



Blackhawk Growth Corp.

BLACKHAWK GROWTH CORP.

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

November 28, 2021

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Management’s Discussion and Analysis should be read in conjunction with the consolidated financial statements for the three months ended September 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

MindBio Therapeutics Pty Ltd.

In September 2021, the Company acquired 100% of MindBio Therapeutics Pty Ltd. (“MindBio”). MindBio is a clinical stage drug development company that is pioneering psychedelic micro-dosing research and is advancing emerging therapies to treat a range of debilitating health conditions such as depression, anxiety, chronic pain, cognitive impairment and PTSD. Blackhawk issued 22,095,180 common shares to the existing shareholders of the parent company of MindBio for a deemed acquisition price of \$10,826,638.

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MindBio Therapeutics Pty Ltd, has reached a new milestone for its Phase 1 clinical trial micro dosing LSD with 59 participants successfully completing the trial. The clinical trial is the first and largest safety clinical trial of its kind anywhere in the world.

MindBio is a multi-disciplinary company pioneering new treatments for mental health conditions using psychedelic medicines, technology assisted mental health interventions and psychedelic assisted psychotherapies.

MindBio is on track to have its Phase 1 clinical trial in 80 healthy participants completed by April in 2022. In this unique study, trial participants are prescribed the drug by a doctor and take it home with them in the same way they would take an anti-depressant medication. Clinical trial participants are assessed on a comprehensive range of psychometric and biometric markers to determine safety and efficacy of the drug.

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LSD is a psychoplastogen, which is a fast-acting class of therapeutics, capable of rapidly promoting structural and functional neural plasticity and shows potential for treating diseases in psychiatry¹. Microdosing involves patients taking a small amount of the medicine on a regular basis. In larger doses, LSD is a hallucinogenic drug that changes cognition and perception, however in much smaller “microdoses”, the medicine is subperceptual, meaning that patients can take the drug without noticing its hallucinogenic effects, but still receive the medicinal benefit and get on with their normal day.

MindBio now forms part of the Company's existing portfolio of investments in the health care sector. MindBio existing board and directors will continue to retain responsibility for overseeing day-to-day operations.

Noble Line Inc.

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.

Noble Hemp continues to expand into different markets in the United States and has been in the process of assessing additional product lines to complement the current list of products for sale on the website.

As well, Noble Hemp is currently in negotiations with industry companies interested in listing their products on the Noble Hemp website, which would diversify the brand name base.

Sac Pharma Partners Inc.

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. Sac Pharma continues to show strong revenue growth. Sac Pharma has also continued to show strong gross margins of greater than 80% and positive cash flow for the period. These results are due to increasing facility yields, and the strong demand for Sac Pharma’s premium products.

Spaced Food Inc.

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.

Spaced Food has begun the commercial production of the cannabis infused Astronaut Sorbet. The equipment that was delivered in the spring has now been installed and fully tested. The Sorbet will be produced, packaged and shipped to the Company’s distribution partner in Ontario.

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Spaced Food is launching edibles into ORBIT using high tech, space-age science! We’ve taken our love of cannabis and combined it with a unique product that solves every problem with current cannabis edibles. Spaced Food is shelf-stable, requires no refrigeration and tastes amazing.

After 3 years of research and development, Spaced Food has come up with a product with excellent bioavailability that melts in your mouth, with accurate dosing. Made using the same technology used on food before sending it to space for astronauts, we lock in 98% of the nutritional value as well as 100% of the medicinal ingredients.

Spaced Food has begun the commercial production of the cannabis infused Astronaut Sorbet. The equipment that was delivered in the spring has now been installed and fully tested. The Sorbet will be produced, packaged and shipped to the Company’s distribution partner in Ontario.

Spaced Food will have production capacity of approximately 75,000 units per month. This capacity can be further increased as needed.

Spaced Food, has retained Our Dayjob for the upcoming retail launch. In addition, they have also added Shealeigh Afton as a dedicated brand strategist to oversee the product launch and PR deployment.

Trip Pharma Inc. – LeichtMind Clinic

LeichtMind is a psychedelic development and wellness company based in Edmonton, Alberta.

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.

NuWave Food Inc.

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. NuWave Foods, has retained Bakemark Canada (the “Distributor”), North America’s Largest Bakery Manufacturer and Distributor. The agreement will have Bakemark warehouse and distribute various NuWave products and will be presenting NuWave’s offerings to its national and regional chain stores. Providing the proper supply chain management required to have NuWave’s products on store shelves nationwide.

