021 (see schedule 2)												
Acquisition costs	19,250	12,250	8,750	22,750	22,500	13,000	16,000	12,600	4,900	18,000	23,300	173,300
Exploration expenditures	52,881	37,112	26,201	48,240	876,465	41,634	94,875	20,287	-	1,100	2,200	1,200,995
Total beginning property expenditures	72,131	49,362	34,951	70,990	898,965	54,634	110,875	32,887	4,900	19,100	25,500	1,374,295
Incurred during the current period												
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-
Exploration expenditures												
Assays	-	-	-	-	1,601	-	-	-	-	-	-	1,601
Claim maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Consulting	-	-	-	-	-	-	-	-	-	-	-	-
Permits	-	-	-	-	-	-	-	-	-	-	-	-
Total exploration expenditures	-	-	-	-	1,601	-	-	-	-	-	-	1,601
Total current period expenditures	-	-	-	-	1,601	-	-	-	-	-	-	1,601
Less:												
Acquisition costs written off	-	-	-	-	-	-	-	-	-	-	-	-
Exploration expenditures written off	-	-	-	-	-	-	-	-	-	-	-	-
Total property interest written off	-	-	-	-	-	-	-	-	-	-	-	-
Balance, end of period:												
Acquisition costs	19,250	12,250	8,750	22,750	22,500	13,000	16,000	12,600	4,900	18,000	23,300	173,300
Exploration expenditures	52,881	37,112	26,201	48,240	878,066	41,634	94,875	20,287	-	1,100	2,200	1,202,596
Mineral Property Interests, August 31, 2021	72,131	49,362	34,951	70,990	900,566	54,634	110,875	32,887	4,900	19,100	25,500	1,375,896

HAWKEYE GOLD & DIAMOND INC.
Schedule 2
Consolidated Schedule of Deferred Exploration Expenditures
Period ended August 31, 2021
(Expressed in Canadian dollars)

	Bonanza	2-Aces	Keithley Creek	Cariboo Valley	Seller Creek	McBride	Todagin	Boomerang	Swift River	Bonanza Lake	Cariboo Lake	Klastline	Railway	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balances, May 31, 2020 (see schedule 2)														
Acquisition costs	21,920	19,250	12,250	8,750	22,750	22,500	13,000	16,000	12,600	6,800	4,900	18,000	22,500	201,220
Exploration expenditures	15,292	52,881	37,112	26,201	48,240	866,585	32,234	66,575	20,287	-	-	-	-	1,165,407
Total beginning property expenditures	37,212	72,131	49,362	34,951	70,990	889,085	45,234	82,575	32,887	6,800	4,900	18,000	22,500	1,366,627
Incurring during the current period														
Acquisition costs	6,750	-	-	-	-	-	-	-	-	-	-	-	800	7,550
Exploration expenditures														
Assays	-	-	-	-	-	533	-	-	-	-	-	-	-	533
Claim maintenance	-	-	-	-	-	7,600	3,400	6,300	-	-	-	1,100	2,200	20,600
Consulting	-	-	-	-	-	1,747	-	-	-	-	-	-	-	1,747
Permits	-	-	-	-	-	-	6,000	22,000	-	-	-	-	-	28,000
Total exploration expenditures	-	-	-	-	-	9,880	9,400	28,300	-	-	-	1,100	2,200	50,880
Total current period expenditures	6,750	-	-	-	-	9,880	9,400	28,300	-	-	-	1,100	3,000	58,430
Less:														
Acquisition costs written off	(28,670)	-	-	-	-	-	-	-	-	(6,800)	-	-	-	(35,470)
Exploration expenditures written off	(15,292)	-	-	-	-	-	-	-	-	-	-	-	-	(15,292)
Total property interest written off	(43,962)	-	-	-	-	-	-	-	-	(6,800)	-	-	-	(50,762)
Balance, end of period:														
Acquisition costs	-	19,250	12,250	8,750	22,750	22,500	13,000	16,000	12,600	-	4,900	18,000	23,300	173,300
Exploration expenditures	-	52,881	37,112	26,201	48,240	876,465	41,634	94,875	20,287	-	-	1,100	2,200	1,200,995
Mineral Property Interests, May 31, 2021	-	72,131	49,362	34,951	70,990	898,965	54,634	110,875	32,887	-	4,900	19,100	25,500	1,374,295