BLACKHAWK RESOURCE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FORM NI51-102F1

FOR THE YEAR ENDED JUNE 30, 2018

October 29, 2018

Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements for the year ended June 30, 2018. 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").

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

BUSINESS DESCRIPTION

Blackhawk continues to hold certain equity and short term loan investments. The equity portion of its portfolio includes a significant investment in a private eSports company, UMG Media Corp. ("UMG"). UMG is involved in both live tournament events as well as on line match play.

PORTFOLIO INVESTMENTS

As at June 30, 2018, the Corporation held total investments of $5,170,500 comprised of equity type investments of $4,795,500 and short term loan investments of $375,000. In addition, the Corporation held a cash balance of $88,812.

Investments at fair value by sector consist of the following as at June 30, 2018:

Sector	Cost	Total fair value	% of total fair value
Mining	$508,166	$ –	0%
Technology and media	1,813,264	4,795,500	100%
Total	**$2,321,434**	**$4,795,500**	**100%**

Debt instrument investments consist of the following as at June 30, 2018:

Short term loans	$375,000
Total current debt instrument investments	**$375,000**

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**

*Realizable amounts may differ from carrying values.

The investment in UMG, with a fair value of $4,795,500, has grown as a percentage of total assets due to the significant increase in the value of the equity ownership of UMG, combined with a reduction in the value of certain other investments held by the Corporation.

Since June 30, 2017, the Corporation has incurred a write down of its holdings in Redwing. As at June 30, 2018, the Corporation held 50% of the common shares of Redwing and incurred a $508,166 unrealized loss for the year. Redwing is a shallow drilling company focused in the mining industry and has a related director and officer. Blackhawk's holdings in Redwing have a cost of $508,166 and were acquired as a transfer of shares for the settlement of a short-term loan with an unrelated party on June 1, 2017.

Since June 30, 2017, the Corporation has been informed of significant changes to the operations at the mine in which the investment operates, including the cancellation of the contract under which Redwing operated. During 2017, the Corporation had taken settlement of the debt through the obtaining the shares of Redwing, during 2018 the Corporation had determined the fair value of the investment in Redwing at June 30, 2018, was $Nil. On June 20, 2018, the Corporation was able to negotiate a new agreement with the original debtor to the Corporation due to the situation with Redwing. The original debtor has agreed to pay Blackhawk a total of $450,000. The $450,000 has been moved to short terms loans, $75,000 of the total was paid before June 30, 2018. The remaining balance is non interest bearing and will be repaid with a minimum of $20,000 per month.

On September 30, 2017, the Corporation wrote down $25,000 (June 30, 2017 - $181,864) of short term loans as they were deemed uncollectable. As of March 31, 2018, the Corporation managed to settle that debt for $22,500.

For the year ended June 30, 2018, and the year ended June 30, 2017, the Corporation's investments portfolio was composed of the following:

Investment Type	June 30, 2018	June 30, 2017
Debt Instruments	Two with different companies	Five with different companies
Equity Investments	Purchase and sale of equity positions in ten different securities, both private and public	Purchase and sale of equity positions in twelve different securities, both private and public
Directly Owned Assets	Ownership in four producing non-operated wells Ownership of one gross overriding royalty	Ownership in four producing non-operated wells Ownership of one gross overriding royalty
Investment Services – Fees Earned	No services	Two services for two companies

SUBSEQUENT EVENTS

On February 2, 2018, the Corporation announced it had entered into a letter of intent dated January 21, 2018 with respect to a business combination with UMG (the "Transaction"), whereby the Corporation would acquire all of the issued and outstanding common shares of UMG. As of February 2, 2018, the Corporation owns approximately 19.2% of the common shares of UMG.

On July 12, 2018, the letter of intent announced on February 2, 2018 with UMG was terminated. The Corporation received a $250,000 termination fee in relation to the end of this transaction.

Monthly payments in the amount of $20,000 were made for each of July, August, September and October 2018 in regard to the short term loan of $375,000 outstanding at June 30, 2018.

