

**SEAHAWK VENTURES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

**These unaudited condensed interim financial statements of Seahawk Ventures Inc. for the three months ended August 31, 2018 have been prepared by management and approved by the Board of Directors. These financial statements have not been reviewed by the Company's external auditors.**

**SEAHAWK VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)  
(Expressed in Canadian Dollars)

	August 31, 2018	May 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 14,245	\$ 19,093
Receivables	18,170	16,827
Prepays	-	3,500
Exploration advances (Note 7)	<u>2,582</u>	<u>609</u>
<b>Total current assets</b>	34,997	40,029
<b>Exploration and evaluation assets</b> (Notes 4, 6 and 7)	<u>1,425,631</u>	<u>863,733</u>
<b>Total assets</b>	<u>\$ 1,460,628</u>	<u>\$ 903,762</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 43,000	\$ 28,899
Due to related parties (Note 7)	25,000	-
Loan payable to related party (Notes 5 and 7)	<u>335,170</u>	<u>265,000</u>
<b>Total current liabilities</b>	<u>403,170</u>	<u>294,399</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	6,420,742	5,917,342
Reserves (Note 6)	2,204,490	2,204,490
Deficit	<u>(7,567,774)</u>	<u>(7,512,469)</u>
	<u>1,057,458</u>	<u>609,363</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 1,460,628</u>	<u>\$ 903,762</u>

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

**Approved and authorized on behalf of the Board on October 5, 2018:**

"Giovanni Gasbarro" Director      "Bruno Gasbarro" Director

The accompanying notes are an integral part of these financial statements.

**SEAHAWK VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Three Months Ended August 31, 2018	Three Months Ended August 31, 2017
<b>OPERATING EXPENSES</b>		
Interest and bank charges	\$ 106	\$ -
Management fees (Note 7)	37,500	25,500
Office and miscellaneous	201	2,562
Professional fees	7,540	4,890
Rent (Note 7)	-	1,500
Shareholder cost and corporate communication	4,484	-
Transfer agent and filing fees	4,003	3,470
Travel	1,471	-
<b>Loss and comprehensive loss for the period</b>	<b>\$ (55,305)</b>	<b>\$ (37,922)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>25,279,859</b>	<b>23,653,792</b>

The accompanying notes are an integral part of these financial statements.

**SEAHAWK VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Three Months Ended August 31, 2018	Three Months Ended August 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (55,305)	\$ (37,922)
Changes in non-cash working capital items:		
Receivables	(1,343)	276
Prepays	3,500	-
Accounts payable and accrued liabilities	14,128	(64,818)
Due to related parties	<u>34,172</u>	<u>7,198</u>
Net cash used in operating activities	<u>(4,848)</u>	<u>(95,266)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation asset expenditures	<u>(25,000)</u>	<u>(110,000)</u>
Net cash provided by (used in) investing activities	<u>(25,000)</u>	<u>(110,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement	-	600,000
Share issue costs	-	(1,050)
Proceeds of loan from related party	25,000	-
Repayment of loan from related party	<u>-</u>	<u>(25,000)</u>
Net cash provided by financing activities	<u>25,000</u>	<u>573,950</u>
<b>Change in cash for the period</b>	<b>(4,848)</b>	<b>368,684</b>
<b>Cash, beginning of period</b>	<u>19,093</u>	<u>23,450</u>
<b>Cash, end of period</b>	<u>\$ 14,245</u>	<u>\$ 392,134</u>

**Supplemental disclosure with respect to cash flows (Note 8)**

The accompanying notes are an integral part of these financial statements.

