

Consolidated Financial Statements of
BLACKHAWK GROWTH CORP.

For the Years Ended June 30, 2023 and 2022



SHIM & Associates LLP
Chartered Professional Accountants
Suite 900 – 777 Hornby Street
Vancouver, B.C. V6Z 1S4
T: 604 559 3511 | F: 604 559 3501

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Blackhawk Growth Corp.

Opinion

We have audited the accompanying consolidated financial statements of Blackhawk Growth Corp. (the “Company”), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023 and 2022, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our audit report.

Valuation of unlisted investments

The valuation of unlisted investments requires significant judgment and estimates by management and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. Unreasonable basis used in the valuation judgments could result in a material difference in the value presented.

We responded to this matter by performing audit procedures in relation to the valuation of unlisted investments and the accuracy of the net change in unrealized loss on investments. These procedures include, among others:

- Inquired about any financial data of investee company.
- Inquired and researched evidence of recent financing raised by the investee during the year.
- Analysed changes in significant assumptions compared with assumptions used in prior years, and compared to independent evidence, where available, including available industry data.
- Compared the business models to other similar entities in the industry.
- Inquired management’s intention and knowledge about the investee.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditors' report thereon, included in Management's Discussion and Analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dong H. Shim.

“SHIM & Associates LLP”

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

October 31, 2023

BLACKHAWK GROWTH CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	June 30, 2023	June 30, 2022
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	-	437,434
Trade and other receivables (notes 11 and 12)	-	561,779
Prepaid expenses and deposits	-	225,536
Investment at fair value – Short term loans (note 7)	1,900,000	-
Investments at fair value – Equity (note 7)	6,000	28,200,218
Total assets	1,906,000	29,424,967
LIABILITIES		
Current liabilities		
Bank indebtedness	8,073	-
Trade and other payables (notes 11 and 12)	171,438	91,299
	179,511	91,299
Non-current liabilities		
Convertible debt (note 9)	2,549,659	1,687,598
Total liabilities	2,729,170	1,778,897
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (note 8)	40,113,420	47,516,590
Subscription receivable	(50,000)	(50,000)
Contributed surplus	4,807,969	4,807,969
Deficit	(45,694,559)	(24,628,489)
Total shareholders' equity (deficiency)	(823,170)	27,646,070
Total liabilities and shareholders' equity (deficiency)	1,906,000	29,424,967

Going concern (note 3)

Subsequent events (note 16)

See accompanying notes to the consolidated financial statements.

Approved for issuance by the Board of Directors on October 31, 2023

Signed Anoosh Manzoori
Director

Signed Justin Hanka
Director

BLACKHAWK GROWTH CORP.Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

Years ended June 30,	2023	2022
	\$	\$
Net investment losses		
Realized loss on investments (note 7)	(8,329,633)	-
Unrealized loss on investments (note 7)	(11,351,325)	(4,089,224)
Loan amendment and extension fees (note 7)	405,000	-
Interest income (note 7)	1,056	44,154
Net investment losses	(19,274,902)	(4,045,070)
Expenses		
General and administrative	388,978	304,620
Consulting (note 10)	243,191	1,094,320
Accretion and interest (note 9)	892,949	373,296
Professional fees	193,267	141,557
Share-based compensation (note 8)	-	4,050,167
Total expenses	(1,718,385)	(5,963,959)
Loss before other item	(20,993,287)	(10,009,030)
Other expense		
Write-off of receivables (note 12)	(72,783)	(263,453)
Total other expenses	(72,783)	(263,453)
Net loss and comprehensive loss	(21,066,070)	(10,272,483)
Weighted average shares outstanding, basic and diluted	78,109,397	56,367,711
Net loss per share		
Net loss basic and diluted	\$ (0.27)	\$ (0.18)

See accompanying notes to the consolidated financial statements

BLACKHAWK GROWTH CORP.

Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of shares	Amount	Subscriptions receivable	Contributed surplus	Deficit	Total
		\$	\$	\$	\$	\$
Balance, June 30, 2021	25,252,575	20,232,108	(50,000)	1,768,263	(14,356,006)	7,594,365
Shares issued pursuant to:						
Purchase of investments	48,099,658	23,990,573	-	-	-	23,990,573
Exercise of stock options	1,100,000	1,074,076	-	(499,076)	-	575,000
Exercise of warrants	1,000,000	600,000	-	-	-	600,000
Exercise of RSU options	2,340,476	1,492,333	-	(1,492,333)	-	-
Debt settlements	87,500	52,500	-	-	-	52,500
Equity portion of convertible debt	115,384	75,000	-	980,948	-	1,055,948
Share-based compensation	-	-	-	4,050,167	-	4,050,167
Net loss for the year	-	-	-	-	(10,272,483)	(10,272,483)
Balance, June 30, 2022	77,995,593	47,516,590	(50,000)	4,807,969	(24,628,489)	27,646,070
Shares issued pursuant to:						
Plan of arrangement	-	(7,433,940)	-	-	-	(7,433,940)
Debt settlements	256,410	30,770	-	-	-	30,770
Net loss for the year	-	-	-	-	(21,066,070)	(21,066,070)
Balance, June 30, 2023	78,252,003	40,113,420	(50,000)	4,807,969	(45,694,559)	(823,170)

See accompanying notes to the consolidated financial statements

BLACKHAWK GROWTH CORP.Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years ended June 30,	2023	2022
	\$	\$
Cash provided by (used in)		
Operations:		
Net loss from operations	(21,066,070)	(10,272,483)
Items not affecting cash:		
Realized loss on investments	8,329,633	-
Unrealized loss on investments	11,351,325	4,089,224
Accretion and interest	892,831	373,296
Accrued interest income	-	(44,154)
Loan amendment and extension fees	(405,000)	-
Share-based compensation	-	4,050,167
Write-off of receivables	72,783	263,453
Change in operating working capital		
Trade and other receivables	73,316	(706,885)
Purchase of investments	-	(1,619,606)
Prepaid expenses and deposits	225,536	256,036
Trade and other payables	80,139	83,519
Cash used for continued operations	(445,507)	(3,527,433)
Finance:		
Bank indebtedness	8,073	-
Exercise of stock options	-	575,000
Exercise of warrants	-	600,000
Convertible debt	-	2,370,250
Cash provided by finance	8,073	3,545,250
Net change in cash and cash equivalents	(437,434)	17,817
Cash and cash equivalents, beginning of the year	437,434	419,617
Cash and cash equivalents, end of the year	-	437,434

See accompanying notes to the consolidated financial statements.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

1. General information

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

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

The Company’s registered office is located at Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

2. Basis of preparation

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars, unless otherwise noted. The Company presents its financial position on a non-classified basis in order of liquidity.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except as disclosed in note 4. These financial statements have been prepared on a going concern basis.