SELECTED ANNUAL INFORMATION

	June 30, 2018 (audited)	**June 30, 2017 (audited)**	**June 30, 2016 (audited)**
Investment revenue	$(109,199)	$2,660,574	$(428,439)
Net petroleum revenue after royalties	42,390	51,946	53,123
Net comprehensive income (loss)	(710,326)	2,153,219	(1,226,096)
Total Assets	5,461,333	5,761,366	3,827,790
NAV	$0.12	$0.13	$0.08
Basic and diluted net income (loss) per share	(0.02)	0.05	(0.03)

SELECTED QUARTERLY INFORMATION

	Three-month period ended			
	Jun 30, 2018	**Mar 31, 2018**	**Dec 31, 2017**	**Sep 30, 2017**
Net revenue	$423,385	$(166,660)	$37,861	$(361,395)
Net comprehensive income (loss)	213,377	(281,070)	(138,000)	(504,633)
Basic and diluted – comprehensive income (loss) per share	0.00	(0.01)	(0.00)	(0.01)

	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)

The above noted financial data should be read in conjunction with the consolidated financial statements for the year ended June 30, 2018.

RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2018

Net investment revenues (loss)

For the year ended June 30, 2018, the Corporation recorded investment losses of $109,199 (2017 – investments income of $2,660,574) comprised of $48,956 (2017 - $102,877 in realized losses) in net realized gain on disposal of investments, $164,245 (2017 - $2,608,400 in unrealized gains) in net change in unrealized loss on investments, and $6,090 (2017 - $155,051) in interest income.

The Corporation's net realized gain on the disposal of investments of $48,956 for the year is composed of $6,992 in realized gains from the technology and media sector, $1,500 in realized gains from the mining sector, and $40,464 in realized gains from debt instruments.

The Corporation's interest income of $6,090 for the year has decreased as a result of minimizing the allocation of funds to be used for short term loans.

The Corporation incurred an unrealized loss on investments of $164,245 for the year ended June 30, 2018 compared to an unrealized gain of $2,608,400 in the same period in 2017. The unrealized gain in 2017 was due to an increase in market value related to the private eSports investment, UMG, of $3,437,500. The unrealized loss for the 2018 year is an adjustment to fair market value as at June 30, 2018 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, 2018 of $42,390, down from $51,946 in 2017.

General and administrative

General and administrative expenses for the year ended June 30, 2018 were $326,651 compared with $409,235 for the year ended June 30, 2017. The general and administrative expense for the year is mainly composed of consulting fees totaling $193,050 (2017 - $226,515). General and administrative expense is also composed of office rental fees of $44,651 (2017 - $49,306), insurance expense of $28,427 (2017 - $31,192). The remaining expense is composed of other general office expenses.

Net comprehensive income (loss)

The net comprehensive loss of $710,326 ($0.02 per share) for the year ended June 30, 2018 (2017 – net comprehensive income of $2,153,219) has decreased due to an increase in 2017 in unrealized gains on investments related to the private eSports investment, UMG, of $3,437,500. This represents a significant non-cash item in the 2017 year affecting income.

The net comprehensive loss for the year ended June 30, 2018 was also impacted by a decrease in investment activity in the year and an increase in non-cash asset retirement obligation estimates of $96,449.

Cash flow from operations

Cash flow from operations for year ended June 30, 2018 was a negative $191,895 compared to $110,835 2017. During the year ended June 30, 2018, the Corporation had proceeds from disposition of investments of $2,18,313 which resulted in a net realized gains of $48,956 compared to proceeds of $823,323 in 2017 with a net realized loss of $102,877. During the year ended June 30, 2018, the Corporation purchased $34,200 of investments compared to $194,300 in 2017.

THREE MONTH PERIOD ENDED JUNE 30, 2018

Net investment loss

For the three month period ended June 30, 2018, the Corporation recorded investment income of $418,461 (2017 – investment loss of $161,786) comprised of $42,964 in net realized gain on disposal of investments (2017 - net realized loss of $181,864), $375,000 in net change in unrealized gain on investments (2017 - net change in unrealized loss of $9,965), and $497 (2017 - $32,042) in interest income.

The Corporation's net realized gain on the disposal of investments of $42,964 for the period is composed entirely of $42,964 in realized gains from debt instruments.

The Corporation's interest income of $497 for the period has decreased as a result of minimizing the allocation of funds to be used for short term loans.

