BLACKHAWK RESOURCE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM 51-102F1

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014

May 26, 2014

Management's Discussion and Analysis of Blackhawk Resource Corp. ("Blackhawk" or the "Corporation") should be read in conjunction with the interim consolidated financial statements for the period ended March 31, 2014, and the audited consolidated financial statements for the year ended June 30, 2013. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated financial statements as were followed in the preparation and described in note 3 of the audited consolidated financial statements for the year ended June 30, 2013, except for those described under the "Changes in Accounting Policies" section elsewhere in this MD&A.

Except as otherwise indicated (see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A), all financial data in this MD&A has been prepared, in accordance with International IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts in this MD&A are reported in Canadian dollars.

HIGHLIGHTS

- On March 3, 2014, Blackhawk received conditional approval to become an Investment Issuer.
- In the three months ended March 31, 2014, Blackhawk had positive cash flow from operations of $103,000 and in the nine months ended March 31, 2014 it had positive cash flow of $228,000
- As at March 31, 2014, Blackhawk held cash and investments at fair value totalling $3,600,000
- As at March 31, 2014, net asset value per share ("NAV per share") was $0.14 (See "Use of Non-GAAP Financial Measures "elsewhere in this MD&A).

ABOUT BLACKHAWK

On February 18, 2014, the Corporation announced it would be pursuing a change in business. After a thorough evaluation of the Corporation's existing resources and a review of strategic options for the Corporation generally, the Corporation determined that to optimize shareholder value, it would refocus its business operations from an "oil and gas issuer" to an "investment issuer". Blackhawk believes that its network of business contacts, the depth of experience of its management team and its overall entrepreneurial approach will enable it to identify and capitalize upon investment opportunities as an "investment issuer".

On March 3, 2014, the Corporation received conditional approval for the proposed change of business; the Corporation's primary focus will be to seek returns through investments in the equity and debt instruments of other companies and other assets.

Since receiving conditional approval the Corporation has begun to evaluate investment opportunities and has made a number of investments to date. The broad investment strategy of the Corporation relies on the expertise of the management and board, to source and evaluate investment opportunities that will provide above average returns. The goal of this strategy is to develop a portfolio of investments, including equity, debt instruments and direct asset investments, in certain situations, which will continue to provide positive cash flow. The Corporation is not intending to be industry specific, but will review investment opportunities on the basis of the return and risk profile. In time the Corporation hopes to be able to distribute a portion of these earnings back to its shareholders through a sustainable dividend.

OVERALL PERFORMACE

Blackhawk intends to invest in each of equity, debt instruments and direct asset investments as part of its focus as an investment issuer. Since receiving conditional approval the Corporation has begun to invest its capital under this mandate.

As at March 31, 2014 Blackhawk has made four investments; one equity position, two loan positions and its direct investment in the oil and gas operations. The investments are in varied industries, including construction, industrial real estate, and oil and gas.

To the date of this report the Corporation has expanded its investments, to the extent that it now has allocated more than $2,000,000, of it's approximately $3,600,000 of investable capital, to active investments. The investments have shown positive returns to date and all returns have been added to the investable capital.

PORTFOLIO INVESTMENTS

As at March 31, 2014, the Corporation held investments at fair value totaling $550,000 as compared to $150,000 as at June 30, 2013, a 266% increase. This is concurrent with the shift in the Corporation's focus from oil and gas to investments. The Corporation continues to look for opportunistic investments with potential growth.

As at March 31, 2014, NAV per share was $0.14 as compared to $0.14 at June 30, 2013 (see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A).