The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

3. Going concern

For the year ended June 30, 2023, the Company reported a net and comprehensive loss of \$21,066,070 (2022 - \$10,272,483) and has an accumulated deficit of \$45,694,559 (2022 - \$24,628,489). These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. As at June 30, 2023, the Company has cash of \$Nil (2022 - \$437,434). The Company will manage its activity levels, expenditures and commitments based on its current cash position. The Company is currently pursuing a placement which will provide adequate working capital to focus on the strategy of using this entity to spin out onto the Canadian Stock Exchange other companies. The strategy will not dilute the Blackhawk shareholders as had been the case in the past but will in fact add shareholder value each time a new entity is spun out.

The financial statements have been prepared on the basis that the Company 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 Company’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 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.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

4. Significant accounting policies

These policies have been applied consistently for all periods presented in these consolidated financial statements.

a.) Basis of consolidation

These consolidated financial statements have been prepared in accordance with IFRS 10, Consolidated Financial Statements (“IFRS 10”), and include the accounts of the Company and its former wholly owned consolidated subsidiary. As discussed under critical accounting estimates and judgements, the Company has determined it meets the definition of an investment entity.

Consolidated subsidiary

In accordance with IFRS 10, subsidiaries are those entities that provide investments-related services and that the Company controls by having the power to govern the financial and operating policies of the entity. Such entities would include those who incur management and consulting fees for the Company’s day to day operations. All intercompany amounts and transactions amongst these consolidated entities have been eliminated upon consolidation.

The Company’s only consolidated entity was Blackhawk Resource Operating Corp., which was disposed of on January 31, 2019. The Company has a wholly owned subsidiary in Delaware, which is a consolidated entity that has been inactive throughout the year ended June 30, 2023.

Interests in unconsolidated subsidiaries

In accordance with the amendments for investment entities under IFRS 10, interests in subsidiaries other than those that provide investment related services are accounted for at fair value through profit or loss rather than consolidating them. As discussed under critical accounting estimates and judgements, management exercised judgement when determining whether subsidiaries are investment entities.

The entities, Noble Line Inc., Stable Foods Co., Sac Pharma Partners Inc., Trip Pharma Inc., Terp Wholesale, LLC., and Blum Distributors Ltd. are significantly influenced or controlled by the Corporation either directly or indirectly and are held as investments.

b.) Cash and cash equivalents

Cash comprises cash on hand. Other investments (term deposits and certificates of deposit) with an original term to maturity at purchase of three months or less are reported as cash equivalents in the statement of financial position.

c.) Foreign currency translation

The Company’s former and current consolidated subsidiaries had the same functional currency as that of the Company and translates foreign denominated monetary assets and liabilities at the exchange rate prevailing at period end; non-monetary assets, liabilities and related depreciation at historic rates; revenues and expenses at the average rate of exchange for the period; and any resulting foreign exchange gains or losses are included in the statement of comprehensive loss.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

4. Significant accounting policies (continued)**d.) Taxes**

The Company follows the liability method of accounting for taxes. Under this method, deferred tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying amount of assets and liabilities in the financial statements and their respective tax bases.

Deferred tax assets and liabilities are calculated using the enacted or substantively enacted income tax rates that are expected to apply when the asset is recovered, or the liability is settled. Deferred tax assets or liabilities are not recognized when they arise on the initial recognition of an asset or liability in a transaction (other than in a business combination) that, at the time of the transaction, affects neither accounting nor taxable profit.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced if it is no longer probable that sufficient future taxable profits will be available against which the temporary differences or tax loss carry forwards can be utilized.

Current tax is calculated based on net earnings for the year, adjusted for items that are non-taxable or taxed in different periods, using income tax rates that are enacted or substantively enacted at each reporting date.

Income taxes are recognized in equity or other comprehensive income, consistent with the items to which they relate.

e.) Revenue recognition

Purchases and sales of investments are recognized on the trade date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of loss and comprehensive loss. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition.

The Company recognizes interest income as the interest is earned using the accrual method.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

4. Significant accounting policies (continued)

f.) Share-based compensation

The Company's Stock Option Plan (the "Option Plan") provides current employees with the right to elect to receive common shares in exchange for options surrendered. The Company records compensation expense over the graded vesting period based on the fair value of options granted. Compensation expense is recorded in the statement of comprehensive loss as share-based compensation expense with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the forfeiture rate, volatility of the trading price of the Company's shares, the expected lives of the awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date. Forfeitures are estimated through the vesting period based on past experience and future expectations and adjusted upon actual vesting.

g.) Financial instruments (investments at fair value)

Classification

All investments at fair value are classified upon initial recognition and are designated as fair value through profit or loss with changes in fair value reported in the statement of loss and comprehensive loss.

Recognition, derecognition and measurement

Purchases and sales of investments are recognized on the trade date.

Equity investments and loan investments are designated at fair value through profit or loss are initially recognized at fair value. Investments are derecognized when the rights to receive cash flow from the investment has expired or the Company has transferred the financial asset and the transfer qualifies for derecognition.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the statement of loss and comprehensive loss within net change in unrealized and realized gains or losses on investments in the period in which they arise.

