



**Blackhawk Growth Corp.**

**BLACKHAWK GROWTH CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2022 and 2021**

**BLACKHAWK GROWTH CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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This Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements for the year ended June 30, 2022 and 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").

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**

During the year ended June 30, 2022 Blackhawk acquired Blum Distributors Ltd., Digital Mind Technology Pty. Ltd., Terp Wholesale LLC, MindBio Therapeutics Pty Ltd., and the remaining 49% of Stable Foods Inc., adding \$23,990,573 in assets to its growing portfolio of life science focused companies. Below are descriptions of all portfolio companies.

Noble Line Inc.

The Company owns 100% of the common shares of Noble Line Inc. ("Noble"). As at June 30, 2020, the Company owned 71,500 common shares of Noble with an initial cost of \$50,050 which represented approximately 10.6% of the common shares outstanding of Noble.

On November 17, 2020, the Company acquired remaining balance or 89.4% of the outstanding share capital of Noble by issuing 2,131,738 common shares of the Company with a cost of \$532,934.

During the year ended June 30, 2022, the Company recorded an unrealized loss of \$987,385 related to Noble to a fair value of \$Nil (2021 - \$901,145).

Stable Foods Inc. (Formerly NuWave Food Inc.)

On March 2, 2022, the Company acquired the remaining 49% of the outstanding share capital of Stable Foods Co. for a consideration for \$1,411,000 satisfied through the issuance of common shares to the existing shareholders of Stable Foods at a deemed price of \$0.425 per share. The Company issued a total of 3,200,000 shares in connection with completion of the acquisition. A finders' fees of 120,000 shares were paid to an arm's-length third party in connection with closing of the acquisition.

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As at June 30, 2022, the fair value of Stable Foods was estimated to be \$2,430,620 (2021 - \$783,892) and is included in Level 3.

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

Gaia Grow Corp.

The Company owns 1,200,000 post-consolidated common shares of Gaia Grow Corp. (“Gaia”). The shares of Gaia are included in Level 1 and had a fair value of \$300,000 as at June 30, 2022 (2021 - \$1,500,000). The Company recorded and unrealized loss of \$1,200,000 for its investment in Gaia during the year ended June 30, 2022 (2021 – unrealized gain of \$750,000). Gaia is a publicly traded Canadian corporation focused on farming Industrial Hemp for Medical Purposes whose shares are traded on the CSE under the symbol GAIA.

Gaia Grow Corp. (“GAIA”), formed in 2014 is a publicly traded Canadian corporation focused on farming Industrial Hemp (< 0.3% THC content) for Medical Purposes whose shares are traded on the CSE under the symbol GAIA. 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.

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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.

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.

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.

As at June 30, 2022 the Company owns 3,852 share purchase warrants of Engine Media. The fair value of the warrants was estimated to be \$25 (2021 - \$56,377) using the Black-Scholes pricing model, taking into account 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. The warrants will expire on January 22, 2024. During the year ended June 30, 2022, the Company recognized an unrealized loss of \$56,352 (2021 - \$Nil) for the value of the warrants.

SAC Pharma Partners Inc.

During the year ended June 30, 2021 the Company acquired 100% of the common shares of Sac Pharma Partners Inc. (“SAC Pharma”) by issuing 5,040,000 common shares of the Company with a cost of \$1,890,000 and is included in Level 3.

As at June 30, 2022 the value of SAC Pharma was estimated to be \$1,890,000 (2021 – \$1,890,000) and is classified as Level 3.

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

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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.

On January 23, 2020, the Company entered into a definitive share purchase agreement to acquire all of the outstanding shares of Spaced Food Inc. (“Spaced Food”). The consideration to acquire Spaced Food was up to 10,000,000 common shares of the Company and the number of common shares to be issued to Spaced Food 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 closing date to December 2021 and has not been completed as at June 30, 2022.

During the year ended June 30, 2022, the Company recorded an unrealized loss of \$355,110 related to Spaced Food to a fair value of \$Nil (2021 - \$254,067).

Trip Pharma Inc. – Operating as LeichtMind Clinics

On October 13, 2020, the Company acquired 100% of the common shares of Trip Pharma Inc. (“LeichtMind”) by issuing 1,320,000 common shares of the Company with a cost of \$825,000.

During the year ended June 30, 2022, the Company recorded an unrealized loss of \$1,120,478 related to LeichtMind to a fair value of \$Nil (2021 - \$923,344).

MindBio Therapeutics Pty Ltd.

In September 2021, the Company acquired 100% of the outstanding share capital of 1286409 B.C. Ltd., of which MindBio Therapeutics is a wholly-owned subsidiary. In consideration for the acquisition, the Company issued 22,095,180 common shares to the existing shareholders of 1286409 B.C. Ltd. The fair value of the shares was estimated at \$10,826,638. 50% of these shares are subject to restrictions on resale for a period of four-months-and-one-day following issuance. No finders’ fees or commissions were paid in connection with closing of the acquisition.

