



## Consolidated Financial Statements

### ISSUER DETAILS

For the Three Months Ended:  
Date of the Report:

August 31, 2022  
October 29, 2022

Name of Issuer:  
Issuers Address:

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

Issuer Phone Number:  
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**HAWKEYE Gold & Diamond Inc.**  
**Consolidated Financial Statements**  
**August 31, 2022 and 2021**

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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, 2022, have been prepared by management, approved by the audit committee and board of directors, and authorized for issuance on October 31, 2022. 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)**

	<b>August 31, 2022</b>	May 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 9,027	\$ 2,025
GST receivable	22,027	10,097
Prepaid expenses and deposits	1,750	1,750
Assets held for sale (note 18, schedule 2)	-	1,168,749
Deferred transaction costs (note 18)	-	38,329
	<b>32,804</b>	1,220,950
<b>Equipment</b> (note 6)	<b>7,238</b>	7,740
<b>Exploration and evaluation assets</b> (schedules 1 and 2, note 7)	<b>637,483</b>	478,742
<b>Total Assets</b>	<b>\$ 677,525</b>	\$ 1,707,432
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 152,100	\$ 717,597
Advance from sale of exploration properties (note 18)	-	146,683
Due to related parties (note 16)	830,602	852,166
Loans payable (note 8)	360	345,230
	<b>983,062</b>	2,061,676
<b>CEBA Loan</b> (note 8)	<b>28,438</b>	28,438
<b>Total Liabilities</b>	<b>1,011,500</b>	2,090,114
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>Share capital</b> (note 9)	<b>16,814,804</b>	16,712,304
<b>Share subscriptions received</b>	-	50,000
<b>Reserves</b> (notes 9 and 10)	<b>857,866</b>	857,866
<b>Deficit</b>	<b>(18,006,645)</b>	(18,002,852)
<b>Total Shareholders' Deficiency</b>	<b>(333,975)</b>	(382,682)
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 677,525</b>	\$ 1,707,432

**Nature and Continuance of Operations** (Note 1)

**Subsequent Events** (Note 19)

**Approved on behalf of the Board:**

“Greg Neeld”  
Greg Neeld

“Stephen Pelletier”  
Stephen Pelletier

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

	<b>2022</b>	<b>2021</b>
<b>Expenses</b>		
Advertising, entertainment and promotion	\$ 51,395	\$ 4,604
Automobile	853	1,045
Bank and financing charges and interest (note 8)	935	12,050
Consulting	56,945	-
Depreciation (note 6)	502	911
Filing and regulatory fees	3,008	857
Management fees (note 16)	36,000	36,000
Office and miscellaneous	6,146	1,784
Professional fees	14,962	10,783
Rent	11,082	10,920
Telecommunications	1,332	299
Travel and convention	-	194
Transfer agent	3,555	1,392
	<b>\$ 186,715</b>	<b>\$ 80,839</b>
<b>Loss from operations</b>	<b>(186,715)</b>	<b>(80,839)</b>
<b>Gain on sale of exploration properties</b>	<b>182,922</b>	<b>-</b>
<b>(Loss) and comprehensive loss for the period</b>	<b>\$ (3,793)</b>	<b>\$ (80,839)</b>
<b>(Loss) per common share - basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>96,079,388</b>	<b>75,556,442</b>

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

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Subscriptions Received</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total Equity (Deficiency)</b>
<b>Balance, May 31, 2022</b>	91,574,502	\$ 16,712,304	\$ 50,000	\$ 857,866	\$ (18,002,852)	\$ (382,682)
Shares issued	5,125,000	102,500	(50,000)	-	-	52,500
(Loss) for the period	-	-	-	-	(3,793)	(3,793)
<b>Balance, August 31, 2022</b>	<b>96,699,502</b>	<b>\$ 16,814,804</b>	<b>\$ -</b>	<b>\$ 857,866</b>	<b>\$ (18,006,645)</b>	<b>\$ (333,975)</b>