NuWave intends to activate multiple SKUs through Bakemark, it is expected that the products will be distributed to national grocers, convenience stores and cafe’s which are part of Bakemark’s vast distribution network. NuWave’s unique approach to manufacturing shelf stable desserts such as doughnuts, cheesecake, and fritters brings a needed solution to the bakery and foods industry.

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Gaia Grow Corp.

The Company owns 30,000,000 common shares of Gaia. 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 \$900,000 at September 30, 2021 (June 30, 2021 - \$1,500,000).

Gaia Grow Corp. ("GAIA") was formed in 2014 with the primary intent of cultivating industrial hemp (< 0.3% THC content). New management in 2017-2018 brought a renewed vigour to the business.

Gaia is now focused on building breakthrough technology on a path to zero waste in the hemp and cannabis industry. Increasing efficiencies and pointing the industry in the direction of sustainability.

Gaia has begun expansion of its extraction laboratory - TruExtracts (Calgary) Inc. ("TRU"). The square footage will be expanded from 11,672 square feet to 28,526 square feet. The additional square footage will be used to add more processing rooms, extraction capacity and facilitate the deployment of the processing technology developed by Canna Stream Solutions Ltd. ("CSS").

All processing rooms at the laboratory are currently occupied for product manufacturing. The expansion is expected to accommodate the expected volume and ensure capacity for both extraction and production for the near term.

Canna Stream Solutions has been accepted into the Business Development Support program, which is funded by the Edmonton Regional Innovation Network (ERIN) and delivered by Innovate Edmonton. The program, exclusive to founders who are actively engaged in select Edmonton post-secondary institutions, will support 100 hours of market research and analysis to validate new product fit and market demand.

With this support from ERIN, CSS is excited to work with Garrett Fleck from Reputed Marketing to conduct market research to identify market needs and demand for products upcycled from cannabis and hemp waste. This research, which will include in-depth interviews with licensed producers, dispensaries, extraction companies and end-users of products derived from cannabis and hemp, will validate our assumptions, and help us develop a pricing strategy for our services and products.

CSS is developing critical technologies for storing, transporting, and processing cannabis waste (physical and chemical). Most notably, they have filed a US provisional patent application in the chemical extraction and fractionation of Cannabinoids and monoterpenes from cannabis flower and biomass utilizing their solvent system that is significantly more efficient than ethanol. This gives CSS the ability to significantly manage costs of high throughput processing and extraction of cannabis and hemp biomass.

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As at September 30, 2021 the Company's equity investments consist of the following:

Company	Cost	Fair Value
SAC Pharma Partners Inc.	\$ 1,890,000	\$ 1,890,000
Noble Line Inc.	986,800	986,800
Trip Pharma	997,644	997,644
NuWave Foods Inc.	783,892	783,892
Gaia Grow Corp.	1,050,000	900,000
Engine Media (UMG)	41,043	10,244
Fantasy Aces Daily Fantasy Sports Corp.	455,268	13,441
Spaced Food Inc.	311,191	311,191
MindBio Therapeutics	10,826,638	10,826,638
Total Equity Investments	\$ 17,342,476	\$ 16,719,850

Short-term loans consist of the following:

	September 30, 2021	June 30, 2021
Short term loans	259,609	259,609
Total loan investments	\$ 259,609	\$ 259,609

SELECTED QUARTERLY INFORMATION

	Three month-period ended			
	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Investment revenue (loss)	\$ (642,163)	\$ (1,144,957)	\$ -	\$ 1,757,608
Net comprehensive income (loss)	(2,475,298)	(2,097,705)	(1,240,570)	902,928
Basic and diluted – comprehensive income (loss) per share	\$ (0.10)	\$ (0.12)	(0.06)	0.06

	Three-month period ended			
	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Investment revenue (loss)	\$ 220,757	\$ (117,406)	\$ -	\$ -
Net comprehensive income (loss)	(85,058)	(1,169,599)	(313,464)	(126,130)
Basic and diluted – comprehensive income (loss) per share	(0.00)	(0.25)	(0.00)	(0.00)

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**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED
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Net investment income (loss)

For the three months ended September 30, 2021, the Company recorded unrealized investment loss of \$642,163 (2020 – gain of \$200,050), realized gain of \$nil (2020 - \$nil) and interest revenue of \$9,618 (2020 - \$20,707). The majority of the unrealized loss, \$600,000 relates to the market value price of the shares held in Gaia Grow Corp.