During the year ended June 30, 2022 the Company provided advances to MindBio of \$1,000,000 (March 31, 2021 - \$Nil) recorded as an additional investment in Mind Bio.

As at June 30, 2022 the fair market value of MindBio was estimated at \$11,826,638 (2021 - \$Nil) based on the market price of the Company’s shares issued and is included in Level 3. 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.

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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.

At completion of the phase 1 trial, MindBio will have important data and intellectual property on microdosing of medical psychedelics. Having successfully passed the phase 1 clinical trial's independent data and safety monitoring committee and with no adverse events, MindBio is confident it has sufficient data, protocols and strategy for its next phase of clinical trials. MindBio has also started preparation work for a phase 2 clinical trial which includes the design of its proprietary psychedelic microdosing formulations that can subsequently be manufactured under good manufacturing practices (GMP) standards for subsequent use both commercially and in clinical trials.

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 psychiatry<sup>1</sup>. 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.

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 warrants of Fantasy are included in Level 1 and had a fair value of \$Nil at June 30, 2022 (2021 - \$9,470). The Company recorded an unrealized loss of \$9,470 for its investment in Fantasy for the year ended June 30, 2022.

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Terp Wholesale, LLC.

On December 6, 2021, the Company completed the acquisition of all the outstanding membership interests in TERP Wholesale LLC ("TERP") by issuing 3,623,188 common shares at a deemed price of \$0.69 per share for a total consideration of \$2,500,000.

As at June 30, 2022, the value of TERP was estimated to be \$2,500,000 (2021 – \$Nil) and is classified as Level 3.

TERP is a fully licensed distribution centre in the state of California. TERP packages and manufactures some of the highest-quality exotic brands and high-THC (tetrahydrocannabinol) products in California. Distribution professionals are 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 is a one-stop shop for category management, compliance and regulatory, warehousing, and sales and marketing.

TERP has received its California State-issued microbusiness licence. In addition to allowing TERP to operate as a non-storefront retail delivery dispensary, this licence provides strategic opportunities to expand in additional verticals such as manufacturing and distribution. The dispensary is located in northern California and will be a key driver for the business. This expansion will also allow deployment of TERP's manufactured products directly into the hands of retail customers.

Digital Mind Technology Pty. Ltd

On December 6, 2021, the Company acquired 100% of the issued and outstanding share capital of Digital Mind Technology Pty. Ltd. ("Digital Mind"). In consideration for the acquisition, the Company issued 8,661,290 common shares to the existing shareholders of Digital Mind at a deemed price of \$0.57 per common share for a total consideration of \$4,936,935.

As at June 30, 2022 the value of Digital Mind was estimated to be \$4,936,935 (2021 - \$Nil) and is classified as Level 3.

Digital Mind is a clinical trial stage company developing digital interventions to treat mental health conditions. It successfully completed a pilot randomized controlled trial with 69 patients of an on-line mindfulness-based program for people diagnosed with melanoma. Digital Mind's clinical trial protocol was developed by leading scientist Dr. Russell at a major Australian university.

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Digital Mind is progressing with the technical scope for its phase 1 clinical trial of a mindfulness-based cancer-related pain management intervention. This clinical trial is set to start in 2022, is fully financed and will be compliant with the U.S. Food and Drug Administration's (FDA) protocol.

Digital Mind’s phase 1 clinical trial in cancer patients aims to develop a mindfulness intervention that is useful in pain management. Pain, endured for any length of time unsustainably, can result in low mood and other mental health conditions. The mindfulness intervention program will be designed to interrupt negative patterns of thoughts and behaviors that can lead to depression and other related mental health disorders.

Blum Distributors Ltd.

On April 6, 2022, the Company acquired 100% of the issued and outstanding share capital of Blum distributors Ltd. (“Blum”). In consideration for the acquisition, the Company issued 9,650,000 shares to the existing shareholders of Blum. With the acquisition, Blum now forms part of the company's growing portfolio of investments in the life science and health care sectors. Blum's existing management team will continue to retain responsibility for overseeing day-to-day operations. A fee of 750,000 shares has also been paid to an arm's-length party for assistance with the transaction.

As at June 30, 2022, the value of Blum Distributors Ltd. was estimated to be \$4,316,000 (2021 – \$Nil) and is classified as Level 3.

