

Condensed Interim Consolidated Financial Statements of

**BLACKHAWK RESOURCE CORP.**

For the three months ended September 30, 2019 and 2018  
(unaudited)

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**BLACKHAWK RESOURCE CORP.**

## Condensed Interim Consolidated Statement of Financial Position

	September 30, 2019	June 30, 2019
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 47,454	\$ 165,331
Trade and other receivables (note 11(a))	48,090	42,903
Prepaid expenses and deposits	300,334	160,922
Investment at fair value – Short term loans (note 5)	353,584	290,000
Investments at fair value – equity (note 5)	1,042,113	82,275
Investment at fair value due to shareholders (note 5)	-	4,089,280
<b>Total assets</b>	<b>\$ 1,791,575</b>	<b>\$ 4,830,711</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payable (note 11(b))	\$ 374,056	\$ 115,318
Due to shareholders as return on capital (note 7)		4,089,280
	374,056	4,204,598
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 6)	10,749,813	9,749,813
Contributed surplus	894,114	846,680
Deficit	(10,226,408)	(9,970,380)
<b>Total shareholders' equity</b>	<b>1,417,519</b>	<b>626,113</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,791,575</b>	<b>\$ 4,830,711</b>

Going concern (note 3)

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on November 28, 2019

Signed "*Raymond Antony*"  
\_\_\_\_\_  
Director

Signed "*Mike Smith*"  
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Director

**BLACKHAWK RESOURCE CORP.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Unaudited)

	Three months ended September 30,	
	2019	2018
<b>Revenue</b>		
Net investment gains (losses)		
Net change in unrealized (loss) on investments	\$ (40,162)	\$ -
Interest revenue	3,975	542
Other revenue	-	250,000
<b>Total revenue</b>	<b>(36,187)</b>	<b>250,542</b>
<b>Expenses</b>		
General and administrative	37,507	25,256
Consulting (note 9)	103,000	27,750
Directors fee (note 9)	7,500	6,250
Professional fees	24,260	13,710
Bank service charges	140	116
Share based compensation	47,434	-
<b>Total expenses</b>	<b>219,841</b>	<b>73,082</b>
<b>(Loss) income from continuing operations</b>	<b>(256,028)</b>	<b>177,460</b>
<b>(Loss) from discontinued operations (note 7)</b>	<b>-</b>	<b>(5,459)</b>
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (256,028)</b>	<b>\$ 172,001</b>
Net (loss) income per share (note 8)		
Continuing operations – basic and diluted	\$ (0.00)	\$ 0.00
Discontinuing operations – basic and diluted	-	(0.00)
Net (loss) income basic and diluted	\$ (0.00)	\$ 0.00

See accompanying notes to the consolidated financial statements.

**BLACKHAWK RESOURCE CORP.**

## Condensed Interim Consolidated Statements of Changes in Equity

	Three months ended September 30,	
	2019	2018
<b>Share capital</b>		
Balance, beginning of period	\$ 9,749,813	\$ 7,492,253
Additions	1,000,000	-
Balance, end of period	10,749,813	7,492,253
<b>Contributed surplus</b>		
Balance, beginning of period	846,680	846,680
Share based compensation	47,434	-
Balance, end of period	894,114	846,680
<b>Deficit</b>		
Balance, beginning of period	(9,970,380)	(3,570,485)
Net income (loss)	(256,028)	172,001
Balance, end of period	(10,226,408)	(3,398,484)
<b>Shareholders' equity</b>	<b>\$ 1,417,519</b>	<b>\$ 4,940,449</b>

See accompanying notes to the consolidated financial statements.

**BLACKHAWK RESOURCE CORP.**Condensed Interim Consolidated Statements of Cash Flows  
(Unaudited)

	Three months ended September 30,	
	2019	2018
Cash provided by (used in)		
<b>Operations:</b>		
Net income (loss) from continuing operations	\$ (256,028)	\$ 172,001
Items not affecting cash:		
Net change in unrealized (gain) loss on investments	40,162	-
Accretion (note 7)	-	576
Revision of estimates in decommissioning liabilities	-	(1,444)
Share based compensation	47,434	-
Change in operating working capital		
Trade and other receivables	(5,187)	2,510
Proceeds on disposal of investments, net of realized gain	-	60,000
Purchase of investments	(63,584)	-
Prepaid expenses and deposits	(139,412)	2,891
Trade and other payables	258,738	61,845
	<b>(117,877)</b>	<b>298,379</b>
<b>Finance:</b>		
Note payable	-	(250,000)
	-	<b>(250,000)</b>
<b>Investments:</b>		
Decommissioning costs incurred	-	(49,558)
	-	<b>(49,558)</b>
Net change in cash and cash equivalents	(117,877)	(1,179)
Cash and cash equivalents, beginning of the period	165,331	88,812
Cash and cash equivalents, end of the period	\$ 47,454	\$ 87,633
<b>Supplemental cash flow information:</b>		
Interest paid	-	-
Interest received	3,975	3,405