The Corporation incurred an unrealized gain on investments of $375,000 for the three month period. The unrealized gain for the period is an adjustment to fair market value for the Corporations investment in Redwing, and the new arrangement made with the original debtor as at June 30, 2018 and is a non-cash item that may fluctuate with each reporting period.

General and administrative

General and administrative expenses for the three month period were $55,442 compared with $115,555 for the same period in 2017. The general and administrative expense for the three month period is composed primarily of consulting fees totaling $30,000 (2017 - $61,215), office rental fees of $8,272 (2017 - $14,703), insurance expense of $7,270 (2017 - $7,069),and other general office expenses. Prior to year end, in an effort to reduce administrative costs and in recognition of market conditions, certain steps were taken by the company including all senior management reduced their monthly fees by 50%.

Net comprehensive loss

The net comprehensive income of $213,377 ($0.00 per share) for the three month period ended June 30, 2018 (2017 – net comprehensive loss of $323,506) increased due to an increase in unrealized gain on investments for the period related to the Corporation's Redwing investment, and the new deal made with the original debtor for collection.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2018, the Corporation will require additional funds to continue its investment strategy for the next twelve months. The Corporation will source funds through either debt or equity financing and such funds may not 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, 2018, the Corporation incurred consulting fees of $193,050 (2017– $226,425), and directors fees of $25,000 (2017 - $25,000), 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 $Nil (2017 - $1,384) in stock based compensation for options issued to key management. At June 30, 2018, $6,300 in consulting fees remained outstanding (2017 – $7,481) and $7,312 in directors fees remained outstanding (2017 - $5,000).

b.) Related party transactions

During the year ended June 30, 2018, the Corporation incurred legal costs of $16,565 (2017 - $6,596) 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, $Nil was included in trade and other payables at June 30, 2018 (2017 - $775).

For the year ended June 30, 2018, the Corporation owns common shares in a certain publicly traded companies that had a common director with a total fair value of $Nil (2017 - $310). For the year ended June 30, 2018, the Corporation recognized $Nil (2017 - $76,625) in realized losses and $Nil (2017 - $291,858) in unrealized investment losses on former related parties. The investments were entered into under the same terms as other non-related investments.

UMG, an e-Sports company that is involved in both live tournament events and online match play, with two related directors and officers in common, had an unrealized gain on investment of $3,437,500 as at June 30, 2017 with a cost of $1,358,000, giving it a fair value of $4,795,500 at June 30, 2018, which the Corporation determined based on the most recent private placements completed in 2017 and early 2018. The Corporations ownership of UMG shares is 20.1% as at June 30, 2018 (June 30, 2017 – 29%). These shares are unrestricted, common shares.

On February 2, 2018, the Corporation announced it had entered into a letter of intent dated January 21, 2018 with respect to a business combination with UMG (the "Transaction"), whereby the Corporation would acquire all of the issued and outstanding common shares of UMG. As of February 2, 2018, the Corporation owns approximately 19.2% of the common shares of UMG.

On July 12, 2018, the letter of intent announced on February 2, 2018 with UMG was terminated. The Corporation received a $250,000 termination fee in relation to the end of this transaction.

OFF-BALANCE SHEET TRANSACTIONS

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

ACCOUNTING POLICIES

The condensed interim 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, 2018 and 2017.

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, 2018 and 2017. 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, 2018 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, no impairment is anticipated.

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, no impairment is anticipated.

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, 2018			
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**
Cash and cash equivalents	$ –	$88,812	$ –
Trade and other receivables	–	8,019	–
Investments at fair value - equity	4,795,500	–	–
Investments at fair value – short term loans	375,000	–	–
Trade and other payables	–	–	(154,665)
Note payable	–	–	(250,000)
	$5,170,500	**$96,831**	**$(404,665)**

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)**

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).

Equity investments by sector consist of the following as at June 30, 2018:

Sector	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**% of total fair value**
Mining	$508,166	$ –	$ –	$ –	$ –	0%
Technology and other	1,813,268	–	–	4,795,500	4,795,500	100%
Total	**$2,321,434**	**$ –**	**$ –**	**$4,795,500**	**$4,795,500**	**100%**

Equity 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%**

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 $Nil (2017 - $4,960) change in the value of the investment.