**As at June 30, 2022 the Company’s equity investments consist of the following:**

<b>Company</b>	<b>Cost</b>	<b>Fair Value</b>
	<b>\$</b>	<b>\$</b>
MindBio Therapeutics	11,826,638	11,826,638
Digital Mind	4,936,935	4,936,935
Terp Wholesale, LLC.	2,500,000	2,500,000
SAC Pharma Partners Inc.	1,890,000	1,890,000
Gaia Grow Corp.	1,050,000	300,000
Noble Line Inc.	1,037,435	–
Trip Pharma Inc.	1,120,478	–
Stable Foods Co.	2,430,620	2,430,620
Spaced Food Inc.	355,110	–
Engine Media (UMG)	41,043	25
Fantasy Aces	455,268	–
Blum Distributors Ltd.	4,316,000	4,316,000
<b>Total Equity Investments</b>	<b>31,959,527</b>	<b>28,200,218</b>



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**Short-term loans**

As at June 30, 2022 the Company's short-term loans consist of the following:

	June 30, 2022	June 30, 2021
	\$	\$
Short term loans	-	259,609
<b>Total loan investments</b>	<b>-</b>	<b>259,609</b>

The carrying value of the Company'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.

As at June 30, 2022, the Company decided that the short-term loan included one related party loan was impaired and wrote-off the short-term loan to \$Nil (2021 - \$259,609) resulting to an unrealized loss on investment of short-term loan for a total of \$360,428 (2021 - \$Nil) (note 10).

During the year ended June 30, 2022, the Company recorded interest income of \$44,131 (June 30, 2021 - \$37,249) for the outstanding short-term loans. At June 30, 2022, interest receivable of \$Nil (June 30, 2021 - \$56,688) is included in trade and other receivables.

**SELECTED QUARTERLY INFORMATION**

	Three month-period ended			
	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
	\$	\$	\$	\$
Net investment income (loss)	(2,969,202)	(289,792)	(153,531)	(632,545)
Net and comprehensive income (loss)	(5,280,996)	(661,131)	(1,855,058)	(2,475,298)
Basic and diluted – income (loss) per share	(0.07)	(0.01)	(0.05)	(0.10)
	<b>Jun 30, 2021</b>	<b>Mar 31, 2021</b>	<b>Dec 31, 2020</b>	<b>Sep 30, 2020</b>
	\$	\$	\$	\$
Investment income (loss)	(1,144,957)	-	1,757,608	220,757
Net and comprehensive income (loss)	(2,097,705)	(1,240,570)	902,928	(85,058)
Basic and diluted – income (loss) per share	(0.12)	(0.06)	0.06	(0.00)

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**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2022**

**Net investment income (loss)**

For the three months ended June 30, 2022, the Company recorded unrealized investment loss of \$2,983,621 (June 30, 2021 – \$1,181,096) and interest revenue of \$14,419 (June 30, 2021 - \$14,783). The majority of the unrealized loss of \$2,983,621 relates to the fair market value of the investment shares.

**Expenses**

Total expenses for the three months ended June 30, 2022, were \$2,048,340 compared with \$940,700 for the three months ended June 30, 2021. The most significant portion of these expenses is the interest expenses on convertible bonds, which was \$373,296 (2021 – \$Nil) during the three months ended June 30, 2022. General and administrative expense of \$88,169 (2021 – \$121,375) is composed of office expense, insurance expense, travel, and vehicle expense. The remaining expense is composed of consulting fees of \$112,397 (2021 – \$540,708), shared-based compensation expenses of \$1,473,476 (2021 – \$284,983) and professional fees of \$1,003 (2021 – recovery of \$6,366). The decrease in consulting fees in the three months ended June 30, 2022 reflects the reduced investment acquisition activities compared to the three months ended June 30, 2021.

**Net comprehensive loss:**

The net and comprehensive loss of \$5,280,996 for the three months ended June 30, 2022 (2021 - \$2,097,705) was a result of the following:

- Increase in unrealized investment loss due to the valuation of the company investment portfolio: unrealized loss for the three months ended June 30, 2022 was \$2,983,621 compared to the unrealized loss of \$1,181,096 for the three months ended June 30, 2021.
- Decrease in consulting expenses: consulting expenses for the three months ended June 30, 2022 were \$112,397 compared to the consulting expenses of \$540,708 for the three months ended June 30, 2021.
- Increase in share-based compensation expenses: share-based compensation expenses for the three months ended June 30, 2022 were \$1,473,476 compared to the share-based compensation expenses of \$284,983 for the three months ended June 30, 2021.

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**RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2022**

**Net investment income (loss)**

For the year ended June 30, 2022, the Company recorded unrealized investment loss of \$4,089,224 (2021 – unrealized investment gain of \$774,803), net realized gain on disposal of investments of \$Nil (2021 - \$21,356) and interest revenue of \$44,154 (2021 - \$37,249). The majority of the unrealized loss, \$4,089,224, relates to the market value price of the shares held in Gaia Grow Corp., Trip Pharma Inc., and Spaced Food Inc.