See accompanying notes to the consolidated financial statements.

## **BLACKHAWK RESOURCE CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2019 and 2018

(Unaudited)

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### **1. General information:**

Blackhawk Resource Corp. (the “Corporation”) was incorporated under the Business Corporations Act (Alberta) on March 25, 1986.

The Corporation invests in equity and debt instruments of companies to generate positive returns for shareholders.

The Corporation’s registered office is located at Suite 3810, Bankers Hall West, 888 - 3 Street SW, Calgary, Alberta, T2P 5C5.

### **2. Basis of preparation:**

#### **Statement of compliance**

These Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) 34 Interim Financial Reporting under the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the condensed interim financial statements have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Corporation’s audited financial statements for the year ended June 30, 2019. The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Corporation’s audited financial statements for the year ended June 30, 2019. The Corporation’s interim results are not necessarily indicative of its results for a full year. All amounts are expressed in Canadian dollars, unless otherwise noted. The Corporation presents its consolidated financial position on a non-classified basis in order of liquidity.

#### **Basis of presentation**

The Condensed Interim Consolidated Financial Statements have been prepared on a historical cost basis except as disclosed in note 4. These Condensed Interim Consolidated Financial Statements have been prepared on a going concern basis.

The Condensed Interim Consolidated Financial Statements are presented in Canadian dollars, which is the Corporation’s functional and presentation currency.

### **3. Going Concern:**

For the three months ended September 30, 2019, the Corporation reported a net loss and comprehensive loss of \$256,028 (2018 – income \$172,001) and has a deficit of \$10,226,408 (2018 - \$9,970,380). These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation’s ability to continue as a going concern. As at September 30, 2019, the Corporation has \$47,454 (June 30, 2019 - \$165,331) in cash available to meet its liabilities as they become due. The Corporation will manage its activity levels, expenditures and commitments based on its current cash position.

## **BLACKHAWK RESOURCE CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2019 and 2018

(Unaudited)

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### **3. Going Concern (continued):**

The Condensed Interim Consolidated Financial Statements have been prepared on the basis that the Corporation will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Corporation's ability to continue as a going concern is dependent on its ability to generate additional financial resources in order to meet its planned business objectives. Financial resources will come in the form of debt and/or equity financing. These Condensed Interim Consolidated Financial Statements do not reflect adjustments in the amounts and classifications of assets and liabilities reported that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

### **4. Critical accounting estimates and judgments:**

The Corporation has made estimates and assumptions regarding certain assets, liabilities, revenues and expenses in the preparation of the consolidated financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **Accounting Estimates:**

##### **a) Stock based compensation**

The Corporation measures the cost of share-based compensation transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, forfeiture rate, volatility and dividend yield of the share option. The Corporation measures the cost of share-based compensation transactions with consultants by reference to the fair value of the services to be performed.

##### **b) Taxes**

Tax interpretations, regulations and legislation are subject to change and as such, income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of the reporting period to determine the probability that they will be realized from future taxable earnings.

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Notes to the Condensed Interim Consolidated Financial Statements

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### **4. Critical accounting estimates and judgments (continued):**

#### **c) Fair value of investments in securities not quoted in an active market or private company investments:**

Where the fair value of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The Corporation will look at the financial information provided by the investee, as well as comparative company information available to determine a fair value.

#### **Accounting Judgments:**

##### **a) Determination of investment entity**

Judgement is required when making the determination that the Corporation or its subsidiaries meet the definition of an investment entity under IFRS. In accordance with IFRS 10, an investment entity is an entity that: “obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.” In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment related services to external parties. In determining its status as an investment entity, the Corporation has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments.