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

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

Three Months Ended August 31,

	2022	2021
<b>Cash flows from (used in) provided by operating activities</b>		
Income (Loss) for the period	\$ (3,793)	\$ (80,839)
Adjustments for:		
Depreciation	502	911
Gain on sale of exploration properties	(182,922)	-
	<u>\$ (186,213)</u>	<u>\$ (79,928)</u>
<b>Changes in non-cash working capital items:</b>		
GST receivable / payable	(11,929)	-
Accounts payable and accrued liabilities	(565,499)	19,658
	<u>\$ (763,641)</u>	<u>\$ (60,270)</u>
<b>Cash flows from (used) in investing activities</b>		
Deferred exploration expenditures incurred (net)	\$ (168,741)	\$ (1,601)
Acquisition costs associated with properties	-	-
Purchase of property and equipment	-	-
	<u>\$ (168,741)</u>	<u>\$ (1,601)</u>
<b>Cash flows provided by (used in) financing activities</b>		
Increase (decrease) in loans payable	\$ (344,870)	\$ -
Proceeds from sales of exploration properties	1,400,000	-
Advance from sale of exploration properties	(146,683)	-
Increase (decrease) in due to related parties	(21,563)	33,000
Proceeds from share subscriptions	(50,000)	-
Proceeds from share issuance	102,500	-
	<u>\$ 939,384</u>	<u>\$ 33,000</u>
<b>Change in cash in the period</b>	<u>\$ 7,002</u>	<u>\$ (28,871)</u>
<b>Cash, beginning of period</b>	<u>2,025</u>	<u>32,877</u>
<b>Cash, end of period</b>	<u>\$ 9,027</u>	<u>\$ 4,006</u>

**Supplemental disclosure with respect to cash flows (Note 11)**

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
**August 31, 2022**  
**(Expressed in Canadian dollars)**

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**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 May 31, 2022, 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, 2022 the Company has a working capital deficiency of \$950,258 (2021 - \$1,873,430) and a deficit of \$18,006,645 (2021: \$17,719,737). 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 these 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 31, 2022.

**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, 2022**  
**(Expressed in Canadian dollars)**

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**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 and its subsidiaries' 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, 2022	August 31, 2021
Hawkeye Oro de Mexico S.A. de C.V	100%	100%
Tesla Nickel Corporation	100%	100%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. 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, 2022 and 2021 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.

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
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**5. Significant Accounting Policies (continued)**

c) Exploration and evaluation assets

(ii) Pre-license expenditures

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.

(iii) Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as intangible exploration and evaluation assets ("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 proven 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.

(iv) 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;

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
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**5. Significant Accounting Policies (continued)**

c) Exploration and evaluation assets (continued)

(iii) Impairment (continued)

- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

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

**HAWKEYE GOLD & DIAMOND INC.**  
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**5. Significant Accounting Policies (continued)**

g) Warrants (continued)

allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the 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 of 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 enactive 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

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
**August 31, 2022**  
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**5. Significant Accounting Policies (continued)**

- i) Provisions for environmental rehabilitation (continued)
- 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.
- 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
Accounts payable and accrued liabilities	Amortized cost
CEBA loan	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
**August 31, 2022**  
**(Expressed in Canadian dollars)**

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**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, 2022**  
**(Expressed in Canadian dollars)**

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**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.

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*

*Impairment of 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.

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
**August 31, 2022**  
**(Expressed in Canadian dollars)**

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**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, dividend yield, and forfeiture rates, 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 these consolidated financial statements.

**HAWKEYE GOLD & DIAMOND INC.**  
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**6. Equipment**

	<b>Costs</b>			
	<b>Computer Equipment</b>	<b>Computer Software</b>	<b>Office Equipment</b>	<b>Total</b>
Balance, May 31, 2021	\$ 65,955	\$ 2,309	\$ 34,040	\$ 102,304
Additions	-	-	-	-
Balance, May 31, 2022	65,955	2,309	34,040	102,304
Additions	-	-	-	-
<b>Balance, August 31, 2022</b>	<b>\$ 65,955</b>	<b>\$ 2,309</b>	<b>\$ 34,040</b>	<b>\$ 102,304</b>

	<b>Accumulated Depreciation</b>			
	<b>Computer Equipment</b>	<b>Computer Software</b>	<b>Office Equipment</b>	<b>Total</b>
Balance, May 31, 2021	\$ 59,393	\$ 1,423	\$ 30,106	\$ 90,922
Depreciation	1,968	886	788	3,642
Balance, May 31, 2022	61,361	2,309	30,894	94,564
Depreciation	345	-	157	502
<b>Balance, August 31, 2022</b>	<b>\$ 61,706</b>	<b>\$ 2,309</b>	<b>\$ 31,051</b>	<b>\$ 95,066</b>

