



BLACKHAWK RESOURCE CORP.

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

FOR THE MONTHS ENDED SEPTEMBER 30, 2019

November 28, 2019

**BLACKHAWK RESOURCE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019**

Management's Discussion and Analysis should be read in conjunction with the condensed interim consolidated financial statements for the three months ended September 30, 2019. 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 review both equity and debt investment opportunities. The goal of this strategy is to build a portfolio of investments, which is expected to include equity and debt instruments. The Corporation has focused its investments in the cannabis and CBD industries, in both Canada and the US.

In August 2019 the Corporation announced that it is taking its first step into the US cannabis and CBD market with the proposed acquisition of KO Logistics LLC in Shasta Lake, California ("KOBrands"). Blackhawk views an investment in KO Brands as another opportunity for its shareholders to be a part of a fragmented and fast-growing US cannabis market. Blackhawk and KO Brands have entered into a term sheet dated August 21, 2019, to review a potential acquisition.

Following completion of the acquisition, KO Brands will form part of Blackhawk's existing portfolio of investments in the retail cannabis sector. KO Brands existing management will retain responsibility for overseeing day-to-day operations. Blackhawk will leverage contacts previously established by Green Room's management team to improve and expand KO's product and client base in the U.S. Currently Blackhawk holds interests in Noble Line Inc. a US based on line CBD retailer, and a number of Canadian based retail cannabis license applicants.

In July 2019 the Corporation reached an agreement to acquire the rights to two additional leases for The Green Room's retail cannabis dispensary locations, both in Powell River, British Columbia. The first store is located on 6239 Walnut Street while the second one is located on Unit #3, 4296 Joyce Avenue. Blackhawk acquired all of the outstanding share capital of 1216372 B.C. Ltd. in consideration for the issuance of 20 million common shares of Blackhawk.

PORTFOLIO INVESTMENTS

As at September 30, 2019, the Corporation held total investments of \$1,395,697 comprised of equity type investments of \$1,042,113 and short term loan investments of \$353,584. In addition, the Corporation held a cash balance of \$47,454.

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Investments at fair value by sector consist of the following as at September 30, 2019:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Technology and other	\$ 2,805,318	\$ -	\$ -	\$ 1,042,113	\$1,042,113	100%
Mining	508,166	-	-	-	-	-
Total	\$ 3,313,484	\$ -	\$ -	\$ 1,042,113	\$1,042,113	100%

Investments at fair value 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%
Cannabis	1,350,050	-	-	42,113	42,113	51%
Technology and Esports	455,268	-	40,162	-	68,810	49%
Total Investments at Fair Value	\$2,313,484	\$ -	\$40,162	\$42,113	\$82,275	100%
Investments due to shareholders	\$1,358,000	\$ -	\$ -	\$4,089,280	\$4,089,280	

Debt instrument investments consist of the following as at September 30, 2019:

Short term loans	\$353,584
Total current debt instrument investments	\$353,584

Debt instrument investments consist of the following as at June 30, 2019:

Short term loans	\$290,000
Total current debt instrument investments	\$290,000

*Realizable amounts may differ from carrying values.

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The fair value of Noble Line Inc. (“Noble”), that is active in the online hemp and CBD products is \$Nil and is included in level 3. As at September 30 and June 30, 2019, the Corporation owned 71,500 common shares with an initial value of \$0.70 per share, representing 13.5% ownership. The investment has been evaluated based on available data from Noble, and given the need for Noble to find additional capital funding, the higher than expected costs of start up and the increased competition in the industry, the Corporation has taken a write down of this investment of \$50,050 during the year ended June 30, 2019.

The fair value of 1202465 BC Ltd., a company that has a retail leased location in BC, which was acquired on May 17, 2019 is \$42,113 with a cost of \$1,300,000 and is included in level 3. The investment is comprised of 100% of the common shares of 1202465 BC Ltd. Due to the lack of additional information to support the initial purchase price, the investment was evaluated based on the present value of the future lease payments resulting in a write down of this investment of \$1,257,887 during the year ended June 30, 2019.

In June, 2017, the Corporation settled one of its short term loans for shares of Redwing, a related party with a director and officer in common, in the amount of \$508,166 for 400 common shares, which gave the Corporation 50% ownership in Redwing. 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 the Corporation a total of \$450,000. The \$450,000 has been moved to short terms loans. The balance was repaid prior to June 30, 2019.

At September 30, 2019, the Corporation held two short term loans for an aggregate principal of \$345,000. Interest will accrue on the total amount outstanding as of the maturity.

On June 30, 2019, the Corporation evaluated the value of a loan to Noble of \$195,000 and determined that based on the need for the company to secure additional capital funding, that the collectability of the loan was uncertain. The Corporation has taken a write down of the loan of \$195,000 as at June 30, 2019 and will continue to re-evaluate the collectability on a month by month basis.