##### **b) Going concern**

The Corporation has experienced lower than planned revenue combined with operating losses. Management has assessed and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Management applied significant judgement in arriving at this conclusion including the amount of new investments and total realized gain on investments to be generated to provide sufficient cash flow to continue to fund operations and other committed expenditures; the timing of generating those cash inflows and the timing of the related expenditures; the ability to raise additional capital to support ongoing operations; and the assessment of potentially discretionary expenditures that could be delayed in order to manage cash flows. Given the judgement involved, actual results may lead to a materially different outcome.



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Notes to the Condensed Interim Consolidated Financial Statements

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**5. Investments at fair value and financial instruments hierarchy:****Financial hierarchy:**

Fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Equity investments by sector consist of the following as at September 30, 2019:

<b>Sector</b>	<b>Cost</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>% of total fair value</b>
Technology and other	\$ 2,805,318	\$ -	\$ -	\$ 1,042,113	\$1,042,113	100%
Mining	508,166	-	-	-	-	-
<b>Total</b>	<b>\$ 3,313,484</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,042,113</b>	<b>\$1,042,113</b>	<b>100%</b>

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**5. Investments at fair value and financial instruments hierarchy (continued):**

Equity investments by sector consist of the following as at June 30, 2019:

<b>Sector</b>	<b>Cost</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>% of total fair value</b>
Mining	\$ 508,166	\$ –	\$ –	\$ –	\$ –	0%
Cannabis	1,350,050	–	–	42,113	42,113	51%
Technology and Esports	455,268	–	40,162	–	40,162	49%
<b>Total Investments at Fair Value</b>	<b>\$ 2,313,484</b>	<b>\$ –</b>	<b>\$40,162</b>	<b>\$42,113</b>	<b>\$82,275</b>	<b>100%</b>
<b>Investments due to shareholders</b>	<b>\$ 1,358,000</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$4,089,280</b>	<b>\$4,089,280</b>	

Level 1 instruments include shares and warrants actively traded in an active market, level 2 instruments include warrants held in public companies and, level 3 instruments include common shares held in private companies.

During the three months ended September 30, 2019 the Corporation estimated the fair value of the warrants based on the residual method, taking into consideration exercise price and market price of the underlying shares. At September 30, 2019 the fair value of the warrants is estimated to be \$nil. At June 30, 2019 the fair value of warrants was estimated using the Black-Scholes pricing model, taking into account amounts that are believed to approximate the volatility of the trading price of the company's shares, the expected lives of the warrants, the fair value of the company's stock and the risk-free interest rate, as determined at the grant date.

The investments due to shareholders of \$4,089,280 as at June 30, 2019 was declared as a return of capital on April 8, 2019 and was categorized as a level 3 investment. During the three months ended September 30, 2019 the shares were distributed to the shareholders of the Corporation.

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(Unaudited)

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### **5. Investments at fair value and financial instruments hierarchy (continued):**

The fair value of the level 3 investments of \$1,042,113 (June 30, 2019 - \$42,114 and \$4,089,280) are subject to market risk, commodity risk and change in demand in the mining, technology and other industries. A 5% change in the stock price used to fair value these instruments will result in a corresponding \$52,106 (June 30, 2019 - \$204,464) change in the value of the investment.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions. The analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

In accordance with IFRS 10, the fair value of the Corporations investments includes the fair value of entities that are controlled by the Corporation.

The fair value of the common shares included in level 3 of \$1,042,113 (June 30, 2019 - \$42,113 and \$4,089,280) have been evaluated based on available data from the corporations involved and the purchase value of the investment.

The fair value of Noble Line Inc. ("Noble") was determined to be \$Nil and is included in level 3. As at September 30, 2019 and June 30, 2019, the Corporation owned 71,500 common shares with an initial value of \$0.70 per share, representing 13.5% ownership. The investment has been evaluated based on available data from Noble, and given the need for Noble to find additional capital funding, the higher than expected costs of start up and the increased competition in the industry, the Corporation has taken a write down of this investment of \$50,050 during the year ended June 30, 2019.

The fair value of 1202465 BC Ltd., a company that has applied for a retail cannabis license at a leased location in BC, which was acquired on May 17, 2019 is \$42,113 with a cost of \$1,300,000 and is included in level 3. The investment is comprised of 100% of the common shares of 1202465 BC Ltd. Due to the lack of additional information to support the initial purchase price, the investment was evaluated based on the present value of the future lease payments resulting in a write down of this investment of \$1,257,887 during the year ended June 30, 2019.

