



**Blackhawk Growth Corp.**

**BLACKHAWK GROWTH CORP.**

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**October 28, 2021**

**BLACKHAWK GROWTH CORP.  
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FOR THE YEAR ENDED JUNE 30, 2021**

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Management’s Discussion and Analysis should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2021. 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 Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in the financial statements are the same as those applied in the Company’s annual consolidated financial statements as at and for the year ended June 30, 2021.

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

**BUSINESS DESCRIPTION**

Blackhawk Growth Corp. (“Blackhawk” or the “Company”) continues to review both equity and debt investment opportunities. The Company has focused its investments in the health, cannabis and CBD industries, in both Canada and the US.

**HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2021**

- Blackhawk newly purchased investments:
  - 89.4% remaining share capital of Noble Linc Inc. (Blackhawk previously own 10.6% of Noble Linc Inc.)
  - Sac Pharma Partners Inc., an entity operates in cannabis business in California through its wholly-owned subsidiary.
  - Trip Pharma Inc., operating as LeichtMind Clinics, a psychedelic development ad wellness company based in Edmonton, Alberta.
- Spaced Food begins production of cannabis infused products for retail distribution
- LeichtMind Clinic opens in Edmonton
- As at June 30, 2021, Blackhawk held \$6,318,835 in current investments.

Noble Line Inc.

In November 2020, the Company acquired all of the remaining outstanding shares of Noble Line Inc. (“Noble”). The Company previously held 71,500 common shares of Noble, representing 10.6% ownership. Noble operates an online store, <https://noblehemp.com/>, with an array of CBD/Hemp consumable and topical products. Manufacturing and fulfillment operations are based out of Colorado and California. Noble currently sells products in all 50 US states. All current products are made certified organic, are gluten-free and contain no GMOs.

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During the year ended June 30, 2021, the Company provided advances to Noble of \$368,211 incurred as an investment in Noble. As at June 30, 2021 the fair market value of the company was estimated to be \$901,145 (June 30, 2020 - \$Nil). The investment has been evaluated based on available data from Noble.

Sac Pharma Partners Inc.

In July 2020, the Company acquired all of the outstanding share capital of SAC Pharma Partners Inc. by issuing 5,040,000 common shares of the Company with a cost of \$1,890,000.

SAC Pharma is a privately-owned British Columbia company which, through its wholly-owned subsidiary, SAC Pharma Partners USA, Inc. (“SAC Pharma USA”), operates a facility for the licensed production of cannabis in California.

Spaced Food

The Company entered into a definitive share purchase agreement dated January 23, 2020, to acquire all of the outstanding shares of Spaced Food Inc. The consideration to acquire Spaced Food was up to 10,000,000 common shares of Blackhawk; and the number of common shares to be issued to Spaced Food shareholder(s) was based on the “Gross Revenue” of Spaced Food up to March 31, 2021.

On January 26, 2021, the agreement was amended to extend the performance-based pay structure. The acquisition of Spaced Food is pending and has not been completed yet.

In January 2021, Spaced Food, through a distribution agreement with a publicly traded international Cannabis producer (“The Distributor” or “Distributor”) for the distribution of Spaced Food’s Revolutionary Cannabis Edible product line in Canada. Approval of product for sale has been received and Spaced Foods built the production facility in Calgary, Alberta and is expected to be fully operational shortly.

Trip Pharma Inc. – LeichtMind Clinic

In October 2020, the Company acquired all of the outstanding shares of Trip Pharma Inc. (“LeichtMind”) by issuing 1,320,000 common shares of the Company with a cost of \$825,00. LeichtMind is a psychedelic development and wellness company based in Edmonton, Alberta. During the year ended June 30, 2021, the Company provided advances to LeichtMind of \$98,344 incurred as an investment in LeichtMind.

In January 2021, LeichtMind opened its first clinic that will provide a supply of high-quality products for use in research and prescription for clinical patients. LeichtMind is conducting research in psilocybin producing mushrooms. Leichtmind is in the process of submitting an application for a Controlled Drugs and Substances Dealers License in Canada and is working to source a library of Psilocybin Cubensis genetics. If and when Leichtmind receives its dealers license, the clinic intends to conduct research into the use of psilocybin for the treatment of depression, anxiety, post-traumatic stress, chronic pain and fatigue, sleep disorders, sexual dysfunction, and attention deficit symptomatology, and then meet with patients to gauge their interest in the use of psilocybin as a potential therapy.