Determination of fair values

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements.

The Company is also required to disclose details of its investments within three hierarchy levels (Level 1, 2, or 3) as defined in note 7, based on the transparency of inputs used in measuring or disclosing the fair value, and to provide additional disclosure in connection therewith.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

4. Significant accounting policies (continued)

g.) Financial instruments (investments at fair value) (continued)

Equity investments

Securities including shares, and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 in note 7.

For warrants not traded in an active market, no market value is readily available. When there are sufficient and reliable observable market inputs, the Black-Scholes valuation technique is used.

These are included in Level 2 in note 7. When no sufficient and reliable observable market inputs are available the warrants would be carried at a Nil value, until a market value can be determined or the Black Scholes technique can be used.

The determinations of fair value of the Company's privately held investments are evaluated based on the financial information available from the private company, including financial statements, cash forecasts, and other completed private placements as well as comparative other companies in the same industry. These are included in Level 3 in note 7.

Loan investments

When determining the fair value of short-term loans, the Company considers the nature and length of the loan, interest on the loan, business risk of the investee company and any other factors that may be relevant to the ongoing and realizable value of the loan investments. The short-term loans would be included in Level 3.

h.) Financial instruments other than investments held at fair value

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss, and financial assets or liabilities measured at amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

Fair value through profit or loss financial instruments are subsequently measured at fair value with changes in fair value recognized in the statement of loss and comprehensive loss. Financial instruments classified as amortized cost are measured at amortized cost using the effective interest method.

Cash and cash equivalents, trade and other receivables, bank indebtedness, and trade and other payables are classified as assets or liabilities measured at amortized cost. Investments are classified as assets measured at fair value through profit or loss.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

4. Significant accounting policies (continued)

h.) Financial instruments other than investments held at fair value (continued)

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized immediately in the statement of loss and comprehensive loss. Transaction costs in respect of financial instruments classified at amortized cost are included in the initial measurement of the financial instrument and amortized to the statement of loss and comprehensive loss using the effective interest method.

i.) Per common share amounts

Basic per share amounts are calculated by dividing the net earnings or loss by the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated by using the treasury stock method, by adjusting the weighted average number of shares outstanding for the potential number of issued instruments which may have a dilutive effect on net earnings or loss. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year.

5. Critical accounting estimates and judgments

The Company has made estimates and assumptions regarding certain assets, liabilities, revenues and expenses in the preparation of the financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the 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) Share-based compensation

The Company 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 Company 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.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

5. Critical accounting estimates and judgments (continued)

Accounting Estimates (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 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 Company 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 Company 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 Company has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments.

b) Going concern

The Company 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.

6. Adopted and future accounting standards

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company’s financial statements.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

7. 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).

In accordance with IFRS 10, the fair value of the Company's investments includes the fair value of entities that are controlled by the Company.

Equity investments consist of the following as at June 30, 2023:

Company	Cost	Level 1	Level 2	Level 3	Total FV	% of total FV
	\$	\$	\$	\$	\$	%
Noble Line Inc.	1,037,435	-	-	-	-	0.0%
Stable Foods Co.	2,351,300	-	-	-	-	0.0%
Gaia Grow Corp.	1,050,000	6,000	-	-	6,000	100.0%
Engine Media Holdings, Inc.	41,043	-	-	-	-	0.0%
SAC Pharma Partners Inc.	1,890,000	-	-	-	-	0.0%
Spaced Food Inc.	355,110	-	-	-	-	0.0%
Trip Pharma Inc.	1,120,478	-	-	-	-	0.0%
Fantasy Aces	455,268	-	-	-	-	0.0%
Terp Wholesale, LLC.	2,500,000	-	-	-	-	0.0%
Blum Distributors Ltd.	4,316,000	-	-	-	-	0.0%
Total	15,116,634	6,000	-	-	6,000	100.0%

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

7. Investments at fair value and financial instruments hierarchy (continued)

Equity investments consist of the following as at June 30, 2022:

Company	Cost	Level 1	Level 2	Level 3	Total FV	% of total FV
	\$	\$	\$	\$	\$	%
Noble Line Inc.	1,037,435	-	-	-	-	0.0%
Stable Foods Co.	2,430,620	-	-	2,430,620	2,430,620	8.6%
Gaia Grow Corp.	1,050,000	300,000	-	-	300,000	1.1%
Engine Media Holdings, Inc.	41,043	-	25	-	25	0.0%
SAC Pharma Partners Inc.	1,890,000	-	-	1,890,000	1,890,000	6.7%
Spaced Food Inc.	355,110	-	-	-	-	0.0%
Trip Pharma Inc.	1,120,478	-	-	-	-	0.0%
MindBio Therapeutics	11,826,638	-	-	11,826,638	11,826,638	41.9%
Fantasy Aces	455,268	-	-	-	-	0.0%
Terp Wholesale, LLC.	2,500,000	-	-	2,500,000	2,500,000	8.9%
Digital Mind Blum Distributors Ltd.	4,936,935	-	-	4,936,935	4,936,935	17.5%
	4,316,000	-	-	4,316,000	4,316,000	15.3%
Total	31,959,527	300,000	25	27,900,193	28,200,218	100.0%

Noble Line Inc.

The Company owns 100% of the common shares of Noble Line Inc. (“Noble”). As at June 30, 2020, the Company owned 71,500 common shares of Noble with an initial cost of \$50,050 which represented approximately 10.6% of the common shares outstanding of Noble.

On November 17, 2020, the Company acquired the remaining balance or 89.4% of the outstanding share capital of Noble by issuing 2,131,738 common shares of the Company with a cost of \$532,934.

During the year ended June 30, 2022, the Company recorded an unrealized loss of \$987,385 related to Noble to a fair value of \$Nil.

Stable Foods Co. (Formerly Nu Wave Foods Inc.)