	<b>Net Carrying Amount</b>			
	<b>Computer Equipment</b>	<b>Computer Software</b>	<b>Office Equipment</b>	<b>Total</b>
Balance, May 31, 2022	\$ 4,594	\$ -	\$ 3,146	\$ 7,740
<b>Balance, August 31, 2022</b>	<b>\$ 4,249</b>	<b>\$ -</b>	<b>\$ 2,989</b>	<b>\$ 7,238</b>

**HAWKEYE GOLD & DIAMOND INC.**  
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**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 2% Net Smelter Return in favour of the Vendor for all minerals. The Company may repurchase 1.5% of the NSR for \$1.5 million. The remaining 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 carrying value of the property as there were no immediate plans for exploration activities.

During the period ended August 31, 2022, the Company incurred \$nil (2021: nil) in acquisition costs and incurred \$nil (2021: \$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 the 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, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$52,441 (2021: \$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 called 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.

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**7. Exploration and Evaluation Assets (continued)**

c) Keithley Creek Project (continued)

During the period ended August 31, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$97 (2021: \$nil) in exploration expenditures.

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, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$25,374 (2021: \$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, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$71,679 (2021: \$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

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**7. Exploration and Evaluation Assets (continued)**

f) McBride Project (continued)

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.

During the year ended May 31, 2022, the Company received \$55,835 in BC Mining Exploration Tax Credits and incurred \$nil (2021: \$nil) in acquisition costs and incurred \$3,889 (2021: \$9,880) in exploration expenditures. Included in exploration expenditures is a reclamation bond of \$7,000 (2021: \$7,000).

During the year ended May 31, 2021, a vendor filed a lien against one of the McBride Project claims. The lien was removed from the property during the year ended May 31, 2022 on settlement of the civil claim (note 17).

On March 18, 2022, the Company entered into a definitive Asset Purchase Agreement to sell a 100% interest in the McBride project, and as at May 31, 2022, reclassified \$847,019 to assets held for sale. The transaction closed on June 21, 2022 and the Company recorded a gain of \$182,922 on the sale (note 18).

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 year ended May 31, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$42,594 (2021: \$9,400) in exploration expenditures. Included in exploration expenditures is a reclamation bond of \$6,000 (2021: \$6,000).

On March 18, 2022, the Company entered into a definitive Asset Purchase Agreement to sell a 100% interest in the Todagin project, and as at May 31, 2022, reclassified \$97,228 to assets held for sale. The transaction closed on June 21, 2022 and the Company recorded a gain of \$182,922 on the sale (note 18).

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 year ended May 31, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$60,447 (2021: \$28,300) in exploration expenditures. Included in exploration expenditures is a reclamation bond of \$22,000 (2021: \$22,000).

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**7. Exploration and Evaluation Assets (continued)**

On March 18, 2022, the Company entered into a definitive Asset Purchase Agreement to sell a 100% interest in the Boomerang project, and as at May 31, 2022, reclassified \$171,322 to assets held for sale. The transaction closed on June 21, 2022 and the Company recorded a gain of \$182,922 on the sale (note 18).

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.

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, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$9,150 (2021: \$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 carrying value of the property as there were no budgeted or planned exploration activities.

During the year ended May 31, 2022, the anniversary date for the property expired and the Company did not re-stake the claims.

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 year ended May 31, 2022, the anniversary date expired and the Company let a majority of the claims lapse. Accordingly, the Company wrote off the \$30,104 (2021: \$nil) carrying value of the property.

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

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.

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 year ended May 31, 2022, the Company incurred \$nil (2021: \$nil) in acquisition costs and incurred \$3,087 (2021: \$1,100) in exploration expenditures.

On March 18, 2022, the Company entered into a definitive Asset Purchase Agreement to sell a 100% interest in the Klastline project, and as at May 31, 2022, reclassified \$22,187 to assets held for sale. The transaction closed on June 21, 2022 and the Company recorded a gain of \$182,922 on the sale (note 18).

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 ended May 31, 2022, the Company incurred \$nil (2021: \$800) in acquisition costs and incurred \$5,493 (2021: \$2,200) in exploration expenditures.