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NuWave Food Inc.

The Company owns 7,650 common shares of Nu Wave Foods Inc. ("Nu Wave") with an initial cost of \$420,000 which represents 51% of the common shares outstanding in Nu Wave. During the year ended June 30, 2021, the Company provided advances to Nu Wave of \$363,892 incurred as an investment in Nu Wave.

NuWave is a fully licensed commercial kitchen and baked goods manufacturer that is developing shelf-table baked goods with no preservatives, solving a long-time issue in baked good. In December 2020, it signed a commercial license and an equipment purchase agreement with EnWave Corporation (TSX-V:ENW) ("EnWave") a Vancouver-based advanced technology company, that has developed a Radiant Energy Vacuum ("REV™") – an innovative, proprietary method for the precise dehydration of organic materials. Since May 2020, NuWave has been evaluating EnWave's patented Radiant Energy Vacuum ("REV™") dehydration technology and successfully developed several shelf-stable baked products it intends to commercialize under the License. NuWave has paid EnWave an initial non-refundable deposit to purchase both a 10kW and 60kW REV™ machine from EnWave.

Gaia Grow Corp.

The Company owns 30,000,000 common shares of Gaia which is approximately 9.5% of its outstanding shares. Gaia is a publicly traded Canadian corporation focused on farming Industrial Hemp for Medical Purposes whose shares are traded on the TSX-V under the symbol GAIA. The shares of Gaia had a fair value of \$1,500,000 at June 30, 2021 (June 30, 2020 - \$750,000).

Gaia Grow Corp. has recently acquired Tru Extracts (Calgary) Inc., Tru Extracts operates a cannabis extraction facility in Calgary, Alberta

In addition, Gaia acquired Canna Stream Solutions Ltd. ("CSS"). Canna Stream Solutions hold proprietary technology in the cannabis extraction industry.

Medigen Covid-19 Test Kits

In August 2020, the Company entered into a distribution agreement with Medigen Biotechnology Corporation and its affiliate company TBG Biotechnology Corp. to distribute certain diagnostic products, including an ExProbe SARS-CoV-2 Testing Kit and a SARS-CoV-2 IgG/IgM Rapid Test Kit (collectively, the "Test Kits") used in the detection of antibodies associated with COVID-19. During the year ended June 30, 2021, Blackhawk recorded a net revenue of \$26,914 in relation to sales of the kits.

TERP Wholesale, LLC

In April 2021 the Company entered into a letter of intent, with TERP Wholesale, LLC ("TERP"), an arm's-length party, to acquire all the shares of TERP. It is contemplated that the Company would acquire all of the outstanding membership interests in TERP in consideration for CDN \$2,500,000 which would be satisfied through the issuance of common shares of the Company to the existing members of TERP.

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For the year ended December 31, 2020, TERP reported unaudited gross revenue of CDN\$3,439,000 and net income of CDN\$1,835,000.

TERP Wholesale is a fully licensed distribution center in the state of California. TERP packages and manufacturers some of the highest quality exotic brands and high THC products in the state. Distribution professionals, guided by a proven team with extensive experience in cannabis and quality-assured distribution. Current brands include, but are not limited to Sunshine Delight, Norcal's Finest, California Cannabis, and Scoopz. TERP provides supply chain solutions to the industry with the use of innovative technology, information management experts, security specialists, and sales/marketing professionals. Utilizing proven distribution methods, TERP's model is based on a perishable supply chain strategy that emphasizes the importance of quality assurance and customer satisfaction.

TERP provides tax collection and fulfills all state reporting requirements. TERP is a one stop shop for Category Management, Compliance & Regulatory, Warehousing, Sales & Marketing.

Upon completion of the proposed transaction, it is expected that TERP will become the US distribution channel of Spaced Food Ltd., Blackhawk's unique shelf stable cannabis edibles company. Spaced Food will be Manufactured and Distributed by TERP beginning immediately after completion of the Definitive Agreement.

Engine Media Holdings Inc.

On January 22, 2021, the Company settled the loan balances and other receivables from UMG Media Corp. which was acquired by Engine Media Holdings Inc. ("Engine Media") in exchange of 7,703 shares and 3,852 warrants of Engine Media resulting in a loss of settlement of \$15,317 during the year ended June 30, 2021. Engine is a multi-platform media group leading the charge in esports, news streaming and gaming.

