

# HAWK PRECIOUS MINERALS INC. - MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2004

This management discussion and analysis ("MD&A") of results of operations and financial condition of Hawk Precious Minerals Inc. ("Hawk" or "the Company") describes the operating and financial results of the Company for the first quarter ended November 30, 2004 ("first quarter 2005"). The MD&A supplements, but does not form part of the consolidated financial statements of the Company and should be read in conjunction with Hawk's audited consolidated financial statements and related notes for fiscal 2004. The Company prepares and files its consolidated financial statements in accordance with Canadian generally accepted accounting principles.

## **Forward-looking Statements**

*Some statements contained in this MD&A are forward-looking, and therefore involve uncertainties or risks that could cause actual results to differ materially. Such statements include comments regarding mining and milling operations, mineral resources and exploration program performance. Factors that could cause actual results to differ materially include metal price volatility, economic and political events affecting metal supply and demand, fluctuations in mineralization grade, geological, technical, mining or processing problems, future profitability and production. The Company disclaims any obligation to update forward-looking statements.*

## **Date of MD&A**

This MD&A was prepared on January 25, 2005.

## **Overall Performance**

### Overview of Operations

Hawk Precious Minerals Inc. (the "Company" or "Hawk") is engaged in the business of exploring for and developing precious and base metal mining projects. Hawk is currently focusing its efforts on its properties in northern Ontario. Hawk currently owns interests in the following properties:

Overview of Operations (Continued)

Mineral Property	Location	Hawk Interest	Property Size approx. acres
McFauld's Lake – Double Eagle Project	James Bay Lowlands, Ontario	50% Option	23,800
McFauld's Lake – Nemis Project	James Bay Lowlands, Ontario	30% Option	3,200
Holdsworth Project	Wawa, Ontario	100%	760
MZ Project	Kirkland Lake, Ontario	100%	1300
New Millenium	Sioux Lookout, Ontario	2%NSR	1400

Hawk also has a core holding of 3.5 million shares in Wits Basin Precious Minerals Inc., which is currently funding a gold exploration program in South Africa operated by AfiOre Limited, and is in the process of initiating a dewatering and mine rehabilitation of the Bates-Hunter Mine in Colorado.

Subsequent Events:

After the end the quarter, the Company reported the following 3 corporate developments:

(a) Farm out agreement on McFaulds Lake - Nemis

On December 2, 2004, the Company and Wits Basin entered into a farm out option agreement with MacDonald Mines Exploration Ltd. ("MacDonald") whereby MacDonald can earn a 55% interest, subject to a 2% royalty, in 5 mining claims in the McFaulds Lake area of northern Ontario and the Company and Wits will retain a 45% carried interest. The option agreement will require the MacDonald to make cash payments of \$10,000, issue 250,000 shares of common stock (each as to 30% to Hawk and 70% to Wits Basin) on or before December 31, 2004, and incur exploration expenditures of \$225,000.

(b) Farm out agreement on New Millenium property

On December 13, 2004, the Company entered into an agreement with YSV Ventures Inc. ("YSV") whereby YSV can earn a 100% interest in 4 mining claims in the Patricia Mining Division of Ontario ("New Millenium"). Upon the terms of the agreement, YSV shall issue to the Company 150,000 shares of YSV, reserve a 2% Net Smelter Royalty on any metal production for the Company, and assume all of the cash and work commitments of the Company under the New Millennium Option Agreement between the Company and 1179785 Ontario Limited.

## Subsequent Events: (Continued)

### (c) Special Warrant Conversion

On December 24, 2004 and December 30, 2004, 5 Series 2 Special Warrants and 13 Series 3 Special Warrants were converted into 590,000 common shares of the Company for no additional consideration.

### Results of Operations

Hawk's net income in the first quarter of 2005 of \$64,277 has significantly changed from loss of \$770,855 incurred during the fourth quarter of 2004, due primarily to a decrease in non-operating charges.

The company increased its assets due to the increased value of its mineral properties.