On March 18, 2022, the Company entered into a definitive Asset Purchase Agreement to sell a 100% interest in the Railway project, and as at May 31, 2022, reclassified \$30,993 to assets held for sale. The transaction closed on June 21, 2022 and the Company recorded a gain of \$182,922 on the sale (note 18).

For a breakdown of exploration and evaluation expenditures incurred during the periods ended August 31, 2022 and May 31, 2022, refer to Schedules 1 and 2 in the consolidated financial statements.

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**8. Loans Payable**

- a) As at May 31, 2022, the Company had three loans with arm's length parties. The loans are unsecured and non-interest bearing with no terms of repayment.

		<b>Total Amount Outstanding</b>
Balance, May 31, 2021	\$	398,230
Repayment		(53,000)
Balance, May 31, 2022		345,230
Repayment		(344,870)
<b>Balance, August 31, 2022</b>	<b>\$</b>	<b>360</b>

As of August 31, 2022, all finance fees on the outstanding loans have been accrued.

- 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 36 months from December 31, 2020 and if 2/3 of the loan is repaid on or before December 31, 2023, 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 at 5% per annum. During the year ended May 31, 2022, the interest free period and due date to be eligible for forgiveness was extended for one year from December 31, 2022 to December 31, 2023.

As at August 31, 2022, the loan is recognized at fair market value of \$28,438 (2021: \$28,438). The fair value of the loan was calculated using an annual interest rate of 24%. As at May 31, 2022, the face value of the loan is \$60,000 (2021: \$60,000).

**9. Share Capital**

- a) Authorized:

Unlimited common shares without par value.

- b) Issued and outstanding:

As at August 31, 2022, there are 96,699,502 (2021: 75,556,442) common shares issued and outstanding.

During the period ended August 31, 2022, the Company issued 5,125,000 shares as follows:

- i) On June 30, 2022, the Company closed a private placement by issuing 5,125,000 common units at \$0.02 per unit for gross proceeds of \$102,500. Each unit consists of one common share and one purchase warrant. Each purchase warrant has an exercise price of \$0.075 per common share and a term of 2 years expiring June 30, 2024.

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

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**9. Share Capital (continued)**

b) Issued and outstanding: (cont'd)

time) thirty (30) days from the date of mailing of such notice or the news release of such notice.

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

c) Share Purchase Warrants

Summary of the warrants outstanding as at August 31, 2022:

	Number of Warrants	Weighted avg exercise price
Balance at May 31, 2021	35,533,000	\$ 0.08
Issued	13,924,060	0.075
Cancelled/expired	(160,000)	0.10
Balance at May 31, 2022	49,297,060	0.08
Issued	5,125,000	0.075
Cancelled/expired	-	-
<b>Balance at August 31, 2022</b>	<b>54,422,060</b>	<b>\$ 0.08</b>

The 54,422,060 share purchase warrants outstanding as at August 31, 2022 are as follows:

Number of Warrants	Exercise Price	Expiry Date
2,110,000	\$0.100	September 16, 2023*
5,000,000	\$0.100	September 18, 2023*
17,243,000	\$0.050	September 24, 2023
13,774,060	\$0.075	September 27, 2023
1,300,000	\$0.100	October 22, 2023*
500,000	\$0.100	November 15, 2023*
150,000	\$0.075	December 23, 2023
5,125,000	\$0.075	June 30, 2024
5,840,000	\$0.100	September 16, 2024**
3,380,000	\$0.100	November 15, 2024**

\*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 Company received TSXV acceptance to extend the expiry dates for three (3) additional years from 2021 to 2024. An incremental value of \$60,873 was calculated relating to the warrant modification using the Black-Scholes option pricing model with an expected life of 3.06 years, risk-free interest rate of 1.11%, dividend yield of 0% and historical volatility of 226%.

The weighted average remaining contractual life of granted and outstanding warrants at August 31, 2022 is 1.32 years (2021: 1.55 years). The warrants have a weighted average exercise price of \$0.08 (2021: \$0.08).

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**10. Stock Options**

On February 4, 2022 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 all consultants or providers 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 31, 2021.

As at August 31, 2022, there were 1,456,165 (2021: 1,601,165) stock options with a weighted average exercise price of \$0.11 (2021: \$0.11) outstanding.