7,703 shares of Engine Media were acquired with a cost of \$82,083 based on the quoted share price of Engine Media on January 22, 2021. In June 2021, the Company sold all shares of Engine Media for gross proceeds of \$103,439 and realized a gain of \$21,356 on its investment in Engine Media.

The fair value of 3,852 warrants acquired was estimated to be \$41,043 using the Black-Scholes pricing model, taking into account amounts that are believed to approximate the volatility of the trading price of Engine Media's shares, the expected lives of the warrants, the fair value of Engine Media's stock and the risk-free interest rate, as determined at the grant date. At June 30, 2021 the fair value of warrants was estimated to be \$56,377 using the Black-Scholes pricing model, resulting in an unrealized gain of \$15,334 during the year ended June 30, 2021.

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Fantasy Aces Daily Fantasy Sports Corp.

The Company owns 3,642,146 common shares of Fantasy Aces Daily Fantasy Sports Corp. (“Fantasy”) which is a publicly traded US corporation focused on providing fantasy sports games, social media, and advertising in the United States. The shares of Fantasy had a fair value of \$9,470 (2020 - \$Nil) at June 30, 2021. The Company recorded an unrealized gain of \$9,470 (2020 - \$Nil) for its investment in Fantasy during the year ended June 30, 2021.

**As at June 30, 2021 the Company’s equity investments consist of the following:**

<u>Company</u>	<u>Cost</u>	<u>Fair Value</u>
SAC Pharma Partners Inc.	\$ 1,890,000	\$ 1,890,000
Noble Line Inc.	951,195	901,145
Trip Pharma	923,344	923,344
NuWave Foods Inc.	783,892	783,892
Gaia Grow Corp.	1,050,000	1,500,000
Engine Media (UMG)	41,043	56,377
Fantasy Aces Daily Fantasy Sports Corp.	455,268	9,470
Spaced Food Inc.	254,607	254,607
<b>Total Equity Investments</b>	<b>\$6,349,349</b>	<b>\$ 6,318,835</b>

**Short-term loans consist of the following:**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Short term loans	259,609	349,609
<b>Total loan investments</b>	<b>\$ 259,609</b>	<b>\$ 349,609</b>

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**SELECTED QUARTERLY INFORMATION**

	Three-month period ended			
	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
Investment revenue (loss)	\$ (1,144,957)	\$ -	\$ 1,757,608	\$ 220,757
Net comprehensive income (loss)	\$ (2,097,705)	\$ (1,240,570)	902,928	(85,058)
Basic and diluted – comprehensive income (loss) per share	\$ (0.12)	(0.06)	0.06	(0.00)

	Three-month period ended			
	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Investment revenue (loss)	\$ (117,406)	\$ -	\$ -	\$ (36,187)
Net comprehensive income (loss)	(1,169,599)	(313,464)	(126,130)	(256,028)
Basic and diluted – comprehensive income (loss) per share	(0.25)	(0.00)	(0.00)	(0.00)

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2021**

**Net investment income (loss)**

For the three months ended June 30, 2021, the Company recorded unrealized investment loss of \$1,181,096 (2020 – gain of \$957,887), realized gain of \$21,356 (2020 - \$nil) and interest revenue of \$14,783 (2020 - \$74,707).

**Expenses**

Total expenses for the three months ended June 30, 2021 were \$940,700 compared with \$595,401 for the three months ended June 30, 2020. General and administrative expense of \$118,467 (2020 - \$160,364) is composed of office expense, insurance expense, travel and vehicle expense. The remaining expense is composed of consulting fees of \$522,708 (2020 – \$258,624), professional fees of \$Nil (2020 - \$125,202) and share-based compensation of \$284,983 (2020 - \$(734)). The increase in consulting fees was due to the acquisitions and in-house assistance with operations.

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**Net comprehensive loss**

The net and comprehensive loss of \$2,097,705 (2020 – \$19,600) for the three months ended June 30, 2021 was a result of the following:

- Increase in unrealized investment loss due to the valuation of the Company investment portfolio.
- Increase in consulting fee from \$258,624 incurred during the three months ended June 30, 2020 to \$522,708 incurred during the three months ended June 30, 2021. The increase is due to the Company using consulting services in evaluating potential investments, completion of transactions and inhouse assistance with operations and marketing.
- Increase in share-based compensation from \$(734) in 2020, to \$284,983 in 2021. The increase is due to new stock options being granted in 2021, while stock options granted in 2020 were still vesting.

**RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED  
JUNE 30, 2021**

**Net investment income (loss)**

For the year ended June 30, 2021, the Company recorded unrealized investment gain of \$774,803 (2020 – gain of \$917,725), realized gain of \$21,356 (2020 – loss of \$1,150,000) and interest gain of \$37,249 (2020 - \$78,682).

**Expenses**

Total expenses for the twelve months ended June 30, 2021 were \$3,339,513 compared with \$1,254,835 for the twelve months ended June 30, 2020. General and administrative expense of \$293,333 (2020 - \$334,596) is composed of office expense, insurance expense, travel and vehicle expense. The remaining expense is composed consulting fees of \$2,097,198 (2020 - \$582,274), professional fees of \$171,254 (2020 - \$197,581), directors' fee of \$18,000 (2020 - \$8,750), bank services charges of \$2,908 (2020 - \$1,588) and share-based compensation of \$756,920 (2020 - \$79,689).

**Net comprehensive loss**

The net and comprehensive loss of \$2,520,405 (\$0.14 per share) for the twelve months ended June 30, 2021 (2020 – \$1,865,221) has increased due to:

- Investment gain of \$796,159 for the twelve months ended June 30, 2021, compared to investment loss of \$232,275 during the twelve months ended June 30, 2020. The investment gain has increased mainly due to the increase in fair value of Gaia Grow Corp.
- Additional interest revenue of \$37,640 for the twelve months ended June 30, 2021, compared to \$78,682 for the twelve months ended June 30, 2020.

The higher investment income was partially offset by higher expenses for the twelve months ended June 30, 2021 compared to the twelve months ended June 30, 2020.



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- Increase in consulting fee from \$582,274 incurred during the twelve months ended June 30, 2020 to \$2,097,198 incurred during the twelve months ended June 30, 2021. The increase is due to the Company using consulting services in evaluating potential investments completion of transactions and inhouse assistance with operations and marketing.
- Increase in share-based compensation from \$79,689 in 2020, to \$756,920 in 2021. The increase is due to new stock options granted in 2021, while stock options granted in 2020 were still vesting.

During the twelve months ended June 30, 2021, the Company incurred other expenses as follows:

- Loss on settlement of debts of \$75,559 (2019 - \$Nil). The loss was incurred on the issuance of common shares in satisfaction of outstanding amount payable to two vendors, whereby the trading value of those shares on closing on the settlement date were lower than the deemed value.
- Gain of \$26,913 on sell of Covid-19 Test Kits.

**Cash flow from operations**

During the twelve months ended June 30, 2021, the Company used \$2,834,455 in operations compared to \$745,958 during the twelve months ended June 30, 2020. The increase in cash used for operations is mainly due to the Company expanding its operations and investing activities.

**LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2021, the company had a working capital of \$1,015,921 (June 30, 2020 working capital - \$334,604). The Company will require additional funds to continue its investment strategy for the next twelve months. The Company 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 Company's Directors and Officers.

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

For the year ended June 30, 2021, the Company incurred consulting fees of \$155,500 (2020 – \$52,897), directors fees of \$18,000 (2019 - \$8,750) and general and administrative fees of \$60,000 (2020 - \$Nil), paid to companies which are controlled by key management of the Company. At June 30, 2021, \$1,489 (June 30, 2020 - \$Nil) remained payable to a related party.

During the year ended June 30, 2021 the Company granted stock options to related parties for the value of \$145,279 (2020 - \$nil) and restricted shares units for the value of \$262,958 (2020- \$nil).

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**OFF-BALANCE SHEET TRANSACTIONS**

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

**ACCOUNTING POLICIES**

The condensed consolidated interim financial statements and related MD&A have been prepared on a historical cost basis except as disclosed in note 4 of the Company's consolidated financial statements for the year ended June 30, 2021.

A summary of the company's significant accounting policies under IFRS is presented in note 4 – "Significant accounting policies" in the Company's financial statements for the year ended June 30, 2021. These policies have been applied consistently for all periods presented in the condensed consolidated interim financial statements.

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

**FINANCIAL INSTRUMENTS AND RISKS**

The use of financial instruments can expose the Company to several risks including credit, liquidity, and market risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

**a) Credit risk:**

The Company is subject to credit risk on its cash and cash equivalents, trade and other receivables, short term loans at fair value and equity investments at fair value.

