



BLACKHAWK RESOURCE CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM NI51-102F1**

FOR THE YEAR ENDED JUNE 30, 2017

October 3, 2017

Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements for the year ended June 30, 2017. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as otherwise indicated below, 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").

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain non-IFRS measures, including net asset value per share ("NAV per share") defined below to assist in assessing the Corporation's financial performance. The term NAV per share as defined below is a financial measure used in this MD&A that is not a standard measure under IFRS. The Corporation's method of calculating non-IFRS measures may differ from the methods used by other issuers. Therefore, the Corporation's non-IFRS measures may not be comparable to similar measures presented by other issuers.

NAV per share is a financial measure that does not have a standardized meaning prescribed by 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.

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

HIGHLIGHTS

- Blackhawk had interest income of \$155,051 on its debt portfolio, a realized loss on disposal of equity investments of \$102,877 and an unrealized gain on equity investments of \$2,608,400 for the year ended June 30, 2017.
- Blackhawk had cash flow from operations of \$110,835 for the year ended June 30, 2017.
- As at June 30, 2017, Blackhawk held \$5,518,859 in investments.
- As at June 30, 2017, NAV per share was \$0.13.

Blackhawk continues to hold certain equity investments, and has strategically focus its investments in eSports. As part of this focus, the equity portion of its portfolio includes a significant investment in a private eSports company, UMG Media Corp. ("UMG"). UMG has involvement in both live tournament events as well as on line match play. In 2017, UMG completed three separate equity financings at \$1.50 per share which increases the fair value of Blackhawk's investment from \$1,358,000 to \$4,795,500.

PORTFOLIO INVESTMENTS

As at June 30, 2017, the Corporation held total investments of \$5,518,859 comprised of equity type investments of \$5,356,298 and debt type investments of \$162,561. In addition, the Corporation held a cash balance of \$30,707.

Investments at fair value by sector consist of the following as at June 30, 2017:

Sector	Cost	Total fair value	% of total fair value
Mining	\$508,166	\$511,166	10%
Technology and media	1,834,822	4,845,132	90%
Total	\$2,342,988	\$5,356,298	100%

Debt instrument investments consist of the following as at June 30, 2017:

Short term loans	\$162,561
Total current debt instrument investments	\$162,561

Investments at fair value by sector consist of the following as at June 30, 2016:

Sector	Cost	Total fair value	% of total fair value
Mining	\$60,000	\$548,425	23%
Technology and media	1,881,243	1,797,728	77%
Total	\$1,941,243	\$2,346,153	100%

Debt instrument investments consist of the following as at June 30, 2016:

Short term loans	\$1,043,329
Mortgage receivable	150,000
Total current debt instrument investments	\$1,193,329

Realizable amounts may differ from carrying values.

SELECTED ANNUAL INFORMATION

	June 30, 2017	June 30, 2016	June 30, 2015
	(audited)	(audited)	(audited)
Investment revenue	\$2,660,574	\$(428,439)	\$624,902
Net petroleum revenue after royalties	51,946	53,123	132,312
Net comprehensive income (loss)	2,153,219	(1,226,096)	(44,940)
Total Assets	5,761,366	3,827,790	5,291,189
NAV	\$0.13	\$0.08	\$0.12
Basic and diluted net income (loss) per share	0.05	(0.03)	(0.00)

SELECTED QUARTERLY INFORMATION

	Three month period ended			
	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016
Net revenue	\$(146,393)	\$3,161,261	\$(253,800)	\$(48,548)
Net comprehensive income (loss)	(324,258)	3,053,356	(400,300)	(175,579)
Basic and diluted – comprehensive income (loss) per share	(0.01)	0.07	(0.00)	(0.00)

	Three month period ended			
	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Net revenue	\$(278,879)	\$10,663	\$(106,992)	\$(108)
Net comprehensive income (loss)	(647,476)	(165,725)	(261,894)	(151,001)
Basic and diluted – comprehensive income (loss) per share	(0.02)	(0.00)	(0.01)	(0.01)

	Three month period ended			
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Net revenue	\$681,654	\$320,810	\$(326,385)	\$81,135
Net comprehensive income (loss)	424,121	174,728	(503,618)	(140,171)
Basic and diluted - comprehensive income (loss) per share	0.02	0.01	(0.02)	(0.01)

The above noted financial data should be read in conjunction with the consolidated financial statements for the year ended June 30, 2017.

RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2017**Net investment revenues (loss)**

For the year ended June 30, 2017, the Corporation recorded investment income of \$2,660,574 (2016 – investments losses of \$428,439) comprised of \$102,877 (2016 - \$1,178,249) in net realized loss on disposal of investments, \$2,608,400 (2016 - \$319,529) in net change in unrealized gain on investments, \$155,051 (2016 - \$381,206) in interest income, \$Nil (2016 - \$75) in dividends, and \$Nil (2016 - \$49,000) in other investment revenue.

The Corporation's net realized loss on the disposal of investments of \$102,877 for the year is composed of \$11,624 in realized losses from the technology and media sector, \$90,611 in realized gains from the mining sector, and \$181,864 in realized losses from debt instruments.

The Corporation's interest income of \$155,051 (2016 - \$381,206) for the year has decreased as a result in the shift in corporate focus to eSports, minimizing the allocation of funds to be used for short term loans.

The Corporation incurred an unrealized gain on investments of \$2,608,400 for the year ended June 30, 2017 compared to \$319,529 in the same period in 2016. The unrealized gain has increased due to an increase in market value for the period related to the private eSports investment, UMG, of \$3,437,500. The unrealized gain for the year is an adjustment to fair market value as at June 30, 2017, and is a non-cash item that will fluctuate with the market each period.

Net oil and gas revenue

The Corporation earned net oil and gas revenue for the year ended June 30, 2017 of \$51,946, down from \$53,123 in 2016.

General and administrative

General and administrative expenses for the year ended June 30, 2017 were \$409,235 compared with \$385,844 for the year ended June 30, 2016. The general and administrative expense for the year is mainly composed of consulting fees totaling \$226,515 (2016 - \$215,412). General and administrative expense is also composed of office rental fees of \$49,306 (2016 - \$37,538), insurance expense of \$31,192 (2016 - \$34,767). The remaining expense is composed of other general office expenses.

Net comprehensive income (loss)

The net comprehensive income of \$2,153,219 (\$0.05 per share) for the year ended June 30, 2017 (2016 – net comprehensive loss of \$1,226,096) has increased due to an increase in unrealized gains on investments for the year related to the private eSports investment, UMG, of \$3,437,500. This represents a significant non-cash item in the year affecting income.

Cash flow from operations

Cash flow from operations for year ended June 30, 2017 was \$110,835 compared to a negative \$281,945 2016. During the year ended June 30, 2017, the Corporation had proceeds from disposition of investments of \$823,323 which resulted in a net realized loss of \$102,877 compared to proceeds of \$5,016,537 in 2016 with a net realized loss of \$1,178,249. During the year ended June 30, 2017, the Corporation purchased \$194,300 of investments compared to \$4,098,804 in 2016.

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD

Net investment revenues

For the three month period ended June 30, 2017, the Corporation recorded a loss of \$161,786 in investment revenue (2016 – \$288,070). Investment loss is comprised of \$181,864 in net realized loss on disposal of investments (2016 - \$906,399), \$9,965 in net change in unrealized loss on investments (2016 - \$573,740 gain), \$32,042 in interest revenue (2016 - \$49,590), and \$Nil in other investment income (2016 - \$5,000).

The Corporation's net realized loss on the disposal of investments of \$181,864 for the three month period is due to the write down of certain short term loans which were deemed uncollectable.

The Corporation's unrealized loss on investments of \$9,965 in the three month period ended June 30, 2017 is an adjustment to fair market value as at June 30, 2017, and is a non-cash item that will fluctuate with the market each period.

General and administrative

General and administrative expenses for the three month period ended June 30, 2017 were \$115,555 compared with \$103,206 for the three month period ended June 30, 2016. The expense is mainly composed of consulting fees totaling \$61,215 (2016 - \$56,412), insurance of \$7,069 (2016 - \$8,319) and office rental fees of \$14,703 (2016 - \$12,475). The remaining expense is composed of other general office expenses.

Net comprehensive loss

The net comprehensive loss of \$323,506 (2016 – \$647,476) for the three month period ended June 30, 2017 was mainly due the increase in the Corporation's realized loss on disposal of investments.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Corporation has the funds to continue to with its investment strategy. If additional funds are required in the next twelve months, the Corporation will source funds through either debt or equity financing, this funding is not guaranteed to be available when needed.