**SEAHAWK VENTURES INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Reserves	Deficit	Total
<b>Balance, May 31, 2017</b>	25,324,772	\$ 4,824,692	\$ 1,956,941	\$ (6,946,333)	\$ (164,700)
Shares issued in private placement	2,000,000	600,000	-	-	600,000
Share issuance costs	-	(1,050)	-	-	(1,050)
Shares issued for exploration and evaluation assets	1,550,000	494,500	-	-	494,500
Loss for the period	-	-	-	(37,922)	(37,922)
<b>Balance, August 31, 2017</b>	28,874,772	5,918,142	1,956,941	(6,984,255)	890,828
Share issuance costs	-	(5,000)	-	-	(5,000)
Shares issued for exploration and evaluation assets	10,000	4,200	-	-	4,200
Share-based compensation	-	-	247,549	-	247,549
Loss for the period	-	-	-	(528,214)	(528,214)
<b>Balance, May 31, 2018</b>	28,884,772	\$ 5,917,342	\$ 2,204,490	\$ (7,512,469)	\$ 609,363
Shares issued for exploration and evaluation assets	1,850,000	503,400	-	-	503,400
Escrowed shares received and cancelled	(3,517,176)	-	-	-	-
Loss for the period	-	-	-	(55,305)	(55,305)
<b>Balance, August 31, 2018</b>	27,217,596	\$ 6,420,742	\$ 2,204,490	\$ (7,567,774)	\$ 1,057,458

The accompanying notes are an integral part of these financial statements.

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Seahawk Ventures Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on January 16, 2007. The Company’s registered and records office is located at suite 1700 – 666 Burrard Street, Vancouver, BC V6C 2X8 and its head office is located at 909 Bowron Street, Coquitlam, BC V3J 7W3.

The Company currently holds a 100% interest in the Mystery Property, Touchdown Property, Xtra Point Property, Skyfall Property and Blitz Property, all located in the Urban-Barry Greenstone Belt region within the Abitibi sub-province, Quebec, Canada (Note 4).

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term. The Company’s ability to continue as a going concern is dependent upon its ability to attain profitable operations, and to continue to raise funds or obtain borrowing from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These financial statements should be read in conjunction with the Company’s audited financial statements for the fiscal year ended May 31, 2018.

**Basis of measurement and presentation currency**

These financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

**2. BASIS OF PREPARATION (cont'd...)**

**Use of estimates and critical judgments**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

a) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

b) Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgement, measurement estimates and uncertainties as those disclosed in Note 3 of the Company's audited financial statements for the year ended May 31, 2018.



**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

*Adoption of new accounting policies*

The Company adopted IFRS 9, Financial Instruments ("IFRS 9"), on June 1, 2018.

IFRS 9, Financial instruments, replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The adoption of this new standard had no significant impact on the Company's interim consolidated financial statements and the new accounting policy was defined as follows:

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

*Financial assets*

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

- a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
  - and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- c) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company financial assets comprise of cash, GST receivable and promissory note receivable, which are all at amortized cost.

*Financial liabilities*

The Company's liabilities include accounts payable and accrued liabilities and due to related parties which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

**SEAHAWK VENTURES INC.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
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FOR THE THREE MONTHS ENDED AUGUST 31, 2018

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For GST receivables and promissory note receivable, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

**Future changes in accounting policies**

Certain new accounting standards and interpretations have been published that are not mandatory for the August 31, 2018 reporting period. These standards have been assessed to not have a significant impact on the Company's financial statements:

(a) IFRS 16, Leases

The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

**SEAHAWK VENTURES INC.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
(Expressed in Canadian Dollars)  
FOR THE THREE MONTHS ENDED AUGUST 31, 2018

**4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES**

	<i>Mystery Property</i>	<i>Touchdown Property</i>	<i>Xtra Point Property</i>	<i>Skyfall Property</i>	<i>Blitz Property</i>	<i>Mackenzie Property</i>	<i>Total</i>
Balance, May 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,457	\$ 46,457
Acquisition - cash	50,000	60,000	-	-	-	-	110,000
Acquisition - shares	280,000	214,500	4,200	-	-	-	498,700
Exploration							
Assay	2,150	2,190	-	-	-	-	4,340
Maps	-	711	-	-	-	-	711
Mining taxes	4,230	3,340	-	-	-	-	7,570
Equipment rental	11,511	9,769	-	-	-	-	21,280
Prospecting and sample	30,351	34,239	-	-	-	-	64,590
Project manager	16,672	16,672	-	-	-	-	33,344
Reports	20,000	-	-	-	-	-	20,000
Survey	51,599	51,599	-	-	-	-	103,198
Write-off	-	-	-	-	-	(46,457)	(46,457)
Balance, May 31, 2018	466,513	393,020	4,200	-	-	-	863,733
Acquisition - cash	-	-	-	25,000	8,000	-	33,000
Acquisition - shares	-	-	-	54,600	448,800	-	503,400
Exploration	-	-	-	-	-	-	-
Reports	2,749	22,749	-	-	-	-	25,498
Balance, August 31, 2018	\$ 469,262	\$ 415,769	\$ 4,200	\$ 79,600	\$ 456,800	\$ -	\$ 1,425,631