The terms of the 1,456,165 stock options outstanding as at August 31, 2022 are as follows:

Number of Shares	Exercise Price	Expiry Date
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, 2022 is 3.92 years (2021: 4.55 years).

During the period ended August 31, 2022, 145,000 stock options with an exercise price of \$0.10 expired unexercised.

**11. Supplemental cash flow information**

Non-cash activities for the period ended August 31, 2022 are as follows:

- a) Exploration additions of \$10,000 are included in advance from sale of exploration properties and adjusted at time of closing of the sale.

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.

**12. Financial Instruments**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, due to related parties, CEBA loan 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;
- 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, 2022 and 2021, the Company did not have any financial instruments

**HAWKEYE GOLD & DIAMOND INC.**  
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**12. Financial Instruments (continued)**

classified as FVTPL. The fair values of 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, 2022, 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.

***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.

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**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, 2022. The Company is not subject to externally imposed capital requirements.

**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:

	<b>May 31, 2022</b>	May 31, 2021
Loss for the year	\$ (363,954)	\$ (393,822)
Combined federal and provincial tax rate	27.00%	27.00%
Expected tax recovery	\$ (98,000)	\$ (106,000)
Change in other	(15,000)	10,000
Permanent differences	10,000	3,000
Share issuance costs	(4,000)	(4,000)
Impact of flow-through shares	37,000	-
Adjustment to prior year's provision versus statutory tax returns	(6,000)	(83,000)
Change in unrecognized deductible temporary differences	76,000	180,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

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

	<b>May 31, 2022</b>	May 31, 2021
Deferred income tax assets (liabilities)		
Exploration and evaluation assets	\$ 776,000	\$ 794,000
Equipment	35,000	19,000
Share issue costs	11,000	13,000
Debt with accretion	(9,000)	(9,000)
Non-capital losses available for future periods	2,207,000	2,127,000
	3,020,000	2,944,000
Unrecognized deferred income tax assets	(3,020,000)	(2,944,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
**August 31, 2022**  
**(Expressed in Canadian dollars)**

**15. Income Taxes (continued)**

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:

	<b>May 31, 2022</b>		<b>May 31, 2021</b>	
Temporary differences				
Exploration and evaluation assets	\$ 2,875,000	No expiry date	\$ 2,942,000	No expiry date
Equipment	128,000	No expiry date	72,000	No expiry date
Share issue costs	42,000	2022 to 2026	49,000	2022 to 2025
Debt with accretion	(32,000)	No expiry date	(32,000)	No expiry date
Non-capital losses available for future periods	\$ 8,175,000	2026 to 2042	\$ 7,876,000	2026 to 2041

**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, 2022, \$30,000 (2021: \$30,000) was paid or accrued to the President and director of the Company as management fees. The Company reimbursed the president and director \$11,082 (2021: \$10,920) for shared office premises.
- b) During the period ended August 31, 2022, \$6,000 (2021: \$6,000) was paid or accrued to a related individual as compensation for services rendered and included in management fees.
- c) During the period ended August 31, 2022, \$36,000 (2021: \$1,500) was paid or accrued to three individual officers or directors of the Company as consulting fees.
- d) As at August 31, 2022, there is a balance of \$763,136 (2021: \$650,683) due to the President and director of the Company included in due to related parties.
- e) As at August 31, 2022, there is a balance of \$1,743 (2021: \$1,743) due to a company owned by the President of the Company included in due to related parties.
- f) As at August 31, 2022, there is a balance of \$65,725 (2021: \$114,725) due to a related individual and is included in due to related parties.
- g) As at August 31, 2022, there is a balance of \$nil (2021: \$5,600) due to a company controlled by the chief financial officer of the Company included in loans payable.

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.

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
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**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. As at May 31, 2021, the balance of \$143,246 including interest was included in accounts payable. During the year ended May 31, 2022, the Company paid \$101,369 to fully settle the claim. Accordingly, a recovery of \$41,877 was included in bank, interest and financing charges. Of the payment, \$46,370 was advanced by Newcrest and included in the advance from sale of exploration properties (note 18).

Pursuant to the claim, the vendor had filed a lien in the amount of \$126,396 against one of the McBride Project claims which was removed on settlement of the civil claim (note 7(f)).