Blackhawk's NAV per share for the three most recently completed interim financial periods is:

	March 31, 2014	December 31, 2013	June 30, 2013
Total assets	$3,631,024	$3,579,685	$3,927,700
Total liabilities	555,652	574,481	880,885
Common shares outstanding	22,179,706	22,179,709	22,179,709
NAV per share*	$0.14	$0.14	$0.14

*See "Use of Non-GAAP Financial Measures"

Investments at cost and fair value consist of the following at March 31, 2014 and June 30, 2013:

	March 31, 2014			June 30, 2013		
Sector	**Cost**	**Total fair value**	**% of total fair value**	**Cost**	**Total fair value**	**% of total fair value**
Construction and real estate	$550,000	$550,000	100%	$150,000	$150,000	100%
Total	**$550,000**	**$550,000**	**100%**	**$150,000**	**$150,000**	**100%**

The following is the number of investments in each sector as at March 31, 2014 and June 30, 2013:

	March 31, 2014		June 30, 2013	
Sector	**Number of investments**	**% of total**	**Number of investments**	**% of total**
Construction and real estate	3	100%	1	100%
Total	**3**	**100%**	**1**	**100%**

The total number of investments held by the Corporation has increased, and will continue to increase through the next period. The Corporation will continue to diversify its upcoming investments into separate sectors as well.

The Corporations investments held at fair value of $550,000 (June 30, 2013 - $150,000) consists of $150,000 (June 30, 2013 - $Nil) in subscription receipts, $250,000 (June 30, 2013 - $Nil) in short terms loans and $150,000 (June 30, 2013 - $150,000) in a mortgage receivable. The Fair value was determined in accordance with the Corporation's accounting policies. The amounts at which the investments could be disposed of may differ from their carrying values.

INVESTMENT IN PETROLEUM AND NATURAL GAS PROPERTIES

The Corporation's petroleum and natural gas assets are composed of interests in several properties in the province of Alberta.

The Corporation averaged production of 54 BOE/D during the three month period ended March 31, 2014 (2013 – 43 BOE/D), split 75% oil and 25% gas (2013 - 65% oil and 35% gas). The Corporation's current production is approximately 50 BOE/D.

SELECTED QUARTERLY INFORMATION

	Three month period ended			
	Mar 31, 2014	**Dec 31, 2013**	**Sep 30, 2013**	**Jun 30, 2013**
Net revenue	$253,717	$447,820	$245,644	$112,971
Net comprehensive income (loss)	49,486	(17,120)	(40,418)	(319,419)
Basic and diluted – comprehensive income (loss) per share	0.00	(0.00)	(0.00)	(0.01)

	Three month period ended			
	Mar 31, 2013	**Dec 31, 2012**	**Sep 30, 2012**	**Jun 30, 2012**
Net revenue	$151,095	$387,856	$181,780	$254,513
Net comprehensive income (loss)	(651,387)	(23,472)	(242,886)	1,296,612
Basic and diluted - comprehensive income (loss) per share	(0.03)	(0.00)	(0.01)	0.06

The above noted financial data should be read in conjunction with the interim consolidated financial statements for the period ended March 31, 2014, and the audited consolidated financial statements for the year ended June 30, 2013.

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD

Revenue

The Corporation earned total income of $314,280 for the three month period ended March 31, 2014 compared with $165,261 for the three month period ended March 31, 2013. Revenue consisted of oil and gas revenue for the three month period ended March 31, 2014 of $310,567 compared to $165,261 for the three month period ended March 31, 2013. The Corporation also earned other income of $3,713 (2013 - $Nil) which was composed entirely of interest from investments. The increase in revenue is due to the increased production from the Bodo area wells in addition to increases in commodity prices from the previous year.

The Corporation paid a total of $60,563 ($12.36 per BOE) in royalties for the three month period ended March 31, 2014, compared with $14,166 ($3.68 per BOE) for the three month period ended March 31,

2013. The royalty rate increased due to the increased production from the Corporation's oil properties in the period.

Operating expenses

Operating expenses related to the oil and gas operations, for the three month period ended March 31, 2014 were $71,790 or $14.65 per BOE of production compared to $29.32 per BOE for the three month period ended March 31, 2013. Operating costs are expected to remain steady through the next period.

General and administrative

General and administrative expenses for the three month period ended March 31, 2014 were $51,646 compared with $56,368 for the three month period ended March 31, 2013. The expense is mainly composed of consulting fees totaling $31,500 (2013 - $32,850), office rental fees of $7,664 (2013 - $7,503), and computer software and rentals of $5,175 (2013 - $2,910). The remaining expense is composed of other general office expenses.