**4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES (cont'd...)**

**Mystery Property, Quebec**

On June 9, 2017, the Company entered into a Property Purchase Agreement (the “Agreement”) with RSD Capital Corp. and Michel A. Lavoie (the “Vendors”) to acquire a 100% undivided interest in the Mystery Property comprising 66 mineral claims in the Urban-Barry Greenstone Belt region within the Abitibi sub-province, Quebec, Canada.

The Agreement provides that the Company will acquire a 100% interest in the Mystery Property in consideration for payment to the Vendors of an aggregate of \$50,000 (paid), and issuing total of 1,000,000 common shares (issued, valued at \$280,000) of the Company. The Vendors will retain a 2% NSR on the Mystery Property. The Company may elect to purchase one-half of the NSR from the Vendors for a payment of \$500,000, thereby leaving the Vendors with the remaining 1%.

**Touchdown Property, Quebec**

On August 2, 2017, the Company entered into a Property Purchase Agreement (the “Agreement”) with RSD Capital Corp. and Michel A. Lavoie (the “Vendors”) to acquire the Touchdown Property comprising 48 mineral claims in the Urban-Barry Greenstone Belt region within the Abitibi sub-province, Quebec, Canada.

The Agreement provides that the Company will acquire a 100% interest in the Touchdown Property in consideration for payment to the Vendors of an aggregate of \$60,000 (paid), and issuing total of 400,000 common shares (issued, valued at \$156,000) of the Company. The Vendors will retain a 2% NSR on the Touchdown Property. The Company may elect to purchase one-half of the NSR from the Vendors for a payment of \$1,000,000, thereby leaving the Vendors with the remaining 1%.

The Company also issued 150,000 shares (valued at \$58,500) as a finder’s fee in connection with the acquisition.

**Xtra Point Property, Quebec**

In April 2018, the Company acquired from an arm's length vendor a 100% interest in the Xtra Point Property located in the Urban BarryGold Camp, Barry Township, Québec. In consideration, the Company issued the vendor 10,000 common shares (issued, valued at \$4,200). The vendor retains a 2% net smelter return royalty on the property. The Company has the option to reduce the royalty to a 0.5% net smelter return royalty for a cash payment to the vendor of \$1,000,000.

**Skyfall Property, Quebec**

On July 9, 2018, the Company entered into an option agreement to acquire from Hinterland Metals Inc. a 100% interest in the Skyfall Property located at Urban-Barry mining area in the Abitibi region of Quebec. To obtain the 100% interest in the Skyfall Property, the Company will pay the optionor a total of \$100,000 cash, issue 800,000 shares and incur \$800,000 in exploration expenditures in the next 3 years, scheduled as follows:

Date	Cash	Shares	Exploration expenditures
On or before July 14, 2018	\$25,000	200,000	\$Nil
On or before July 9, 2019	\$25,000	200,000	\$200,000
On or before July 9, 2020	\$25,000	200,000	\$100,000
On or before July 9, 2021	\$25,000	200,000	\$500,000

**4. EXPLORATION AND EVALUATION ASSETS – MINERAL PROPERTIES (cont'd...)**

**SEAHAWK VENTURES INC.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
(Expressed in Canadian Dollars)  
FOR THE THREE MONTHS ENDED AUGUST 31, 2018

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**Skyfall Property, Quebec (cont'd...)**

In July 2018, the Company paid the first tranche of cash of \$25,000 and issued 200,000 shares (valued at \$54,600).

**Blitz Property, Quebec**

In August 2018, the Company entered into a property purchase agreement with Mitchell E. Lavery, a director of the Company, to acquire 100% interest in the Blitz Property located in Urban-Barry Greenstone Belt, Quebec. As per the agreement, the Company will pay Mr. Lavery \$8,000 in cash and has issued 1,650,000 shares (issued and valued at \$448,800), subject to a 2.5% net smelter return royalty.