Cash and cash equivalents, when outstanding, consist of cash bank balances and short-term deposits maturing in 90 days or less. The Company manages the credit exposure related to short term investments by selecting counter parties based on credit ratings and monitors all investments to ensure a stable return. The maximum credit risk exposure associated with the Company's financial assets is the carrying value.

At June 30, 2021, the Company's trade and other receivables of \$175,012 (June 30, 2020 - \$45,269) consisted of \$118,324 (June 30, 2020 - \$13,448) due from the government in relation to GST returns, and \$56,688 (June 30, 2020 - \$31,821) of interest receivable.

The Company's receivables are normally collected within a 60–90-day period. Management believes that the credit risk with respect to trade and other receivables is minimal.

After initial recognition, trade and other receivables are allocated to one of three stages of the expected credit loss model to determine the expected credit loss ("ECL") as follows:

- Stage 1: Credit risk has not increased significantly since initial recognition
- Stage 2: Credit risk has increased significantly since initial recognition
- Stage 3: There is objective evidence of impairment as at the reporting date

As at June 30, 2021 and June 30, 2020, the Company assessed its trade and other receivables for impairment. During the year ended June 30, 2020, the Company recorded an allowance for doubtful amounts of \$51,945 related to its trade receivables.

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The Company manages its credit risk on equity investments through thoughtful planning, significant due diligence of investment opportunities and by conducting activities in accordance with the investment policies that are approved by the Board of Directors. Management reviews the financial conditions of its investee companies regularly.

**b) Liquidity risk:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Company's reputation.

The following are the contractual maturities of financial liabilities as at June 30, 2021:

<b>Financial Liabilities</b>	<b>&lt; One Year</b>	<b>&gt; One Year</b>
Trade and other payables	\$60,280	\$ -
<b>Total</b>	<b>\$60,280</b>	<b>\$ -</b>

The following are the contractual maturities of financial liabilities as at June 30, 2020:

<b>Financial Liabilities</b>	<b>&lt; One Year</b>	<b>&gt; One Year</b>
Trade and other payables	\$429,145	\$ -
<b>Total</b>	<b>\$429,145</b>	<b>\$ -</b>

**c) Market risk:**

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

Additionally, the Company is required to fair value its equity investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Company's financial position.

- Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market on traded investments. The Company has a concentration of equity price risk due to one of its investments being worth a significant amount of its portfolio. The Company sets thresholds on purchases of investments over which approval of the Board of Directors is required. During periods of significant broader market volatility or volatility experienced by the resource or commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations. At June 30, 2021, a 5% change in the closing trade price of the Company's equity investments would result in a \$37,500 (June 30, 2020 - \$37,500) change in unrealized gain (loss) on investments.

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**DISCLOSURE OF OUTSTANDING SHARE DATA**

**Issued Share Capital as of the Financial Statement Date**

<b>Class</b>	<b>Par Value</b>	<b>Authorized</b>	<b>Issued at June 30, 2021</b>	<b>Issued at October 28, 2021</b>
Common	Nil	Unlimited	25,252,575	48,435,255
Preferred	Nil	Unlimited	Nil	Nil

**Description of Issued Warrants as of the Financial Statement Date and the Date of this MD&A**

<b>Outstanding</b>	<b>Remaining Life (years)</b>	<b>Exercise Price</b>
1,840,000	3.47	\$ 1.25
200,000	0.82	\$ 1.50
5,154,970	1.75	\$ 0.60
<b>7,194,970</b>	<b>2.16</b>	<b>\$ 0.79</b>

**Description of Stock Options Outstanding as of the Financial Statement Date and the Date of this MD&A**

<b>Outstanding</b>	<b>Exercisable</b>	<b>Remaining Life (years)</b>	<b>Exercise Price</b>
320,000	240,000	1.12	\$1.25
56,000	56,000	3.08	\$2.50
450,000	-	4.67	\$0.69
<b>826,000</b>	<b>296,000</b>	<b>3.19</b>	<b>\$1.49</b>

**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 Company 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.

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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 Company 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 Company’s current public disclosure documents filed with certain Canadian securities regulatory authorities and available under Blackhawk’s profile at [www.sedar.com](http://www.sedar.com).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company 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 Company 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 economic 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.

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**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.

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**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 unfavorable 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.

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**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.



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**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 Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).