Net comprehensive income (loss)

The net comprehensive income of $49,486 ($0.00 per share) for the three month period ended March 31, 2014 compared with a net comprehensive loss of $651,387 for the three month period ended March 31, 2013. The prior period loss is significantly higher due to the Corporation settling a contingency in the prior period for $450,000. Non-cash items included in net comprehensive income was depletion of $31,284 (2013 – $144,257), financing costs of $1,805 (2013 - $2,642) and stock based compensation of $20,682 (2013 -$2,006). The net comprehensive income for the period has increased due to the increase in production revenue and the decrease in operating costs.

Cash flow from operations before non-cash operating working capital

Net cash earned in operating activities before non-cash operating working capital items was $103,257 ($0.01 per share) for the three month period ended March 31, 2014, compared with net cash used of $502,482 in the three month period ended March 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2014, the Corporation had working capital of $3,336,092 which compares to working capital of $3,107,782 at June 30, 2013. The positive working capital will allow the Corporation to continue to operate while reviewing future investment opportunities.

TRANSACTIONS WITH RELATED PARTIES

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

For the three month period ended March 31, 2014, the Corporation incurred consulting fees of $31,500 (2013 – $28,500) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the interim consolidated statement of comprehensive income (loss). The Corporation also incurred $19,215 (2013 - $2,006) in stock based compensation for options issued to key management. At March 31, 2014, no consulting fees remained outstanding (2013 – $Nil).

FINANCIAL INSTRUMENTS

Financial hierarchy:

The 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).

Investments by sector consist of the following as at March 31, 2014:

Sector	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**% of total fair value**
Construction and real estate	$400,000	$250,000	$150,000	$ −	$400,000	100%
Total	**$400,000**	**$250,000**	**$150,000**	**$ −**	**$400,000**	**100%**

Within level 2, the Corporation includes subscription receipts held in trust for a public company, awaiting the closing of an acquisition. The key assumptions driving the valuation of these instruments include the value at which the Corporation invested, and any significant changes in general market conditions. A 25% change in the fair value of these instruments upon the closing of the acquisition will result in a corresponding $37,500 change in the value of the investment.

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

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

March 31, 2014				
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	$ −	$2,705,121	$ −	$2,705,121
Trade and other receivables	−	256,566	−	256,566
Investments at fair value	400,000	−	−	400,000
Trade and other payables	−	−	(49,337)	(49,337)
	$400,000	**$2,961,687**	**$(49,337)**	**$3,312,350**

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

OFF-BALANCE SHEET TRANSACTIONS

The Corporation does not have any off-balance sheet arrangements.

CHANGE IN ACCOUNTING POLICIES

With the Corporation's change in business to diversified investments, additional significant accounting polices from those disclosed in note 3 of the audited consolidated financial statements for the year ended June 30, 2013 are required, and are set out below.

a.) Financial instruments (investments):

Classification

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in statement of comprehensive income (loss).

Recognition, derecognition and measurement

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

Investments at fair value through profit or loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred in the consolidated statement of comprehensive income (loss). Investments are derecognized when the rights to receive cash flow from the investment have expired or the Corporation has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, *Financial Instruments* (“IFRS 9”).

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 consolidated statement of comprehensive income (loss) within net change in unrealized gains or losses on investments in the period in which they arise.

Reclassification of investments

The Corporation would only reclassify a financial asset when the Corporation changes its business model for managing the financial asset.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

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 Corporation’s management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

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

Publicly-traded investments:

Securities including shares, options, warrants, and convertible debentures 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 consolidated statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position date. These are included in Level 1.

Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. In determining the discount for such investments, the Corporation considers the nature and length of the restriction. These are included in Level 2.

For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, the Black-Scholes valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2.

Private company investments:

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3. Options and warrants of private companies are carried at their intrinsic value.

The determinations of fair value of the Corporation’s privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Corporation has investments may not be available and, even if available, that information may be limited and/or unreliable.