The fair value of 1216372 BC Ltd., a company that has applied for a retail cannabis license at a leased location in BC, which was acquired on July 29, 2019 is \$1,000,000 with a cost of \$1,000,000 and is included in level 3. The investment is comprised of 100% of the common shares of 1216372 BC Ltd. The fair value was determined based on the number of the Corporation shares issued and market value of the Corporation shares on the investment date.

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(Unaudited)

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### **5. Investments at fair value and financial instruments hierarchy (continued):**

The fair value of \$4,089,280 of the UMG Media Corp. (“UMG”) common shares included in level 3 as at June 30, 2019 was due to shareholders and is a related party investment (a related party with two directors and two officers in common). The investment has been evaluated based on available data from UMG, including prior private placements. As at June 30, 2019, the Corporation owned 3,197,000 common shares, representing a 19.2% ownership. All of the shares were distributed to the Corporations shareholders as a return of capital during the three months ended September 30, 2019.

Short term loan investments consist of the following:

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	<b>September 30, 2019</b>	<b>June 30, 2019</b>
Short term loans	\$353,584	\$290,000
<b>Total loan investments</b>	<b>\$353,584</b>	<b>\$290,000</b>

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The carrying value of the Corporation’s short term loans approximates their fair value due to the short term nature of these loans and would be included in level 3 of the financial instruments hierarchy. Short term loans include loans issued for a period of 12 months or less at an average interest rate of 17% (June 30, 2019 – 17%) starting July 1, 2019.

On June 30, 2019, the Corporation evaluated the value of a loan to Noble of \$195,000 and determined that based on the need for the company to secure additional capital funding, that the collectability of the loan was uncertain. The Corporation has taken a write down of the loan of \$195,000 as at June 30, 2019, and will continue to re-evaluate the collectability on a month by month basis. As at September 30, 2019 the value of the loan was estimated to be \$nil.

As at September 30, 2019, the Corporations short term loans included two related party loans for a total of \$345,000 (June 30, 2019 - \$90,000).

### **6. Share capital:**

#### **a) Authorized:**

Unlimited number of common voting shares and preferred shares

**BLACKHAWK RESOURCE CORP.**

Notes to the Condensed Interim Consolidated Financial Statements  
Three months ended September 30, 2019 and 2018  
(Unaudited)

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**6. Share capital (continued):****b) Issued:**

	<b>Number of Shares</b>		<b>Amount</b>
Balance, June 30, 2017 and 2018	41,196,374	\$	7,492,253
Shares issued for acquisition of investments at fair value	20,000,000		1,300,000
Shares issued pursuant to private placement	19,965,000		998,250
Share issued costs	–		(40,690)
<b>Balance, June 30, 2019</b>	<b>81,161,374</b>	<b>\$</b>	<b>9,749,813</b>
Shares issued for acquisition of investments at fair value	<b>20,000,000</b>		<b>1,000,000</b>
<b>Balance, September 30, 2019</b>	<b>101,161,374</b>	<b>\$</b>	<b>10,749,813</b>

Shares issued during the three months ended September 30, 2019:

On July 29, 2019, the Corporation issued 20,000,000 common shares for the purchase of 100% of the common shares of 1216372 BC Ltd., a company that has two retail leased location in BC.

Shares issued during the year ended June 30, 2019:

On May 17, 2019, the Corporation issued 20,000,000 common shares for the purchase of 100% of the common shares of 1202465 BC Ltd., a company that has retail leased location in BC.

On May 28, 2019, the Corporation completed a private placement of 19,965,000 common shares at a price of \$0.05 per share for gross proceeds of \$998,250. The Corporation incurred a total of \$40,690 in share issue costs composed of \$30,300 in finders' fees and \$10,390 in legal fees.

**c) Stock options:**

The Corporation has implemented a stock option plan for Directors, Officers, employees, and consultants. The exercise price of each option approximates the market price for the common shares on the date the option was granted. Options granted under the plan generally vest over an eighteen month period from the date of the grant and expire five years after the grant date. The maximum number of common shares to be issued upon the exercise of options granted under the plan is 10,116,137 (June 30, 2019 – 8,116,137) common shares.