**18. Assets Held for Sale**

On March 18, 2022 the Company entered into an Asset Purchase Agreement to sell 100% of its interests in the McBride, Todagin, Boomerang, Klastline and Railway properties ("Properties") to Newcrest Red Chris Mining Ltd. ("Newcrest"), a wholly-owned subsidiary of Newcrest Mining Limited (ASX, TSX, PNGX: NCM), for total consideration of \$1,400,000. The sale is also subject to a royalty agreement in favour of Hawkeye as follows:

Hawkeye will retain a 2% Net Smelter Royalty ("NSR") on each of the Properties. Newcrest may purchase the first 1% of the NSR on each of the Properties for cash consideration of \$1,500,000. Furthermore, Newcrest may purchase an additional three-quarters (3/4) of the remaining NSR on each of the Properties for an additional cash consideration of \$1,000,000. Thereafter, Hawkeye will retain a 0.25% NSR interest in each Property. Newcrest's entitlement to purchase these portions of the NSR will terminate sixty (60) days from commencement of construction of a mine on each Property. The NSR is also subject to a right of first refusal in favour of Newcrest.

As of May 31, 2022, Newcrest made payments of \$146,683 towards the agreement consisting of advances of \$100,313 towards exploration additions and \$46,370 towards settlement of the civil claim (note 17).

As of May 31, 2022, the company has incurred legal costs of \$38,329 related to the agreement included in deferred transaction costs.

The Company reclassified the assets from exploration and evaluation assets to assets held for sale as at May 31, 2022. The value was determined based on the lower of the asset's carrying amount and fair value less costs to sell, and is computed as follows:

	<b>May 31, 2022</b>	
<b>Purchase price</b>		
Cash payment	\$	1,203,318
Advances		196,682
Fair value of the consideration to be received		1,400,000
Less: costs to sell – legal fees		(42,667)
<b>Fair value less costs to sell</b>		<b>1,357,333</b>
<b>Carrying amount of the assets</b>	<b>\$</b>	<b>1,168,749</b>

**HAWKEYE GOLD & DIAMOND INC.**  
**Notes to Consolidated Financial Statements**  
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**18. Assets Held for Sale (continued)**

Since the fair value of the consideration received less costs to sell is greater than its carrying amount, the assets are not impaired. The Company reclassified the exploration and evaluation asset's book value totalling \$1,168,749 to assets held for sale as at May 31, 2022.

On June 21, 2022, the transaction closed and the Company received total proceeds of \$1,400,000 consisting of \$1,203,318 cash, \$110,313 advanced towards exploration additions, and \$86,369 advanced towards settlement of liabilities.

**19. Subsequent Events**

There are no significant subsequent events to report on.

**HAWKEYE GOLD & DIAMOND INC.**
**Schedule 1**
**Consolidated Schedule of Deferred Exploration Expenditures  
 Period Ended August 31, 2022  
 (Expressed in Canadian Dollars)**

	Bonanza	2-Aces	Keithley Creek	Cariboo Valley	Seller Creek	Swift River	TOTAL
	\$	\$	\$	\$	\$	\$	\$
Balances, May 31, 2022 (see schedule 2)							
Acquisition costs	-	19,250	12,250	8,750	22,750	12,600	75,600
Exploration expenditures	1,000	104,328	84,764	43,880	103,893	65,277	403,142
<b>Total beginning property expenditures</b>	<b>1,000</b>	<b>123,578</b>	<b>97,014</b>	<b>52,630</b>	<b>126,643</b>	<b>77,877</b>	<b>478,742</b>
Incurred during the current period							
Acquisition costs	-	-	-	-	-	-	-
Exploration expenditures							
Claim maintenance	-	4,313	-	-	-	-	4,313
Consulting	-	15,483	97	10,612	25,868	6,498	58,558
Field expenses	-	8,119	-	525	284	-	8,928
Helicopters	-	18,064	-	9,639	27,225	-	54,928
Management	-	3,524	-	4,598	14,354	1,409	23,885
Rentals	-	661	-	-	1,198	1,243	3,102
Survey	-	-	-	-	2,750	-	2,750
Travel	-	2,277	-	-	-	-	2,277
<b>Total exploration expenditures</b>	<b>-</b>	<b>52,441</b>	<b>97</b>	<b>25,374</b>	<b>71,679</b>	<b>9,150</b>	<b>158,741</b>
<b>Total current period expenditures</b>	<b>-</b>	<b>52,441</b>	<b>97</b>	<b>25,374</b>	<b>71,679</b>	<b>9,150</b>	<b>158,741</b>
Less:							
Acquisition costs written off	-	-	-	-	-	-	-
Exploration expenditures written off	-	-	-	-	-	-	-
<b>Total property interest written off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance, end of period:							
Acquisition costs	-	19,250	12,250	8,750	22,750	12,600	75,600
Exploration expenditures	1,000	156,769	84,861	69,254	175,572	74,427	561,883
<b>Mineral Property Interests, August 31, 2022</b>	<b>1,000</b>	<b>176,019</b>	<b>97,111</b>	<b>78,004</b>	<b>198,322</b>	<b>87,027</b>	<b>637,483</b>