The Company owns 100% of the common shares of Stable Foods Co. (formerly Nu Wave Foods Inc.) (“Stable Foods”). As at June 30, 2021, the Company owned 7,650 common shares of Stable with an initial cost of \$420,000 which represented 51% of the common shares outstanding in Stable Foods.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

7. Investments at fair value and financial instruments hierarchy (continued)

Stable Foods Co. (Formerly Nu Wave Foods Inc.) (continued)

On March 2, 2022, the Company acquired the remaining 49% interest of Stable Foods and issued 3,200,000 common shares to the existing shareholders at a price of \$0.425 per share. A finder's fee of 120,000 shares was paid to an arm's-length third-party in connection with the closing of the acquisition. The fair value of these share as of June 30, 2022 was estimated to be \$1,411,000.

As at June 30, 2023, the fair market value of Stable Foods was estimated to be \$Nil (2022 - \$2,430,620). The Company was unable to obtain any additional financial information, new management is not familiar with this investment, and the Company has not received any operational updates from the investee in recent periods. As a result, the fair value of the investment in Stable Foods was assessed as \$Nil.

Stable Foods is a fully licensed commercial kitchen and baked goods manufacturer that is developing shelf-stable baked goods with no preservatives, solving a long-time issue in baked food.

Gaia Grow Corp.

The Company owns 1,200,000 post-consolidated common shares of Gaia Grow Corp. ("Gaia"). Gaia is a publicly traded Canadian corporation focused on farming Industrial Hemp for Medical Purposes whose shares are traded on the CSE under the symbol GAIA. The shares of Gaia are included have been suspended on the CSE and the Company recorded an unrealized loss of \$294,000 (2022 - \$1,200,000) for its investment in Gaia during the year ended June 30, 2023. The shares of Gaia had a fair value of \$6,000 (2022 - \$300,000) as at June 30, 2023.

Engine Media Holdings Inc.

On January 22, 2021, the Company settled the loan balances and other receivables from UMG Media Corp. which was acquired by Engine Media Holdings Inc. ("Engine Media") in exchange of 7,703 shares and 3,852 warrants of Engine Media resulting in a loss of settlement of \$15,317 during the year ended June 30, 2021.

7,703 shares of Engine Media were acquired with a cost of \$82,083 based on the quoted share price of Engine Media on January 22, 2021. In June 2021, the Company sold all shares of Engine Media for gross proceeds of \$103,439 and realized a gain of \$21,356 on its investment in Engine Media.

As at June 30, 2023 the Company owns 3,852 share purchase warrants of Engine Media. The fair value of the warrants was estimated to be \$Nil (2022 - \$25) using the Black-Scholes pricing model, taking into account the volatility of the trading price of Engine Media's shares, the expected lives of the warrants, the fair value of Engine Media's stock and the risk-free interest rate. The warrants will expire on January 22, 2024. During the year ended June 30, 2023, the Company recognized an unrealized loss of \$25 (2022 - \$56,352) for the value of the warrants.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements
Years ended June 30, 2023 and 2022

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

Sac Pharma Partners Inc.

During the year ended June 30, 2021 the Company acquired 100% of the common shares of Sac Pharma Partners Inc. (“SAC Pharma”) by issuing 5,040,000 common shares of the Company with a cost of \$1,890,000.

As at June 30, 2023 the value of SAC Pharma was estimated to be \$Nil (2022 - \$1,890,000). The Company was unable to obtain any additional financial information, new management is not familiar with this investment, and the Company has not received any operational updates from the investee in recent periods. As a result, the fair value of the investment in Sac Pharma was assessed as \$Nil.

Sac Pharma, through its wholly owned subsidiary, SAC Pharma Partners USA, Inc. operates a facility for the licensed production of cannabis in California. SAC Pharma became fully operational in the regulated cannabis business when commercial sales became legal in California on January 1, 2018.

Spaced Food Inc.

On January 23, 2020, the Company entered into a definitive share purchase agreement to acquire all of the outstanding shares of Spaced Food Inc. (“Spaced Food”). The consideration to acquire Spaced Food was up to 10,000,000 common shares of the Company and the number of common shares to be issued to Spaced Food was based on the “Gross Revenue” of Spaced Food up to March 31, 2021.

On January 26, 2021, the agreement was amended to extend the closing date to December 2021 and has not been completed as at June 30, 2023.

During the year ended June 30, 2022, the Company reclassified a total of \$100,503 from trade and other receivables to investments in Spaced Food and recorded an unrealized loss of \$355,110 related to Spaced Food to a fair value of \$Nil. For the year ended June 30, 2023, this carrying value has not been amended.

Trip Pharma Inc. – Operating as LeichtMind Clinics

On October 13, 2020, the Company acquired 100% of the common shares of Trip Pharma Inc. (“LeichtMind”) by issuing 1,320,000 common shares of the Company with a cost of \$825,000.

During the year ended June 30, 2022, the Company fully impaired the carrying value of LeichtMind and this carrying value was not amended during the year ended June 30, 2023.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements
Years ended June 30, 2023 and 2022

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

MindBio Therapeutics Corp.

In September 2021, the Company acquired 100% of the outstanding share capital of MindBio Therapeutics Corp. (originally named 1286409 B.C. Ltd.) (“MindBio”), of which MindBio Therapeutics Pty Ltd. is a wholly-owned subsidiary. In consideration for the acquisition, the Company issued 22,095,180 common shares to the existing shareholders of 1286409 B.C. Ltd. The fair value of the shares was estimated at \$10,826,638. 50% of these shares are subject to restrictions on resale for a period of four-months-and-one-day following issuance. No finders’ fees or commissions were paid in connection with closing of the acquisition.

During the year ended June 30, 2022 the Company provided advances to MindBio of \$1,000,000 recorded as an additional investment in MindBio.