### Summary of Quarterly Results

	First Quarter Nov. 30, 2004	First Quarter Nov. 30, 2003
Revenues	\$0	\$ 479,506
Expenses (Recovery)	115,032	36,328
Gain (Loss) on Investments	280,170	2,392,338
Income Tax (expense) recovery	(100,861)	(1,031,277)
Net income (loss)	64,277	1,804,239
Net income (loss) per share	\$0.01	\$0.39
Cash flow from (used in) operations	(118,358)	(60,393)
Cash (bank indebtedness), end of period	(41,299)	133,528
Assets	2,405,644	8,586,014
Long-term liabilities	557,737	883,481
Dividends	0	0

	Fourth Quarter Aug. 31, 2004	Third Quarter May 31, 2004	Second Quarter, February 29, 2004	First Quarter, November 30, 2003
Revenues	\$ 81,623	\$ 0	\$ 0	\$ 479,506
Expenses (Recovery)	(420,741)	200,953	435,762	36,328
Gain (Loss) on Investments	(1,479,329)	(3,456,446)	(44,322)	2,392,338
Income Tax (expense) recovery	206,110	1,256,650	174,627	(1,031,277)
Net income (loss)	(770,855)	(2,400,749)	(305,457)	1,804,239
Net income (loss) per share	\$(0.09)	\$(0.43)	\$(0.06)	\$0.39
Cash flow from (used in) operations	(172,804)	17,778	(40,027)	(60,393)
Cash & cash equivalents, end of period	12,771	27,549	126,345	133,528
Assets	1,892,516	2,983,916	5,854,147	8,586,014
Long-term liabilities	456,876	85,168	759,818	883,481
Dividends	0	0	0	0

## Summary of Quarterly Results (Continued)

	Fourth Quarter Aug. 31, 2003	Third Quarter May 31, 2003	Second Quarter February 28, 2003
Revenues	\$ 2,863,646	\$ 0	\$ 103,896
Expenses (Recovery)	48,641	8,995	22,081
Income Tax (expense) recovery	(1,020,846)	-	-
Net income (loss)	1,794,159	(8,995)	81,815
Net income (loss) per share	\$0.39	\$(0.00)	\$0.02
Cash flow from (used in) operations	73,834	64,230	(56,362)
Cash & cash equivalents, end of period	41,490	672	46,893
Assets	5,733,440	153,903	156,859
Long-term liabilities	2,115,726	-	-
Dividends	-	-	-

### Liquidity and Capital Resources

Hawk reported working capital of \$525,906 at the end of the first quarter 2005 (\$230,991 - August 31, 2004) and bank indebtedness of \$41,299 (\$12,771 - Cash - fiscal year end August 31, 2004).

### Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Related Party Transactions

Two directors of the Company are receiving a management fee of \$2,500 each per month for managing the Company's affairs on a daily basis. The management fees are on a month to month basis.

### Proposed Transactions

There are no decisions by the board of directors of the Company with respect to any imminent or proposed transactions.

### Capital Stock, Stock Options and Warrants

Hawk's common shares are traded on the Canadian Trading & Quotation System (CNQ) under the symbol HAWK. As at November 30, 2004 the Corporation had 8,052,502 shares outstanding,

#### Stock Options

During the period, no stock options were issued to directors, officers and consultants of the Company. At November 30, 2004, the Company had 600,000 options outstanding to acquire common shares of the Company at an exercise price of \$0.35 per share, expiring May 27, 2007.

## **Capital Stock, Stock Options and Warrants (Continued)**

### Warrants

At November 30, 2004, the Company had 909,375 warrants outstanding to acquire common shares of the Company at an exercise price of \$0.75 per share, expiring April 29, 2005.

### **Critical Accounting Estimates**

Critical accounting estimates represent estimates that are highly uncertain and for which changes in those estimates could materially impact our financial statements. The following accounting estimates are critical: the measurement of deferred income tax assets and liabilities and assessment of the need to record valuation allowances against those assets; valuation of options; and capitalized mining costs.

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserves are established or the properties are sold or abandoned. Based on the results at the conclusion of each phase of an exploration program, management re-evaluates properties that are not suitable as prospects to determine if future exploration is warranted, and that carrying values are appropriate. The decision to capitalize exploration expenditures and the timing of the recognition that capitalized exploration is unlikely to have future economic benefits can materially affect the reported earnings of the Company.

### **Changes in Accounting Policies**

There were no changes to accounting policies in the most recent fiscal quarter.

### **Financial and Other Instruments**

The Company has not made use of any hedging or other financial instruments, and is not exposed to significant interest rate nor credit risks arising from its financial instruments.

### **Risks and Uncertainties**

Hawk's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Hawk common shares should be considered speculative.

## **Risks and Uncertainties (Continued)**

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

### **Additional Disclosure for Issuers Without Significant Revenue**

See Supplement I to the unaudited interim consolidated financial statements for the three months ended November 30, 2004.

### **Disclosure of Outstanding Share Data**

See Supplement II to the unaudited interim consolidated financial statements for the three months ended November 30, 2004.

### **Additional Information**

Additional information relating to the Company is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com).