**HAWKEYE GOLD & DIAMOND INC.**
**Schedule 2**
**Consolidated Schedule of Deferred Exploration Expenditures**
**Period ended May 31, 2022**
**(Expressed in Canadian dollars)**

	Bonanza	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
<b>Total beginning property expenditures</b>	<b>-</b>	<b>72,131</b>	<b>49,362</b>	<b>34,951</b>	<b>70,990</b>	<b>898,965</b>	<b>54,634</b>	<b>110,875</b>	<b>32,887</b>	<b>4,900</b>	<b>19,100</b>	<b>25,500</b>	<b>1,374,295</b>
Incurred during the current period													
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Exploration expenditures													
Assays	-	2,701	3,930	348	3,867	2,525	-	-	7,163	2,736	-	-	23,270
Claim maintenance	1,000	-	-	-	-	-	41,230	59,083	2,431	-	1,723	4,129	109,596
Consulting	-	7,804	8,573	6,479	9,971	1,364	1,364	1,364	7,207	5,422	1,364	1,364	52,276
Drilling	-	-	-	-	-	(55,835)	-	-	-	-	-	-	(55,835)
Field expenses	-	37,379	32,712	9,352	38,252	-	-	-	27,252	17,046	-	-	161,993
Survey	-	3,563	2,437	1,500	3,563	-	-	-	937	-	-	-	12,000
<b>Total exploration expenditures</b>	<b>1,000</b>	<b>51,447</b>	<b>47,652</b>	<b>17,679</b>	<b>55,653</b>	<b>(51,946)</b>	<b>42,594</b>	<b>60,447</b>	<b>44,990</b>	<b>25,204</b>	<b>3,087</b>	<b>5,493</b>	<b>303,300</b>
<b>Total current period expenditures</b>	<b>1,000</b>	<b>51,447</b>	<b>47,652</b>	<b>17,679</b>	<b>55,653</b>	<b>(51,946)</b>	<b>42,594</b>	<b>60,447</b>	<b>44,990</b>	<b>25,204</b>	<b>3,087</b>	<b>5,493</b>	<b>303,300</b>
Less:													
Assets held for sale – acquisition costs	-	-	-	-	-	(22,500)	(13,000)	(16,000)	-	-	(18,000)	(23,300)	(92,800)
Assets held for sale – exploration costs	-	-	-	-	-	(824,519)	(84,228)	(155,322)	-	-	(4,187)	(7,693)	(1,075,949)
<b>Total assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(847,019)</b>	<b>(97,228)</b>	<b>(171,322)</b>	<b>-</b>	<b>-</b>	<b>(22,187)</b>	<b>(30,993)</b>	<b>(1,168,749)</b>
Less:													
Acquisition costs written off	-	-	-	-	-	-	-	-	-	(4,900)	-	-	(4,900)
Exploration expenditures written off	-	-	-	-	-	-	-	-	-	(25,204)	-	-	(25,204)
<b>Total property interest written off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,104)</b>	<b>-</b>	<b>-</b>	<b>(30,104)</b>
Balance, end of period:													
Acquisition costs	-	19,250	12,250	8,750	22,750	-	-	-	12,600	-	-	-	75,600
Exploration expenditures	1,000	104,328	84,764	43,880	103,893	-	-	-	65,277	-	-	-	403,142
<b>Mineral Property Interests, May 31, 2022</b>	<b>1,000</b>	<b>123,578</b>	<b>97,014</b>	<b>52,630</b>	<b>126,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>478,742</b>