On May 5, 2023, MindBio was spun out of the Company and listed on the Canadian Securities Exchange (“CSE”). The carrying value of the investment was impaired in the amount of \$4,463,016 to the fair value, and the resulting amount was spun out of the Company. The fair value of the MindBio was assessed at \$7,433,940 at the date of this transaction. This was based on the number of shares of MindBio issued to the Company’s shareholders and the value per share of the last placement which was completed on May 5, 2023 by MindBio at \$0.095 per share.

Fantasy Aces Daily Fantasy Sports Corp.

The Company owns 3,642,146 common shares of Fantasy Aces Daily Fantasy Sports Corp. (“Fantasy”) which is a publicly traded US corporation focused on providing fantasy sports games, social media, and advertising in the United States. The warrants of Fantasy are included in Level 1 and had a fair value of \$Nil at June 30, 2023 (2022 - \$Nil). The Company recorded an unrealized loss of \$Nil (2022 - \$9,470) for its investment in Fantasy for the year ended June 30, 2023.

Terp Wholesale, LLC

On December 6, 2021, the Company completed the acquisition of all the outstanding membership interests in Terp Wholesale, LLC (“TERP”) by issuing 3,623,188 common shares at a price of \$0.69 per share for a total consideration of \$2,500,000.

As at June 30, 2023 the value of TERP was estimated to be \$Nil (2022 - \$2,500,000). The Company was unable to obtain any additional financial information, new management is not familiar with this investment, and the Company has not received any operational updates from the investee in recent periods. As a result, the fair value of the investment in TERP was assessed as \$Nil.

Digital Mind Technology Pty Ltd.

On December 6, 2021, the Company acquired 100% of the issued and outstanding share capital of Digital Mind Technology Pty. Ltd. (“DMT”). In consideration for the acquisition, the Company issued 8,661,290 common shares to the existing shareholders of DMT at a price of \$0.57 per share for a total consideration of \$4,936,935.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements
Years ended June 30, 2023 and 2022

7. Investments at fair value and financial instruments hierarchy (continued)

Digital Mind Technology Pty Ltd. (continued)

On May 5, 2023, as part of the MindBio spinout transaction, DMT was sold to MindBio. The fair value of DMT at the point of sale was assessed at \$1,070,318, and so the carrying value of DMT was written down by \$3,866,617.

Blum Distributors Ltd.

On April 6, 2022, the Company acquired 100% of the issued and outstanding share capital of Blum Distributors Ltd. (“Blum”). In consideration for the acquisition, the Company issued 9,650,000 shares to the existing shareholders of Blum. With the acquisition, Blum now forms part of the Company's growing portfolio of investments in the life science and health care sectors. Blum's existing management team will continue to retain responsibility for overseeing day-to-day operations. A fee of 750,000 shares has also been paid to an arm's-length party for assistance with the transaction.

As at June 30, 2023 the value of Blum was estimated to be \$Nil (2022 - \$4,316,000).

As the directors are unable to obtain adequate financial information to properly determine a carrying value, it has been decided to fully impair the asset.

Investment at fair value – Short term loans

On January 31, 2022, the Company lent MindBio Therapeutics (NZ) Pty Ltd. the sum of \$1,495,000. This loan is for a period of 24 months and is repayable on January 31, 2024. The loan is non-interest bearing, except if there is a default event and then interest will be charged at a rate of 12% per annum. A default event is the non-repayment of the loan when it is due.

On October 25, 2022, an amendment to the loan agreement was signed. This amendment extends the repayment date to March 31, 2024 and the Company incurred total loan fees of \$405,000. bringing the total loan face value to \$1,900,000. There is no interest charged on this loan.

Additionally, the amendment allows the Company to have the option to convert all of the outstanding debt to shares at an equivalent price that the MindBio is listed on a Stock Exchange. If MindBio is not listed, then the share price will be the last equity funding placement completed by MindBio, which is in excess of \$250,000.

8. Share capital

a) Authorized

Unlimited number of common voting shares and preferred shares

b) Issued

Shares issued during the year ended June 30, 2023

As at June 30, 2023, the total shares outstanding were 78,252,003.

On January 20, 2023, the Company issued 256,410 common shares in settlement of outstanding indebtedness of \$30,770 owing in pursuant to a financing agreement.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

8. Share capital (continued)

b) Issued (continued)

Shares issued during the year ended June 30, 2022

On September 2, 2021, the Company issued 22,095,180 common shares valued at \$10,826,638 for the purchase of 100% of the common shares of MindBio (note 7).

On September 28, 2021 the Company issued 900,000 common shares pursuant to the exercise of stock options at an exercise price of \$0.55 for gross proceeds of \$495,000. The fair value of the options in the amount of \$452,975 was reclassified from contributed surplus to share capital.

The company also has entered into a debt settlement agreement with an arm's-length creditor to settle indebtedness totaling \$52,500 incurred in connection with services provided to the company. In final settlement and satisfaction of the debt on October 7, 2021, the Company has issued 87,500 common shares at a deemed issue price of \$0.60 per share.

On October 13, 2021, the Company issued 100,000 common shares pursuant to the exercise of RSU options at an exercise price of \$0.70 for gross proceeds of \$70,000. The fair value of the options in the amount of \$70,000 was reclassified from contributed surplus to share capital.

On December 6, 2021, the Company acquired all of the outstanding membership interests in TERP in consideration for \$2.5 million satisfied through the issuance of common shares (note 7) to the existing members of TERP at a deemed price of \$0.69 per share. The Company issued a total of 3,623,188 shares in connection with completion of the acquisition.

On December 8, 2021, in connection with the acquisition of all of the outstanding share capital of Digital Mind Technology Pty. Ltd. (note 7), the Company issued 8,661,290 common shares to the existing shareholders of Digital Mind. One-half of these shares will be subject to restrictions on resale for a period of four months and one day following issuance. No finders' fees or commissions are payable by the Company in connection with the acquisition.

On December 31, 2021, the Company issued 1,000,000 common shares pursuant to the exercise of share warrants at an exercise price of \$0.60 for gross proceeds \$600,000.