Other investment instruments:

The fair value of loans and promissory notes and mortgage receivables are evaluated by the Corporation based on parameters such as interest rates and individual creditworthiness of the investee. These are included in Level 1.

CRITICAL ACCOUNTING ESTIMATES

a.) Fair value of investments in securities not quoted in an active market or private company investments

Where the fair value of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

b.) Estimates of crude oil and natural gas reserves

Depletion and amounts used in impairment calculations are based on estimates of oil and natural gas reserves. Reserve estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices.

c.) Decommissioning liabilities

The calculation of decommissioning liabilities include estimates of the future costs and the timing of the cash flows to settle the liability, the discount rate used in reflecting the passage of time, and future inflation rates.

d.) Share-based compensation

The Corporation has made various assumptions in estimating the fair values of the common stock options granted including expected volatility, expected exercise behavior and future forfeiture rates.

e.) Identification of cash generating units

The classification of assets into CGU's requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures, and the way in which management monitors the Corporation's operations.

f.) Deferred taxes

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

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	22,179,706
Preferred	Nil	Unlimited	Nil

Description of Options and Contingent Performance Rights Outstanding

Security Type	Number	Exercise Price	Expiry Date	Recorded Value
Options	141,667	$0.45	September 1, 2014	N/A
Options	866,667	$0.30	December 7, 2016	N/A
Options	200,000	$0.30	March 9, 2017	N/A
Options	700,000	$0.10	December 18, 2018	N/A
Options	300,000	$0.10	February 27, 2019	N/A

NON-GAAP FINANCIAL MEASURES

This MD&A includes references to "net asset value per share ("NAV per share")," a financial measure, that does not have a standardized meaning prescribed by generally accepted accounting principles (GAAP) or International IFRS. NAV per share is calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. Investors are cautioned that this non-GAAP measure should not be construed as an alternative to the measurement calculated in accordance with IFRS as, given its non-standardized meaning; it is unlikely to be comparable to similar measures presented by other issuers.

CAUTION REGARDING FORWARD LOOKING INFORMATION

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Corporation that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities, our ability to repay amounts which may become due and payable, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Corporation believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance, our ability to realize sufficient proceeds from the disposition of our investments in order to fund our obligations as they become due (which will be based upon market conditions beyond our control), market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, U.S. and other economies, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments" and in the Corporation's current public disclosure documents filed with certain Canadian securities regulatory authorities and available under Blackhawk's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Corporation has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

RISK FACTORS – INVESTING

An investment in our securities is subject to certain risks, including those set out below and should be carefully considered by an investor before making any investment decision. Additional risks not currently known to us, or that we currently believe to be immaterial, may also affect our business and negatively impact upon an investment in our securities.

Portfolio Exposure

Given the nature of our activities, our results of operations and financial condition are dependent upon the market value of the securities that comprise our portfolio. Market value can be reflective of the actual or anticipated operating results of our portfolio companies and/or the general market conditions that affect the sectors in which we invest. Macro factors such as fluctuations in commodity prices and global political and economical conditions could have an adverse effect on one or more sectors to which we are exposed, thereby negatively impacting one or more of our portfolio companies concurrently. Company-specific risks could have an adverse affect on one or more of our portfolio companies at any point in time. Company-specific and industry-specific risks which materially adversely affect our portfolio investments may have a materially adverse impact on our operating results.

Cash Flow/Revenue

We generate revenue and cash flow primarily from our financing activities and proceeds from the disposition of our investments, in addition to interest and dividend income earned on our investments and fees generated from securities lending and other activities. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of our direct control. Our liquidity and operating results may be adversely affected if our access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to us, or if the value of our investments decline, resulting in capital losses for us upon disposition.

Illiquid Securities

We also invest in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time we are able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that we will be unable to realize our investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, we may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

We may also make direct investments in publicly-traded securities that have low trading volumes. Accordingly, it may be difficult for us to make trades in these securities without adversely affecting the price of such securities.