SELECTED ANNUAL INFORMATION

	June 30, 2019	June 30, 2018	June 30, 2017
	(audited)	(audited)	(audited)
Investment revenue (loss)	\$(1,908,988)	\$(109,199)	\$2,660,574
Net petroleum revenue after royalties	-	42,390	51,946
Net comprehensive income (loss)	(2,310,616)	(710,326)	2,153,219
Total Assets	4,830,711	5,461,333	5,761,366
NAV	\$0.01	\$0.12	\$0.13
Basic and diluted net income (loss) per share	\$(0.03)	(0.02)	0.05

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SELECTED QUARTERLY INFORMATION

	<u>Three-month period ended</u>			
	<u>Sep 30, 2019</u>	<u>Jun 30, 2019</u>	<u>Mar 31, 2019</u>	<u>Dec 31, 2018</u>
Net revenue (loss)	\$(36,187)	\$(2,166,554)	\$ -	\$ -
Net comprehensive income (loss)	(256,028)	(2,404,098)	49,633	(128,152)
Basic and diluted – comprehensive income (loss) per share	(0.00)	(0.06)	0.00	0.00

	<u>Three-month period ended</u>			
	<u>Sep 30, 2018</u>	<u>Jun 30, 2018</u>	<u>Mar 31, 2018</u>	<u>Dec 31, 2017</u>
Net revenue	\$257,566	\$423,385	\$(166,660)	\$37,861
Net comprehensive income (loss)	172,001	213,377	(281,070)	(138,000)
Basic and diluted – comprehensive income (loss) per share	0.00	0.00	(0.01)	(0.00)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019

Net investment income (loss)

For the three months ended September 30, 2019, the Corporation recorded unrealized investment loss of \$40,162 (2018 – \$nil). The investment loss is due to the unrealized loss on investment in the UMG warrants held of \$40,162.

General and administrative

Total expenses for the three months ended September 30, 2019 were \$219,841 compared with \$85,565 for the three months ended September 30, 2018. The general and administrative expense for the three months is mainly composed of consulting fees totaling \$103,000 (2018 - \$27,750). General and administrative expense is also composed of office rental fees of \$7,607 (2018 - \$7,829), insurance expense of \$3,088 (2018 - \$7,464) and promotion fees of \$16,505 (2018 - \$nil). The remaining expense is composed of other general office expenses.

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Net comprehensive loss

The net comprehensive loss of \$256,028 (\$0.00 per share) for the three months ended September 30, 2019 (2018 – income \$172,001) has increased due to increase in consulting fees by \$103,000. The increase was due to the Corporation evaluating various business development strategies in changing markets. During the three months ended September 30, 2019 the Corporation recorded \$47,434 in share based compensation expense. There was no share based compensation expense recorded during the comparative period of the previous year.

Cash flow from operations

The Corporation used \$117,877 in continuing operations during three months ended September 30, 2019 as compared recovery of \$298,379 during the same period of the previous year. During the three months ended September 30, 2018 the Corporation had proceeds of disposition of \$60,000. During the three months ended September 30, 2019 the Corporation did not dispose of any investments for cash. During the three months ended June 30, 2019, the Corporation spent \$63,584 investing in loans. There were no cash loan investments in the comparative period of the previous year. During the three months period ended September 30, 2019 the Corporation also received a termination fee of \$250,000.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, 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 three months ended September 30, 2019, the Corporation incurred consulting fees of \$19,000 (2018– \$27,750), and directors fees of \$7,500 (2018 - \$6,250), paid to companies which are controlled by key management of the Corporation. At September 30, 2019, \$7,500 in directors fees remained outstanding (June 30, 2019 – \$9,000).

b) Related party transactions

During the three months ended September 30, 2019, the Corporation incurred legal costs of \$5,871 (2018 - \$6,727) 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 fair value of the service provided. \$44,746 was payable to this law firm at September 30, 2019 (June 30, 2019 - \$40,674).

c) Investments with related parties

The fair value of Redwing Energy Services, a related party (with one common officer and director), was determined to be \$Nil as at June 30, 2019 (June 30, 2018- \$Nil) due to the company ceasing to have any operations back in October 2017.

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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 4 of the Corporation's consolidated financial statements for the years ended June 30, 2019 and 2018.

A summary of the Corporation's significant accounting policies under IFRS is presented in note 4 – "Significant accounting policies" in the Corporation's consolidated financial statements for the years ended June 30, 2019 and 2018. 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.

FUTURE ACCOUNTING STANDARDS

IFRS 16 – Accounting for Leases

IFRS 16 replaces IAS 17, Leases was released in January 2016. This standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Adoption of IFRS 16 is mandatory and will be effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Corporation is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and does not expect material changes.

INVESTMENTS AT FAIR VALUE AND FINANCIAL HIERARCHY

Financial hierarchy:

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).