On February 9, 2022, the Company issued 2,240,476 common shares pursuant to the exercise of RSU options at an exercise price of \$0.70 for 850,000 shares and an exercise price of \$0.595 for 1,390,576 shares, for gross proceeds of \$1,422,333. The fair value of the options in the amount of \$1,422,333 was reclassified from contributed surplus to share capital.

On March 2, 2022, the Company acquired the remaining 49% of the outstanding share capital of Stable Foods Co. for a consideration for \$1,411,000 satisfied through the issuance of common shares (note 7) to the existing shareholders of Stable Foods at a price of \$0.425 per share. The Company issued a total of 3,200,000 shares in connection with completion of the acquisition. A finders' fees of 120,000 shares were paid to an arm's-length third party in connection with closing of the acquisition.

On March 8, 2022, the Company issued 115,344 common shares pursuant to credit agreement of convertible credit facility (note 9).

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

8. Share capital (continued)**b) Issued (continued)**

On March 30, 2022 the Company issued 200,000 common shares pursuant to the exercise of stock options at an exercise price of \$0.40 for gross proceeds of \$80,000. The fair value of the options in the amount of \$46,101 was reclassified from contributed surplus to share capital.

On April 28 2022, the Company acquired all of the issued and outstanding share capital of Blum. In consideration for the acquisition, the Company issued 9,650,000 shares at a price of \$0.415 per share to the existing shareholders of Blum. A fee of 750,000 shares has also been paid to an arm's-length party for assistance with the transaction.

MindBio spin out transaction

As part of the MindBio spinout transaction, the issued capital as at May 5, 2023 of the Company was cancelled and replaced by Class A shares. There was no change in the value or the structure of the Company, but the Class A shares were issued as holders of Class A shares were eligible to receive 1 MindBio Therapeutics Incorporated share on listing on the CSE. Class A shares continue to trade under the existing CSE ticker "BLR".

c) Warrants

There were no new warrants issued during the year ended June 30, 2023.

Warrants transactions and the number of warrants outstanding are summarized as follows:

	Year ended June 30, 2023		Year ended June 30, 2022	
	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
Warrants outstanding beginning of the year	7,533,431	0.82	7,194,970	0.79
Issued	-	-	1,538,461	0.91
Exercised	-	-	(1,000,000)	0.60
Expired	(4,154,970)	0.60	(200,000)	1.50
Outstanding, end of year	3,378,461	1.10	7,533,431	0.82

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

8. Share capital (continued)**c) Warrants (continued)**

The following table summarizes information about warrants outstanding at June 30, 2023:

Grant Date	Expiry Date	Outstanding	Exercisable	Remaining Life (years)	Exercise Price
Dec 17, 2019	Dec 17, 2024	1,840,000	1,840,000	1.47	1.25
Nov 22, 2021	Nov 22, 2024	1,538,461	1,538,461	1.40	0.91
Outstanding, end of year		3,378,461	3,378,461	1.44	1.10

d) Stock options

The Company 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 3,978,000 (2022 - 4,824,775) common shares.

On March 23, 2022, the Company granted 200,000 stock options to certain consultant of the Company. The options vest on the date of issuance and are exercisable until March 22, 2024 at an exercise price of \$0.40 per share. The fair value of the options was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.30; exercise price – \$0.40; expected life – two years; volatility – 179%; dividend yield – \$Nil; and risk-free rate – 2.04%.

On September 7, 2021, the Company granted 4,500,000 stock options to certain employees and consultants of MindBio. The options vest on the date of issuance and are exercisable until September 7, 2023 at an exercise price of \$0.55 per share. The fair value of the options was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.595; exercise price – \$0.55; expected life – two years; volatility – 198%; dividend yield – \$Nil; and risk-free rate – 0.40%.

On March 1, 2021, the Company granted 450,000 stock options to directors, officers, and consultants. The stock options have an exercise price of \$0.69 and expire on March 1, 2026. The stock options vest one third six months after the grant and one third every six months thereafter. The fair value of the options was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.70; exercise price – \$0.69; expected life – five years; volatility – 159%; dividend yield – \$Nil; and risk-free rate – 0.85%.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

8. Share capital (continued)**d) Stock options (continued)**

On December 10, 2020, the Company granted 852,000 stock options to directors, officers and consultants. The stock options have an exercise price of \$0.25 and expire on December 10, 2021. The stock options vest immediately. The fair value of the options was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.25; exercise price – \$0.25; expected life – one year; volatility – 236%; dividend yield – \$Nil; and risk-free rate – 0.26%.

On December 8, 2020, the Company granted 200,000 stock options to directors, officers and consultants. The stock options have an exercise price of \$0.25 and expire on December 8, 2021. The stock options vest immediately. The fair value of the options was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.25; exercise price – \$0.25; expected life – one year; volatility – 236%; dividend yield – \$Nil; and risk-free rate – 0.26%.

On August 11, 2020, the Company granted 400,000 stock options to directors, officers, and consultants. The stock options have an exercise price of \$1.25 and expire on August 11, 2022. The stock options vest quarterly over the next twelve months. The fair value of the options was calculated using Black-Scholes option pricing model with the following assumptions: stock price – \$0.625; exercise price – \$1.25; expected life – two years; volatility – 188%; dividend yield – \$Nil; and risk-free rate – 0.25%.