TRANSACTIONS WITH KEY MANAGEMENT AND RELATED PARTIES

a.) Key management compensation

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

For the year ended June 30, 2017, the Corporation incurred consulting fees of \$226,425 (2016 – \$215,250), and directors fees of \$25,000 (2016 - \$26,731), paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the consolidated statement of comprehensive income (loss). The Corporation also incurred \$1,384 (2016 - \$56,255) in stock based compensation for options issued to key management. At June 30, 2017, \$7,481 in consulting fees remained outstanding (2016 – \$Nil) and \$5,000 in directors fees remained outstanding (2016 - \$6,250).

b.) Related party transactions

During the year ended June 30, 2017, the Corporation incurred legal costs of \$6,596 (2016 - \$10,328) with a law firm in which the Corporate secretary is a Partner. The legal costs incurred were in the normal course of operations and were based on the exchange value of the service provided. Of the legal services provided, \$775 was included in trade and other payables at June 30, 2017 (2016 - \$761).

For the year ended June 30, 2017, the Corporation owns common shares in a certain publicly traded companies that have or had a common director with a total fair value of \$310 (2016 - \$421,543). For the year ended June 30, 2017, the Corporation recognized \$76,625 in realized losses and \$291,858 in unrealized investment losses on former related parties. The investments were entered into under the same terms as other non-related investments.

In May, 2016, the Corporation participated in a private placement of UMG Media Corp. (formerly 1053446 BC Ltd., "UMG", a private company that has directors and officers in common) in the amount of \$1,250,000 at \$0.40 per share which gave the Corporation approximately 63% ownership in UMG, an eSports company that has involvement in both live tournament events as well as online match play. The Corporation also entered into a loan agreement with UMG for a maximum of \$100,000, incurring 15% interest and due in full by March 31, 2017. This loan and accrued interest of \$8,000 was converted into addition shares of the UMG in February 2017, at a price of \$1.50 per share, resulting in the Corporation owning 3,197,000 common shares. Since the initial purchase, UMG closed additional private placements at \$0.40 per share in July, 2016, and at \$1.50 per share in February, March, April and June of 2017, diluting the Corporations ownership to 29%. These shares are unrestricted, common shares.

In June, 2017, the Corporation settled one of its short term loans for shares of Redwing Energy Services Ltd. ("Redwing", a private company that has directors and officers in common) in the amount of \$508,166 for 400 common shares, which gave the Corporation 50% ownership in Redwing, a shallow drilling company focused in the mining industry in Alberta.

OFF-BALANCE SHEET TRANSACTIONS

As at the date of this report the Corporation does not have any off-balance sheet arrangements.

ACCOUNTING POLICIES

The consolidated financial statements and related MD&A have been prepared on a historical cost basis except as disclosed in note 3 of the Corporation's consolidated financial statements for the years ended June 30, 2017 and 2016.

A summary of the Corporations significant accounting policies under IFRS is presented in note 3 – "Significant accounting policies" in the Corporation's consolidated financial statements for the years ended June 30, 2017 and 2016. These policies have been applied consistently for all periods presented in the consolidated financial statements.

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

ACCOUNTING STANDARDS

Future accounting standards:

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after July 1, 2015 or later periods. The standards impacted that are applicable to the Corporation are as follows:

- a) IFRS 9, “Financial Instruments” final version was issued in July 2014, which reflects all phases of the financial instruments project and replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’ and all previous versions of IFRS 9. IFRS 9 introduces new requirements for classifying and measurement, impairments and hedge accounting for financial assets. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Corporation is currently assessing the impact of this standard.
- b) IFRS 15, “Revenue from Contracts with Customers” was issued in May 2014 to replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”, and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact of this standard.
- c.) IFRS 16 “Leases”, was issued in January 2016, which provides guidance on accounting for leases. The new standard replaces IAS 17 “Leases” and related interpretations. IFRS 16 eliminates the distinction between operating leases and financing leases for lessees. The new standard is effective January 1, 2019 with earlier adoption permitted providing that IFRS 15 has been adopted. The new standard is required to be applied retrospectively, with a policy alternative of restating comparative prior periods or recognizing the cumulative adjustment in opening retained earnings at the date of adoption. The Corporation is assessing the impact of this standard.

Critical accounting estimates and judgments:

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

Accounting Estimates:

a) 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.

b) 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.

c) Stock 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. At each period end, options outstanding are re-measured for changes in the fair value of the liability.

d) Deferred 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.

e) 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.

f) Valuation of GORR:

The Corporation has made various assumptions in estimating the value of the GORR including expected cash flow, duration of the cash flow and discount rate.

Accounting Judgments:

a) Determination of investment entity

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

b) Identification of cash generating units

The classification of the Corporation’s oil and gas 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 oil and gas operations.