**Mackenzie Property, Northwest Territories**

On May 25, 2016, the Company entered into a property purchase agreement (the "Agreement") with Metallis Resources Inc. ("Metallis") to acquire a 100% interest in 9 mineral claims collectively known as the Mackenzie Mountain Iron-Copper Property (the "Mackenzie Property") located in the Mackenzie Mining District, Northwest Territories, Canada. The Company issued 75,000 commons shares (valued at \$9,000) and paid \$31,652 in cash.

In March 2018, the Company decided to release the claims. As a result, the Company wrote off the exploration and evaluation assets of \$46,457 associated with the Mackenzie Property during the year ended May 31, 2018.

**5. LOAN PAYABLE TO RELATED PARTY**

On May 15, 2016, the Company received loan proceeds of \$25,000 from the Chief Executive Officer ("CEO") of the Company. The loan bears interest at 5% per annum and is repayable on demand, upon the Company having sufficient resources, in cash or in shares at the option of the lender. On August 3, 2017, the Company fully repaid the CEO \$25,000 principal and accrued interest of \$1,302 totaling \$26,302.

On July 5, 2018, the Company received loan proceeds of \$25,000 from the CEO of the Company. The loan bears interest at 5% per annum and is repayable on demand, upon the Company having sufficient resources, in cash or in shares at the option of the lender.

**6. SHARE CAPITAL AND RESERVES**

**Authorized**

The authorized share capital of the Company is an unlimited number of common shares without par value.

As at August 31, 2018, the Company has 27,217,596 (May 31, 2017 – 25,324,772) common shares outstanding, Nil shares (May 31, 2017 – 3,517,176) of which are held in escrow and contingently cancellable.

**SEAHAWK VENTURES INC.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
(Expressed in Canadian Dollars)  
FOR THE THREE MONTHS ENDED AUGUST 31, 2018

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**6. SHARE CAPITAL AND RESERVES (cont'd...)**

Contingently cancellable shares

The Company issued 23,219,980 Performance Escrow Shares in the year ended May 31, 2015 in relation to a transaction. The Performance Escrow Shares are escrowed and contingently cancellable. The Performance Escrow Shares have no voting rights and cannot be transferred or pledged. The Performance Escrow Shares will be released in four equal tranches upon achieving certain performance milestones within a period of three years. If the Performance Escrow Shares are not released according to the escrow agreement prior to August 21, 2018, the Performance Escrow Shares will be returned to the Company to be cancelled.

Those shares are valued at \$Nil and excluded from the calculation of weighted average number of shares outstanding.

During the three months ended August 31, 2018, the Company cancelled 3,517,176 (May 31, 2018 – Nil; May 31, 2017 - 19,702,804) Performance Escrow Shares. As of August 31, 2018, Nil (May 31, 2018 - 3,517,176) Performance Escrow Shares were held in escrow.

**Share issuance and cancellation**

During the three months ended August 31, 2018:

- a) In July 2018, the Company issued 200,000 common shares (valued at \$54,600) to acquire the Skyfall Property (Note 4).
- b) In August 2018, the Company issued 1,650,000 common shares (valued at \$448,800) to acquire the Blitz Property (Note 4).
- c) In August 2018, the Company cancelled 3,517,176 Performance Escrow Shares (valued at \$Nil).

During the year ended May 31, 2018:

- a) In June 2017, the Company completed a non-brokered private placement of 2,000,000 common shares at \$0.30 per share for total proceeds of \$600,000. The Company paid a cash finder's fee of \$1,050 and incurred other share issuance costs of \$5,000.
- b) In August 2017, the Company issued 1,000,000 common shares (valued at \$280,000) to acquire the Mystery Property and 400,000 common shares (valued at \$156,000) to acquire the Touchdown Property. The Company also issued 150,000 common shares (valued at \$58,500) as finder's fee in relation to the acquisition of the Touchdown Property (Note 4).
- c) In April 2018, the Company issued 10,000 common shares (valued at \$4,200) to acquire Xtra Point Property (Note 4).

**SEAHAWK VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

**6. SHARE CAPITAL AND RESERVES (cont'd...)**

**Stock options**

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

During the year ended May 31, 2018, the Company granted to directors, officers and consultants 1,000,000 stock options, exercisable at \$0.40 per share for a term of one and half years. These options vested on the date of grant. The fair value of the stock options granted was \$247,549 (\$0.2475 per option).

There were no stock options granted during the three months ended August 31, 2018.