The fair value of the level 3 investments of $4,795,500 (June 30, 2017 - $5,303,666) are subject to market risk, commodity risk and change in demand in the mining and technology industry. A 5% change in the stock price used to fair value these instruments will result in a corresponding $239,775 (June 30, 2017 - $265,183) 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.

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.

The fair value of the common shares included in level 3 of $4,795,500 (June 30, 2017 - $5,303,666) consists of two separate related party investments, Redwing Energy Services Ltd. (“Redwing”) and UMG Media Corp. (“UMG”). Each investment has been evaluated based on available data from the corporations involved.

Since June 30, 2017, the Corporation has incurred a write down of its holdings in Redwing. As at June 30, 2018, the Corporation held 50% of the common shares of Redwing and incurred a $508,166 unrealized loss for the year. Redwing is a shallow drilling company focused in the mining industry and has a related director and officer. Blackhawk’s holdings in Redwing have a cost of $508,166 and were acquired as a transfer of shares for the settlement of a short-term loan with an unrelated party on June 1, 2017.

Since June 30, 2017, the Corporation has been informed of significant changes to the operations at the mine in which the investment operates, including the cancellation of the contract under which Redwing operated. During 2017, the Corporation had taken settlement of the debt through the obtaining the shares of Redwing, during 2018 the Corporation had determined the fair value of the investment in Redwing at June 30, 2018, was $Nil. On June 20, 2018, the Corporation was able to negotiate a new agreement with the original debtor to the Corporation due to the situation with Redwing. The original debtor has agreed to pay Blackhawk a total of $450,000. The $450,000 has been moved to short terms loans, $75,000 of the total was paid before June 30, 2018. The remaining balance is non interest bearing and will be repaid with a minimum of $20,000 per month.

UMG, an e-Sports company that is involved in both live tournament events and online match play, with two related directors and officers in common, had an unrealized gain on investment of $3,437,500 as at June 30, 2017 with a cost of $1,358,000, giving it a fair value of $4,795,500 at June 30, 2018, which the Corporation determined based on the most recent private placements completed in 2017 and early 2018.

In May, 2016, the Corporation participated in a private placement of UMG in the amount of $1,250,000 at $0.40 per share giving the Corporation approximately 63% ownership in UMG. 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 additional shares of 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 several private placements throughout 2017 and early 2018, diluting the Corporations ownership to 20.1% as at June 30, 2018 (June 30, 2017 – 29%). These shares are unrestricted, common shares.

On February 2, 2018, the Corporation announced it had entered into a letter of intent dated January 21, 2018 with respect to a business combination with UMG (the “Transaction”), whereby the Corporation will acquire all of the issued and outstanding common shares of UMG. On July 12, 2018 the letter of intent was terminated, and the Corporation received a $250,000 termination fee from UMG (see note 8 and note 20).

Short term loan investments consist of the following:

	June 30, 2018	June 30, 2017
Short term loans	$375,000	$162,561
Total loan investments	**$375,000**	**$162,561**

In June, 2017, the Corporation settled one of its short term loans for shares of Redwing in the amount of $508,166 for 400 common shares, which gave the Corporation 50% ownership in Redwing. Since June 30, 2017, the Corporation has been informed of significant changes to the operations at the mine in which the investment operates, including the cancellation of the contract under which Redwing operated. During 2017, the Corporation had taken settlement of the debt through the obtaining the shares of Redwing, during 2018 the Corporation had determined the fair value of the investment in Redwing at June 30, 2018, was $Nil. On June 20, 2018, the Corporation was able to negotiate new agreement with the original debtor to the Corporation due to the situation with Redwing. The original debtor has agreed to pay Blackhawk a total of $450,000. The $450,000 has been moved to short terms loans, $75,000 of the total was paid before June 30, 2018. The remaining balance is non interest bearing and will be repaid with a minimum of $20,000 per month.

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 16 months or less at an average interest rate of Nil (June 30, 2017 – 21%).

On September 30, 2017, the Corporation wrote down $25,000 (June 30, 2017 - $181,864) worth of short term loans as they were deemed uncollectable. On December 21, 2017, the Corporation was able to collect on $22,500 of the short term loans written down. The Corporation had begun the process to enforce collection on $Nil (June 30, 2017 - $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 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 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.