**BLACKHAWK RESOURCE CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

**6. Share capital (continued):****c) Stock options (continued):**

On July 27, 2019, the Corporation granted 3,600,000 stock options to directors, officers and consultants. The stock options have an exercise price of \$0.10 and expire on July 27, 2024. The stock options vest one third on the grant date, one third six months after the grant date and the balance on the twelve months date after the grant date. The fair value of the options was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.045; exercise price – \$0.10; expected life – five years; volatility – 92%; dividend yield – \$nil; and risk-free rate – 1.41%.

The details of this stock options issued are as follows:

	Three months ended		Year ended	
	September 30, 2019		June 30, 2018	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Options outstanding, beginning of period	1,500,000	\$0.10	2,400,000	\$0.10
Issued	3,600,000	\$0.10	-	-
Expired	-	\$0.10	(900,000)	0.10
<b>Options outstanding, end of period</b>	<b>5,100,000</b>	<b>\$0.10</b>	<b>1,500,000</b>	<b>\$0.10</b>
<b>Exercisable, end of period</b>	<b>5,100,000</b>	<b>\$0.10</b>	<b>1,500,000</b>	<b>\$0.10</b>

The following table summarizes information about stock options outstanding and exercisable at September 30, 2019:

Outstanding	Exercisable	Remaining Life	Exercise Price
1,500,000	1,500,000	0.85 years	\$0.10
3,600,000	2,700,002	4.83 years	\$0.10
<b>5,100,000</b>	<b>4,200,002</b>	<b>3.66 years</b>	<b>\$0.10</b>

The following table summarizes information about stock options outstanding and exercisable at June 30, 2019:

Outstanding	Exercisable	Remaining Life	Exercise Price
1,500,000	1,500,000	2.10 years	\$0.10

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**7. Discontinued operations:**

As at January 31, 2019, the Corporation disposed of its 100% owned subsidiary, Blackhawk Resource Operating Corp. with total assets of \$129,805 and total liabilities of \$312,489 resulting in a gain on disposal of \$182,684, with net proceeds of \$Nil.

Operating results related to discontinued operations have been included in net income (loss) from discontinued operations on the consolidated statements of loss. Comparative period results have been reclassified.

The Corporation's net income (loss) from discontinued operations consist of the following:

	September 30,	
<b>Revenue:</b>	<b>2019</b>	<b>2018</b>
Oil and natural gas revenue	\$ -	\$ 7,024
Oil and natural gas expenses		
Accretion	-	576
Revision in estimates in decommissioning liabilities	-	(1,444)
Field operating costs	-	13,351
<b>Total expenses</b>	<b>\$ -</b>	<b>\$ 12,483</b>
<b>Net loss from discontinued operations</b>	<b>\$ -</b>	<b>\$ 5,459</b>

**8. Per share amounts:**

Net loss per share on a diluted weighted average basis is the same as that presented for basic as all factors are anti-dilutive. The number of shares that have been included in the computation of basic and diluted loss per share are as follows:

<b>September 30,</b>	<b>2019</b>	<b>2018</b>
Weighted average shares outstanding, basic and diluted	95,007,528	41,196,374

**9. Key management compensation and related party transactions:****a) Key management compensation**

Key management personnel are composed of the Corporation's Directors and Officers.

For the three months ended September 30, 2019, the Corporation incurred consulting fees of \$19,000 (2018– \$27,750), and directors fees of \$7,500 (2018 - \$6,250), paid to companies which are controlled by key management of the Corporation. At September 30, 2019, \$7,500 in directors fees remained outstanding (June 30, 2019 – \$9,000).

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**9. Key management compensation and related party transactions (continued):****b) Related party transactions (not mentioned elsewhere in the financial statements – see Note 5).**

During the three months ended September 30, 2019, the Corporation incurred legal costs of \$5,871 (2018 - \$6,727) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the fair value of the service provided. \$44,746 was payable to this law firm at September 30, 2019 (June 30, 2019 - \$40,674).