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Equity investments by sector consist of the following as at September 30, 2019:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Technology and other	\$ 2,805,318	\$ -	\$ -	\$ 1,042,113	\$1,042,113	100%
Mining	508,166	-	-	-	-	-
Total	\$ 3,313,484	\$ -	\$ -	\$ 1,042,113	\$1,042,113	100%

Equity investments by sector consist of the following as at June 30, 2019:

Sector	Cost	Level 1	Level 2	Level 3	Total fair value	% of total fair value
Mining	\$508,166	\$ -	\$ -	\$ -	\$ -	0%
Cannabis	1,350,050	-	-	42,113	42,113	51%
Technology and Esports	455,268	-	40,162	-	40,162	49%
Total Investments at Fair Value	\$2,313,484	\$ -	\$40,162	\$42,113	\$82,275	100%
Investments due to shareholders	\$1,358,000	\$ -	\$ -	\$4,089,280	\$4,089,280	

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.

During the three months ended September 30, 2019 the Corporation estimated the fair value of the warrants based on the residual method, taking into consideration exercise price and market price of the underlining shares. At September 30, 2019 the fair value of the warrants is estimated to be \$nil. At June 30, 2019 the fair value of warrants was 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.

The investments due to shareholders of \$4,089,280 was declared as a return of capital on April 8, 2019 and was categorized as a level 3 investment. During the three months ended September 30, 2019 the shares were distributed to the shareholders of the Corporation.

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The fair value of the level 3 investments of \$1,042,113 (June 30, 2019 - \$42,114 and \$4,089,280) are subject to market risk, commodity risk and change in demand in the mining, technology and other industries. A 5% change in the stock price used to fair value these instruments will result in a corresponding \$52,106 (June 30, 2019 - \$204,464) 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 entities that are controlled by the Corporation.

The fair value of the common shares included in level 3 of \$1,042,113 (June 30, 2019 - \$42,113 and \$4,089,280) have been evaluated based on available data from the corporations involved and the purchase value of the investment.

The fair value of Noble Line Inc. ("Noble"), a related party (with one common director) that is active in the online hemp and CBD products was determined to be \$Nil and is included in level 3. As at September 30, 2019 and June 30, 2019, the Corporation owned 71,500 common shares with an initial value of \$0.70 per share, representing 13.5% ownership. The investment has been evaluated based on available data from Noble, and given the need for Noble to find additional capital funding, the higher than expected costs of start up and the increased competition in the industry, the Corporation has taken a write down of this investment of \$50,050 during the year ended June 30, 2019.

The fair value of 1202465 BC Ltd., a company that has applied for a retail cannabis license at a leased location in BC, which was acquired on May 17, 2019 is \$42,113 with a cost of \$1,300,000 and is included in level 3. The investment is comprised of 100% of the common shares of 1202465 BC Ltd. Due to the lack of additional information to support the initial purchase price, the investment was evaluated based on the present value of the future lease payments resulting in a write down of this investment of \$1,257,887 during the year ended June 30, 2019.

The fair value of 1216372 BC Ltd., a company that has applied for a retail cannabis license at a leased location in BC, which was acquired on July 29, 2019 is \$1,000,000 with a cost of \$1,000,000 and is included in level 3. The investment is comprised of 100% of the common shares of 1216372 BC Ltd. The fair value was determined based on the number of the Corporation shares issued and market value of the Corporation shares on the investment date.

The fair value of \$4,089,280 of the UMG Media Corp. ("UMG") common shares included in level 3 as at June 30, 2019 was due to shareholders and is a related party investment (a related party with two directors and two officers in common). The investment has been evaluated based on available data from UMG, including prior private placements. As at June 30, 2019, the Corporation owned 3,197,000 common shares, representing a 19.2% ownership. All of the shares were distributed to the Corporations shareholders as a return of capital during the three months ended September 30, 2019.

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Short term loan investments consist of the following:

	September 30, 2019	June 30, 2019
Short term loans	\$353,584	\$290,000
Total loan investments	\$353,584	\$290,000

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 17% (June 30, 2019 – 17%) starting July 1, 2019.

On June 30, 2019, the Corporation evaluated the value of a loan to Noble of \$195,000 and determined that based on the need for the company to secure additional capital funding, that the collectability of the loan was uncertain. The Corporation has taken a write down of the loan of \$195,000 as at June 30, 2019, and will continue to re-evaluate the collectability on a month by month basis. As at September 30, 2019 the value of the loan was estimated to be \$nil.

As at June 30, 2019 the Corporations short term loans included two related party loans for a total of \$345,000 (September 30, 2019 - \$90,000).

DISCLOSURE OF OUTSTANDING SHARE DATA

Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	101,161,374
Preferred	Nil	Unlimited	Nil

Description of Options and Contingent Performance Rights Outstanding

Security Type	Number	Exercise Price	Expiry Date	Recorded Value
Options	1,500,000	\$0.10	August 4, 2020	N/A
Options	3,600,000	\$0.10	July 29, 2024	N/A

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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.

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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

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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

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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

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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.