Expenses

Total expenses for the three months ended September 30, 2021 were \$1,842,753 compared with \$246,019 for the three months ended September 30, 2020. The most significant portion of these expenses is the non-cash charge for share-based compensation, which was \$1,679,648 (2020 - \$97,239) during the three months ended September 30, 2021. General and administrative expense of \$39,145 (2020 - \$28,963) is composed of office expense, insurance expense, travel and vehicle expense. The remaining expense is composed of consulting fees of \$81,682 (2020 – \$35,500) and professional fees of \$30,278 (2020 - \$84,317). The increase in consulting fees was due to the acquisitions and in-house assistance with operations.

Net comprehensive loss

The net and comprehensive loss of \$2,475,298 (2020 – \$85,058) for the three months ended September 30, 2021 was a result of the following:

- Increase in share-based compensation expense from \$97,239 in 2020, to \$1,679,648 in 2021. The increase is due to new stock options being granted in 2021, while stock options granted in 2020 were still vesting.
- Increase in unrealized investment loss due to the valuation of the Company investment portfolio.
- Increase in consulting fee from \$35,500 incurred during the three months ended September 30, 2020 to \$81,682 incurred during the three months ended September 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.

Cash flow from operations

During the three months ended September 30, 2021, the Company used \$225,386 in operations compared to \$63,904 during the three months ended September 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 September 30, 2021, the company had a working capital of \$1,190,894 (June 30, 2020 working capital - \$1,015,921). The Company may require additional funds to continue its investment strategy for the next twelve months, if additional capital is needed the Company will source funds through either debt or equity financing and such funds may not be available when needed.

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TRANSACTIONS WITH KEY MANAGEMENT AND RELATED PARTIES

a) Key management compensation

Key management personnel are composed of the Company's directors and officers.

For the three months ended September 30, 2021, the Company incurred consulting fees of \$12,000 (2020 – \$9,500) and paid to companies which are controlled by key management of the Company. At September 30, 2021, \$nil (June 30, 2021 - \$1,489) remained payable to related parties.

During the three months ended September 30, 2021 the Company recorded share based compensation expense for related parties stock options in the amount of \$19,097 (2020 - \$Nil) and restricted shares units for the value of \$176,944 (2020 - \$Nil).

As at September 30, 2021, the Company has a short-term loan included in investments (note 6) to company controlled by the Chief Executive Officer of the Company for a total of \$259,609 (2020 - \$259,609). As at September 30, 2021 interest in the amount of \$66,306 (June 30, 2021 - \$56,688) accrued on this loan and \$50,000 are included in receivables. During the three months ended September 30, 2021 \$9,618 (2020 - \$8,535) is recorded as interest revenue.

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 September 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

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investments to ensure a stable return. The maximum credit risk exposure associated with the Company’s financial assets is the carrying value.

At September 30, 2021, the Company’s trade and other receivables of \$237,040 (June 30, 2021 - \$175,012) consisted of \$120,733 (June 30, 2021 - \$118,324) due from the government in relation to GST returns, \$66,306 (June 30, 2021 - \$56,688) of interest receivable, and \$500,000 (June 30, 2021 - \$nil) in other 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 September 30, 2021 and June 30, 2021, the Company assessed its trade and other receivables for impairment. During the year ended June 30, 2021, the Company recorded an allowance for doubtful amounts of \$nil related to its trade receivables.

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 September 30, 2021:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$134,293	\$ –
Total	\$134,293	\$ –

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

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$60,280	\$ –
Total	\$60,280	\$ –

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

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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 September 30, 2021, a 5% change in the closing trade price of the Company's equity investments would result in a \$45,700 (June 30, 2021 - \$80,000) change in unrealized gain (loss) on investments.

DISCLOSURE OF OUTSTANDING SHARE DATA

Issued Share Capital as of the Financial Statement Date

Class	Par Value	Authorized	Issued at September 30, 2021	Issued at November 28, 2021
Common	Nil	Unlimited	48,247,755	48,535,255
Preferred	Nil	Unlimited	Nil	Nil

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

Outstanding	Remaining Life (years)	Exercise Price
1,840,000	3.05	\$ 1.25
200,000	0.40	\$ 1.50
5,154,970	1.34	\$ 0.60
7,194,970	1.75	\$ 0.79

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

Outstanding	Exercisable	Remaining Life (years)	Exercise Price
320,000	320,000	0.70	\$1.25
56,000	56,000	2.67	\$2.50
450,000	150,000	4.26	\$0.69
1,449,252	1,449,252	1.78	\$0.55
2,275,252	1,975,252	2.84	\$0.94

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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 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.

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.

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.

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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 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.

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 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.

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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

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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 Company can be found on SEDAR at www.sedar.com.