**10. Financial instruments:**

The carrying values of the Corporation's financial instruments by category were as follows:

<b>September 30, 2019</b>			
Asset (liability)	Fair value through profit or loss	Financial assets	Financial liabilities
Cash and cash equivalents	\$ –	\$ 47,454	\$ –
Trade and other receivables	–	48,090	–
Investments at fair value – Short term loans	353,584	–	–
Trade and other payables	–	–	(374,056)
	<b>\$ 353,584</b>	<b>\$ 95,544</b>	<b>\$ (374,056)</b>

<b>June 30, 2019</b>			
Asset (liability)	Fair value through profit or loss	Financial assets	Financial liabilities
Cash and cash equivalents	\$ –	\$165,331	\$ –
Trade and other receivables	–	42,903	–
Investments at fair value – Equity	82,275	–	–
Investments at fair value – Short term loans	290,000	–	–
Investments due to shareholders	4,089,280	–	–
Trade and other payables	–	–	(115,318)
Due to shareholders as return of capital	(4,089,280)	–	–
	<b>\$ 372,275</b>	<b>\$208,234</b>	<b>\$ (115,318)</b>



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### **10. Financial instruments (continued):**

The carrying value of the Corporation's financial instruments, excluding investments at fair value approximate their fair value due to the short term nature of these instruments.

### **11. Risk Management:**

#### **Financial instruments risks:**

The use of financial instruments can expose the Corporation to several risks including credit, liquidity, and market risks. A discussion of the Corporation's use of financial instruments and their associated risks is provided below.

#### **a) Credit risk:**

The Corporation is subject to credit risk on its cash and cash equivalents, trade and other receivables, short term loans at fair value and equity investments at fair value.

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in 90 days or less. The Corporation manages the credit exposure related to short term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return. The maximum credit risk exposure associated with the Corporation's financial assets is the carrying value.

At September 30, 2019, the Corporation's trade and other receivables of \$48,090 (June 30, 2019 - \$42,903) consisted of \$15,015 (June 30, 2019 - \$21,632) due from the government in relation to GST returns, and \$33,075 (June 30, 2019 - \$21,271) of other receivables.

The Corporation's receivables are normally collected within a 60-90 day period. Management believes that the credit risk with respect to trade and other receivables is minimal.

After initial recognition, trade and other receivables are allocated to one of three stages of the expected credit loss model to determine the expected credit loss ("ECL") as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition
- Stage 2: Credit risk has increased significantly since initial recognition
- Stage 3: There is objective evidence of impairment as at the reporting date

As at September 30, 2019, the Corporation assessed its trade and other receivables for impairment. The ECL determined by the Corporation is not significant.

The Corporation manages its credit risk on equity investments through thoughtful planning, significant due diligence of investment opportunities and by conducting activities in accordance with the investment policies that are approved by the Board of Directors. Management review the financial conditions of its investee companies regularly.

**BLACKHAWK RESOURCE CORP.**

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Three months ended September 30, 2019 and 2018

(Unaudited)

**11. Risk Management (continued):****b) Liquidity risk:**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at September 30, 2019:

<b>Financial Liabilities</b>	<b>&lt; One Year</b>	<b>&gt; One Year</b>
Trade and other payables	\$374,056	\$ —
<b>Total</b>	<b>\$374,056</b>	<b>\$ —</b>

The following are the contractual maturities of financial liabilities as at June 30, 2019:

<b>Financial Liabilities</b>	<b>&lt; One Year</b>	<b>&gt; One Year</b>
Trade and other payables	\$115,318	\$ —
<b>Total</b>	<b>\$115,318</b>	<b>\$ —</b>

**c) Market risk:**

Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in equity and commodity prices. The Corporation is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

Additionally, the Corporation is required to fair value its equity investments at the end of each reporting period. This process could result in significant write-downs of the Corporation's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Corporation's financial position.

- Equity price risk is defined as the potential adverse impact on the Corporation's loss due to movements in individual equity prices or general movements in the level of stock market on traded investments. The Corporation has a concentration of equity price risk due to one of its investments being worth a significant amount of its portfolio. The Corporation sets thresholds on purchases of investments over which approval of the Board of Directors is required.

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### **11. Risk Management (continued):**

During periods of significant broader market volatility or volatility experienced by the resource or commodity markets, the value of the Corporation's investment portfolio can be quite vulnerable to market fluctuations. A 5% change in the closing trade price of the Corporation's equity investments would result in a \$52,106 (June 30, 2019 - \$204,464) change in unrealized gain (loss) on investments.

- Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also world economic events that dictate the levels of supply and demand.

### **12. Capital disclosures:**

As at September 30, 2019, in the definition of capital, the Corporation includes shareholders' equity of \$1,417,519 (June 30, 2019 - \$626,113). The Corporation's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing. The Corporation is not exposed to externally imposed capital requirements.

### **13. Commitments:**

As at September 30, 2019, the Corporation has outstanding commitment in the amount of \$44,325 for the office lease for 6 months.