The details of this stock options issued are as follows:

	Year ended June 30, 2023		Year ended June 30, 2022	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Options outstanding, beginning of year	4,318,000	\$0.63	826,000	\$1.49
Issued	-	-	4,700,000	\$0.54
Expired	(320,000)	\$1.25	-	-
Exercised	-	-	(1,100,000)	\$0.52
Cancelled	(20,000)	\$2.50	(108,000)	\$0.82
Options outstanding, end of year	3,978,000	\$0.58	4,318,000	\$0.63
Exercisable, end of year	3,978,000	\$0.58	4,201,333	\$0.63

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

8. Share capital (continued)**d) Stock options (continued)**

The following table summarizes information about stock options outstanding and exercisable at June 30, 2023:

Grant Date	Expiry Date	Outstanding	Exercisable	Remaining Life (years)	Exercise Price
Jul 19, 2019	Jul 24, 2024	28,000	28,000	1.08	2.50
Mar 1, 2021	Mar 1, 2026	350,000	350,000	2.67	0.69
Sep 7, 2021	Sep 7, 2023	3,600,000	3,600,000	0.19	0.55
Outstanding, end of year		3,978,000	3,978,000	0.41	0.59

e) Restricted share units

In January 2021 the Company implemented a restricted share unit (“RSU”) plan for directors, officers, employees, and consultants.

On February 9, 2022, the Company issued 2,240,476 common shares, of which 780,952 RSUs from the grant on September 7, 2021 has not vested, pursuant to the exercise of RSUs. The fair values of the RSUs in the amount of \$1,422,333 were reclassified from contributed surplus to share capital.

On October 13, 2021, the Company issued 100,000 common shares pursuant to the exercise of RSUs. The fair value of the RSUs in the amount of \$70,000 was reclassified from contributed surplus to share capital.

On September 7, 2021, the Company granted 2,000,000 RSUs, of which 1,390,476 RSUs will not vest until such time as shareholder approval for an increase in the size of the Plan is received to accommodate these additional RSUs, to its consultants. The remainder of 609,524 vest and will convert into common shares on January 8, 2022, provided the holder remains involved with the Company at the time.

On March 1, 2021, the Company granted 950,000 restricted share units to directors, officers, and consultants. The restricted share units vest on January 1, 2022 with immediate vesting on a change of control or end of involvement as a director or officer of the Company.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

8. Share capital (continued)**e) Restricted share units (continued)**

The details of restricted share units issued are as follows:

	Year ended June 30, 2023	Year ended June 30, 2022
		Number of RSU
RSU outstanding, beginning of year	609,524	950,000
Issued	-	2,000,000
Exercised	-	(2,340,473)
Cancelled	-	-
RSU outstanding, end of year	609,524	609,524

f) Convertible debt

The equity component of the convertible credit facility at June 30, 2023 is \$137,302 (2022 - \$137,302) (note 9).

9. Convertible credit facility

On November 22, 2021, the Company entered into a financing agreement for up to \$10,000,000 (the "Credit Facility"). The Credit Facility was arranged by RiverFort Global Capital Ltd. ("RiverFort"). The Company intends to utilize the proceeds from the Credit Facility to support research undertaken in Trip Pharma as well as for general operations and working capital purposes.

Pursuant to the agreement, the Company agreed to draw down an initial tranche of \$2,500,000 maturing on November 22, 2023. Interest payable by the Company is equal to 10% per annum on the tranche. Any subsequent advances under the loan will be subject to interest payable at an equivalent rate to be applied to the term between the date of the relevant advance date and the maturity date. Drawdowns of each subsequent tranche of the credit facility will be subject to the satisfaction of customary closing conditions involving the Company and RiverFort, including any required regulatory approvals.

The loan provides for 40% warrant coverage for each advance or drawdown, determined as being 40% of the principal amount of the tranche divided by the corporation's share price at the time of the advance. The exercise price of the warrants will be set at 140% of the corporation's share price at the time of the advance and the warrants will expire three years after the date they are granted. In connection with the initial tranche, the Company has issued 1,538,461 warrants to RiverFort whereby each warrant will entitle the warrant holder to purchase one common share of the corporation at a price of \$0.91 per share until November 22, 2024.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

9. Convertible credit facility (continued)

As part of the Credit Facility, RiverFort will have the option to convert up to 100% of the principal amount of the loan into shares at a fixed conversion price equal to 120% of the market price of the shares at the time of the applicable drawdown. The fixed conversion price for the initial tranche is \$0.78 per share. In addition, RiverFort may at its option, once every 30 days, request and require that the debt represented by the interest that has been deemed to accrue on the loan be converted into shares at a price equal to 90% of the last closing price of the shares on the day prior to the notice of such conversion.

The loan movement for the current financial year is as follows:

Convertible debentures	Debenture liability component	Debenture equity component	Total
	\$	\$	\$
Balance, June 30, 2021	-	-	-
Opening balance	2,362,698	137,302	2,500,000
Transaction cost	(1,048,396)	-	(1,048,396)
Accretion and interest	373,296	-	373,296
Balance, June 30, 2022	1,687,598	137,302	1,824,900
Accretion and interest	892,831	-	892,831
Debt settlement	(30,770)	-	(30,770)
Balance, June 30, 2023	2,549,659	137,302	2,686,961

10. Key management compensation and related party transactions

Key management personnel are composed of the Company's directors and officers.

For the year ended June 30, 2023, the Company incurred consulting fees of \$54,225 (2022 - \$Nil) paid to companies which are controlled by the former management of the Company. At June 30, 2023, \$50,000 (2022 - \$50,000) remained receivable from related parties.

For the year ended June 30, 2023, the Company incurred consulting fees of \$Nil (2022 - \$12,000) paid to companies which are controlled by the former management of the Company. At June 30, 2023, \$Nil (2022 - \$Nil) remained payable to related parties.

During the year ended June 30, 2023, the Company recorded share-based compensation expense for related parties stock options in the amount of \$Nil (2022 - \$19,453) and restricted shares units in the amount of \$Nil (2022 - \$402,042).