The fair value of the stock options granted was determined using the following assumptions:

<b>Weighted average assumptions</b>	<b>Year ended May 31, 2018</b>
Risk free interest rate	1.72%
Volatility	195.94%
Expected life of options	1.5 years
Dividend rate	0%

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, May 31, 2016 and 2017	750,000	\$ 0.30
Granted	1,000,000	0.40
Expired	<u>(750,000)</u>	<u>0.30</u>
Balance, May 31, 2018	1,000,000	\$ 0.40
Expired	<u>(100,000)</u>	<u>0.30</u>
Balance, August 31, 2018	<u>900,000</u>	<u>\$ 0.40</u>

As at August 31, 2018, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
900,000	\$ 0.40	July 15, 2019

**SEAHAWK VENTURES INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**FOR THE THREE MONTHS ENDED AUGUST 31, 2018**

**6. SHARE CAPITAL AND RESERVES (cont'd...)**

**Warrants**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at May 31, 2016 and 2017	1,539,084	\$ 0.60
Expired	<u>(1,539,084)</u>	<u>0.60</u>
As at May 31, 2018 and August 31, 2018	-	\$ -

**7. RELATED PARTY TRANSACTIONS**

Except as disclosed elsewhere in the financial statements, during the three months ended August 31, 2018, the Company entered into the following transactions with related parties:

- (a) The Company paid or accrued rent of \$Nil (2017 - \$1,500) to Brugas Holdings Inc., a company controlled by the Chief Financial Officer ("CFO") and director of the Company.
- (b) The Company paid or accrued management fee of \$15,000 (2017 - \$10,500) to the CFO. As of August 31, 2018, \$123,000 (May 31, 2018 - \$108,000) is owed to the CFO.
- (c) The Company paid or accrued management fees of \$22,500 (2017 - \$15,000) to the Chief Executive Officer ("CEO"). As at August 31, 2018, \$180,000 (May 31, 2017 - \$157,000) is owed to the CEO of the Company.
- (d) The Company accrued \$8,000 and issued 1,650,000 shares (valued at \$448,800) to a director to acquire the Blitz Property (Note 4). The director also advanced \$2,000 which is included in both exploration advance and due to related parties as of August 31, 2018.
- (e) The Company received a loan of \$25,000 (2017 - \$Nil) from the CEO (Note 5). As at August 31, 2018, interest of \$Nil (2017 - \$Nil) was accrued in due to related parties.

Amounts due to related parties were due to companies controlled by directors and officers, were unsecured, were non-interest bearing and had no specific terms of repayment.



**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The significant non-cash transactions during the three months ended August 31, 2017 included:

- a) the issuance of 1,850,000 shares (valued at \$503,400) in relation to the acquisition of the Skyfall Property and Blitz Property.
- b) \$33,498 of exploration and evaluation assets was included in due to related parties as of August 31, 2018.

The significant non-cash transactions during the three months ended August 31, 2017 included:

- a) the issuance of 1,550,000 shares (valued at \$494,500) in relation to the acquisition of the Mystery Property and the Touchdown Property.

**9. FINANCIAL AND CAPITAL RISK MANAGEMENT**

*Fair value*

As at August 31, 2018, the Company's financial instruments comprise cash, receivables, accounts payable and accrued liabilities and due to related parties. The carrying values of receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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

As at August 31, 2018, the fair value of cash and cash equivalents held by the Company was based on Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

**9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2018, the Company had a cash balance of \$14,245 (May 31, 2018 - \$19,093) and current liabilities of \$403,170 (May 31, 2018 - \$294,399).

The Company has historically relied on equity and debt financings to satisfy its capital requirements and will continue to depend heavily upon equity capital and debt to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms.

Interest rate risk

The Company is not exposed to risk in the event of interest rate fluctuations. The Company has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

Foreign currency risk

The Company's functional currency is the Canadian dollar and the majority of its purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in US dollars on a cash call basis using US currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities. The Company relies mainly on equity issuances and loans from related parties to raise new capital. In the management of capital, the Company includes the components of shareholders' equity (deficiency). The Company prepares annual estimates of operating expenditures and monitors actual expenditures compared to the estimates in an effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs for the current year. These financing activities may include issuances of additional debt or equity securities.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.