Possible Volatility of Stock Price

The market price of our common shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in our consolidated results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of our common shares. The purchase of our common shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Our common shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in our common shares should not constitute a major portion of an investor's portfolio.

Trading Price of Common Shares Relative to Net Asset Value

We are neither a mutual fund nor an investment fund, and due to the nature of our business and investment strategy and the composition of our investment portfolio, the market price of our common shares, at any time, may vary significantly from our net asset value per share. This risk is separate and distinct from the risk that the market price of our common shares may decrease.

Available Opportunities and Competition for Investments

The success of our operations will depend upon: (i) the availability of appropriate investment opportunities; (ii) our ability to identify, select, acquire, grow and exit those investments; and (iii) our ability to generate funds for future investments. We can expect to encounter competition from other entities having investment objectives similar to ours, including institutional investors and strategic investors. These groups may compete for the same investments as us, may be better capitalized, have more personnel, have a longer operating history and have different return targets than us. As a result, we may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing which may further limit our ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to us to invest in or that such investments can be made within a reasonable period of time. There can be no assurance that we will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that we are unable to find and make a sufficient number of investments.

Share Prices of Investments

Our investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond our control, including, quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of our investments.

Concentration of Investments

We may participate in a limited number of investments and, as a consequence, our financial results may be substantially adversely affected by the unfavourable performance of a single investment, or sector. Completion of one or more investments may result in a highly concentrated investment by us in a particular company, business, industry or sector.

Dependence on Management

We are dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, our continued success will depend upon the continued service of these individuals who are not obligated to remain employed with us. The loss of the services of any of these individuals could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow our existing assets and raise additional funds in the future.

Additional Financing Requirements

We anticipate ongoing requirements for funds to support our growth and may seek to obtain additional funds for these purposes through public or private equity or debt financing. There are no assurances that additional funding will be available to us at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any additional debt financing may result in increased interest expense or restrictions on our operations or ability to incur additional debt. Any limitations on our ability to access the capital markets for additional funds could have a material adverse effect on our ability to grow our investment portfolio.

No Guaranteed Return

There is no guarantee that an investment in our securities will earn any positive return in the short term or long term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. Our past performance provides no assurance of our future success.

Management of our Growth

Significant growth in our business, as a result of acquisitions or otherwise, could place a strain on our managerial, operational and financial resources and information systems. Future operating results will depend on the ability of senior management to manage rapidly changing business conditions, and to implement and improve our technical, administrative and financial controls and reporting systems. No assurance can be given that we will succeed in these efforts. The failure to effectively manage and improve these systems could increase our costs, which could have a material adverse effect on us.

Due Diligence

The due diligence process that we undertake in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Changes to Tax Laws

Potential changes to, or interpretations of, tax laws, may negatively impact the our business.

Non-controlling Interests

Our investments include debt instruments and equity securities of companies that we do not control. These instruments and securities may be acquired by us in the secondary market or through purchases of securities from the issuer. Any such investment is subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of our investments could decrease and our financial condition, results of operations and cash flow could suffer as a result.

RISK FACTORS – OIL AND GAS

The Corporation's business consists of the exploration and, if successful, the development of oil and gas properties in Canada. There are a number of inherent risks associated with the exploration, development and production of oil and gas reserves, many of these risks are beyond the control of the Corporation.

Success in the junior oil and gas sector is measured by a Corporation's ability to raise funds and the ability to secure properties of merit. Not all of these factors are within management's control. The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, oil and gas prices and perceptions as to which way the market is headed. The ability to secure properties of merit is in large part dependent on management's contacts and the vitality of the sector.

There were no significant or material changes to the Corporation's oil and gas risk factors during the three month period ended March 31, 2014. The Corporation's oil and gas risks are described in it annual MD&A for the year ended June 30, 2013 which can be found on SEDAR (www.sedar.com). Additional risks not currently known to the Corporation or that are currently believed to be immaterial, may also affect and negatively impact the Corporation.

DEFINITIONS

In this Managements Discussion and Analysis the terms below have the meanings indicated:

BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
BOE/D	barrel of oil equivalent per day
NAV	net asset value

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.