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

11. Financial instruments

The carrying values of the Company's financial instruments as at June 30, 2023 were as follows:

Asset (liability)	Fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost
	\$	\$	\$
Investments at fair value – Equity	6,000	-	-
Investments at fair value – Short term loans	1,900,000	-	-
Bank indebtedness	-	-	(8,073)
Trade and other payables	-	-	(171,438)
Convertible debt – liability	-	-	(2,549,659)
	1,906,000	-	(2,729,170)

The carrying values of the Company's financial instruments as at June 30, 2022 were as follows:

Asset (liability)	Fair value through profit or loss	Financial assets at amortized cost	Financial liabilities at amortized cost
	\$	\$	\$
Cash and cash equivalents	-	437,434	-
Trade and other receivables	-	561,779	-
Investments at fair value – Equity	28,200,218	-	-
Investments at fair value – Short term loans	-	-	-
Trade and other payables	-	-	(91,299)
Convertible debt – liability	-	-	(1,687,598)
	28,200,218	999,213	(1,778,897)

12. Risk management**Financial instruments risks:**

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

a) Credit risk

The Company 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.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements
Years ended June 30, 2023 and 2022

12. Risk management (continued)

Financial instruments risks (continued)

a) Credit risk (continued)

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in 90 days or less. The Company 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 Company's financial assets is the carrying value.

As at June 30, 2023, the Company's loan of \$1,900,000 (2022 - \$561,779) consisted of a loan due from MindBio Therapeutics Pty Ltd. In October 2023, the Company assigned this loan to Riverfort Global Opportunities PCC Ltd. Refer to the subsequent events note for further disclosure.

The Company wrote off \$Nil (2022 - \$263,453) due from the Government of Canada in relation to GST returns and \$72,783 (2022 - \$Nil) related to an amount that is no longer collectible.

The Company'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 June 30, 2023, the Company assessed its trade and other receivables for impairment. During the year ended June 30, 2023, the Company recorded an allowance for doubtful amounts of \$Nil (2022 - \$Nil) related to its trade receivables.

The Company 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 reviews the financial conditions of its investee companies regularly.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company'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 Company's reputation.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements
Years ended June 30, 2023 and 2022

12. Risk management (continued)

Financial instruments risks (continued)

b) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at June 30, 2023:

Financial Liabilities	< One Year	> One Year
Bank indebtedness	\$ 8,073	\$ –
Trade and other payables	\$ 171,438	\$ –
Total	\$ 179,511	\$ –

The following are the contractual maturities of financial liabilities as at June 30, 2022:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$ 91,299	\$ –
Total	\$ 91,299	\$ –

c) Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company'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 Company 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 Company is required to fair value its equity investments at the end of each reporting period. The Company has not been able to obtain adequate financial information that it can rely on to make an adequate assessment as to the equity investment's carrying value.

None of the entities have undertaken a private placement or financing during the financial year. Given the market values of private and small cap public companies are material lower in the financial year and also the limited financial information available from each entity, the Directors are of the opinion that there are no reasonable expectations of recovering the expected cash flows of the Entities above and so, have decided to write these assets off.

13. Capital disclosures

As at June 30, 2023, in the definition of capital, the Company includes shareholders' deficiency of \$823,170 (2022 - equity of \$27,646,070). The Company'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 Company sets the amount of capital in proportion to risk. The Company 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 Company may issue new shares, or engage in debt financing. The Company is not exposed to externally imposed capital requirements.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

14. Contingencies and commitments

The Company received a notice that a civil claim has been filed against the Company, certain officers and directors of the Company. The plaintiffs are seeking damages for various possible causes of action, including misconduct and misrepresentation. The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

On May 29, 2023 Blackhawk signed a share purchase agreement, subject to CSE and shareholder approval, to acquire 100% of Hardenbrook Pty Ltd., an investment company with a portfolio of several projects. There were a number of conditions to complete before the purchase can be finalized. As at June 30, 2023, these conditions have not been met and so the purchase is not complete.

15. Income taxes

The income tax provision differs from income taxes, which would result from applying the expected tax rate to net income (loss) before income taxes. The differences between the “expected” income tax expenses and the actual income tax provision are summarized as follows:

	June 30, 2023	June 30, 2022
	\$	\$
Loss from operations	(21,066,070)	(10,272,483)
Expected income tax recovery at 27%	(5,687,839)	(2,773,570)
Non-deductible expenses	2,249,106	1,094,931
Change in deferred tax assets not recognized	3,438,733	1,678,639
Total income taxes (recovery)	-	-

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

15. Income taxes (continued)

The components of the Corporation's unrecognized deductible temporary differences are as follows:

	June 30, 2023	June 30, 2022
	\$	\$
Petroleum and natural gas properties	47,409	47,409
Investments at fair value	16,561,826	5,210,501
Share issue costs	83,370	125,055
Capital losses available for future periods	714,630	714,630
Non-capital losses available for future periods	10,735,178	9,308,768
	<hr/> 28,142,413	<hr/> 15,406,363

A deferred tax asset has not been recognized as it is not probable that the assets will be realized.

BLACKHAWK GROWTH CORP.

Notes to the Consolidated Financial Statements

Years ended June 30, 2023 and 2022

15. Income taxes (continued)

As at June 30, 2023, the Company has not recognized a deferred tax asset in respect of non-capital losses and capital losses available to carry forward to future years. The net operating loss carryforwards reflected above expire as follows (capital losses do not expire):

Year of Expiry	Total
2043	1,426,410
2042	2,270,460
2041	2,600,808
2040	1,647,757
2039	91,455
2038	372,068
2037	49,406
2035	88,142
2034	74,889
2033	203,645
2032	272,478
2031	702,801
2030	238,668
2029	696,191
Total	10,735,178

16. Subsequent events

On October 25, 2023, the Company signed an amendment to the loan with Riverfort Global Opportunities LLC Ltd. The amendments include the following:

- i. The outstanding amount has been fixed to \$2,207,500 with no additional interest or fees to accrue during an extended 36 month term.
- ii. The outstanding balance has been reduced by \$1,000,000 in consideration of Blackhawk novating the loan agreement with MindBio Therapeutics Corp. to RiverFort.
- iii. Interest is payable in the event of default of loan terms.
- iv. RiverFort may convert any portion of the loan at the lower of CAD \$0.05 or 20 day VWAP.