FINANCIAL INSTRUMENTS

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

June 30, 2017			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ –	\$30,707	\$ –
Trade and other receivables	–	11,700	–
Investments at fair value - equity	5,356,298	–	–
Investments at fair value – short term loans	162,561	–	–
Trade and other payables	–	–	(93,125)
	\$5,518,859	\$42,407	\$(93,125)

June 30, 2016			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ –	\$64,594	\$ –
Trade and other receivables	–	21,615	–
Investments at fair value - equity	2,346,153	–	–
Investments at fair value – short term loans	1,193,329	–	–
Trade and other payables	–	–	(165,174)
Dividends declared	–	–	(43,256)
	\$3,539,482	\$86,209	\$(208,430)

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

Investments at fair value and financial instruments hierarchy:

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 June 30, 2017:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Mining	\$508,166	\$3,000	\$ –	\$508,166	\$511,166	10%
Technology and other	1,834,822	17,410	32,222	4,795,500	4,845,132	90%
Total	\$2,342,988	\$20,410	\$32,222	\$5,303,666	\$5,356,298	100%

Investments by sector consist of the following as at June 30, 2016:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Mining	\$60,000	\$259,000	\$289,425	–	\$548,425	23%
Technology and other	1,881,243	432,543	72,790	1,292,395	1,797,728	77%
Total	\$1,941,243	\$691,543	\$362,215	\$1,292,395	\$2,346,153	100%

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

The fair value of warrants granted is estimated using the Black-Scholes pricing model, taking into account amounts that are believed to approximate the volatility of the trading price of the company's shares, the expected lives of the warrants, the fair value of the company's stock and the risk-free interest rate, as

determined at the grant date. A 25% change in the volatility used to measure these instruments will result in a corresponding \$4,960 (2016 - \$28,060) change in the value of the investment.

The fair value of the common shares included in level 3 of \$5,303,666 consists of 2 separate investments. Each investment has been evaluated based on available data from the corporations involved. The first investment is carried at its cost of \$508,166, which the Corporation believes represents its fair value based on the valuation of cash flow and assets of the company, the second investment had an unrealized gain on investment of \$3,437,500 with a cost of \$1,358,000, giving it a fair value of \$4,795,500 which the Corporation determined based on the most recent private placements completed in 2017.

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

In accordance with IFRS 10, the fair value of the Corporations investments includes the fair value of an entity that is controlled by the Corporation.

In May, 2016, the Corporation participated in a private placement of UMG Media Corp. (formerly 1053446 BC Ltd., "UMG", a private company that has directors and officers in common) in the amount of \$1,250,000 at \$0.40 per share which gave the Corporation approximately 63% ownership in UMG, an eSports company that has involvement in both live tournament events as well as online match play. The Corporation also entered into a loan agreement with UMG for a maximum of \$100,000, incurring 15% interest and due in full by March 31, 2017. This loan and accrued interest of \$8,000 was converted into addition shares of the UMG in February 2017, at a price of \$1.50 per share, resulting in the Corporation owning 3,197,000 common shares. Since the initial purchase, UMG closed additional private placements at \$0.40 per share in July, 2016, and at \$1.50 per share in February, March, April and June of 2017, diluting the Corporations ownership to 29%. These shares are unrestricted, common shares.

In June, 2017, the Corporation settled one of its short term loans for shares of Redwing Energy Services Ltd. ("Redwing", a private company that has directors and officers in common) in the amount of \$508,166 for 400 common shares, which gave the Corporation 50% ownership in Redwing, a shallow drilling company focused in the mining industry in Alberta.

Short term loan investments consist of the following:

	June 30, 2017	June 30, 2016
Short term loans	\$162,561	\$1,043,329
Debenture	–	150,000
Total loan investments	\$162,561	\$1,193,329

The carrying value of the Corporation's short term loans approximates their fair value due to the short term nature of these loans and would be included in level 3 of the financial instruments hierarchy. Short term loans include loans issued for a period of 12 months or less at an average interest rate of 21% (2016 – 17%).

On June 30, 2017, the Corporation wrote down \$181,864 worth of short term loans as they were deemed uncollectable. The Corporation has begun the process to enforce collection on \$155,617 of the short term loans written down.

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	41,196,374
Preferred	Nil	Unlimited	Nil

Description of Options and Contingent Performance Rights Outstanding

Security Type	Number	Exercise Price	Expiry Date	Recorded Value
Options	600,000	\$0.10	December 18, 2018	N/A
Options	300,000	\$0.10	February 27, 2019	N/A
Options	1,500,000	\$0.10	August 4, 2020	N/A

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

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 effect 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 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.

ADDITIONAL INFORMATION

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