**Expenses**

Total expenses for the year ended June 30, 2022 were \$5,963,960 compared with \$3,359,513 for the year ended June 30, 2021. The most significant portions of these expenses are the non-cash charge for share-based compensation, which was \$4,050,167 (2021 – \$756,920) and accretion and interest expenses on convertible debt of \$373,296 (2021 – \$Nil) during year ended June 30, 2022. General and administrative expense of \$304,620 (2021 – \$296,141) comprises of office expense, insurance expense, travel, and vehicle expense. The remaining expense is composed of consulting fees of \$1,094,320 (2021 – \$2,115,198) and professional fees of \$141,557 (2021 - \$171,254). The slight decreases in consulting and professional fees during the year ended June 30, 2022 reflect the reduced investment acquisition activities compared to the year ended June 30, 2021.

**Net comprehensive loss:**

The net and comprehensive loss of \$10,272,483 for the year ended June 30, 2022 (2021 - \$2,520,405) was a result of the following:

- Significant increase in unrealized investment loss due to the valuation of the company investment portfolio: unrealized investment loss for the year ended June 30, 2022 was \$4,089,224 compared to the unrealized investment gain of \$774,803 for the year ended June 30, 2021.
- Increase in accretion and interest expenses on convertible debt: Accretion and interest expenses on convertible debt for the year ended June 30, 2022 were \$373,296 compared to \$Nil for the year ended June 30, 2021.
- Increase in share-based compensation expenses: share-based compensation expenses for the year ended June 30, 2022 were \$4,050,167 compared to \$756,920 for the year ended June 30, 2021.

**Cash flow from operations**

During the year ended June 30, 2022, the Company used \$3,527,433 in operations compared to \$2,834,455 during the year ended June 30, 2021.

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**LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2022, the company had a working capital of \$1,133,450 (2021 – \$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.

**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 year ended June 30, 2022, the Company incurred consulting fees of \$12,000 (2021 – \$175,500) paid to companies which are controlled by key management of the Company. At June 30, 2022, \$Nil (June 30, 2021 - \$1,489) remained payable to related parties.

During the year ended June 30, 2022, the Company recorded share-based compensation expense for related parties stock options in the amount of \$19,716 (2021 - \$145,279) and restricted shares units in the amount of \$402,042 (2021 - \$58,333).

As at June 30, 2022, the Company wrote-off a short-term loan included in investments (note 7) to company controlled by the Chief Executive Officer of the Company to \$Nil (June 30, 2021 - \$259,609) and wrote-off the interest accrued on this loan in the amount of \$100,819 (June 30, 2021 - \$56,688). During the year ended June 30, 2022, \$44,131 (2021 - \$37,249) is recorded as interest revenue related to this loan.

**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, 2022.

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, 2022. 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.

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**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 de-posits 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.

As at June 30, 2022, the Company's trade and other receivables of \$561,779 (2021 - \$175,012) consisted of \$561,779 (2021 - \$12,476) due from several investment companies. The Company wrote-off \$263,453 (2021 - \$Nil) due from the government in relation to GST returns.

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, 2022, the Company assessed its trade and other receivables for impairment. During the year ended June 30, 2022, the Company recorded an allowance for doubtful amounts of \$Nil (2021 - \$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.

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The following are the contractual maturities of financial liabilities as at June 30, 2022:

<b>Financial Liabilities</b>	<b>&lt; One Year</b>	<b>&gt; One Year</b>
	<b>\$</b>	<b>\$</b>
Trade and other payables	91,299	-
<b>Total</b>	<b>20,997</b>	<b>-</b>

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>
	<b>\$</b>	<b>\$</b>
Trade and other payables	60,280	-
<b>Total</b>	<b>60,280</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, 2022, a 5% change in the closing trade price of the Company’s equity investments would result in approximately \$165,000 (2021 - \$80,000) 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, 2022</b>	<b>Issued at the date of this MD&amp;A</b>
Common	Nil	Unlimited	77,995,593	77,995,593
Preferred	Nil	Unlimited	Nil	Nil

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

**As of June 30, 2022**

<b>Date</b>	<b>Expiry date</b>	<b>Outstanding</b>	<b>Exercisable</b>	<b>Remaining Life (years)</b>	<b>Exercise Price</b>
					\$
Dec 17, 2019	Dec 17, 2024	1,840,000	1,840,000	2.47	1.25
Mar 31, 2021	Mar 31, 2023	4,154,970	4,154,970	0.75	0.60
Nov 22, 2021	Nov 22, 2024	1,538,461	1,538,461	2.40	0.91
<b>Outstanding, end of period</b>		<b>7,533,431</b>	<b>7,533,431</b>	<b>1.51</b>	<b>0.82</b>

**As of the date of this MD&A**

<b>Date</b>	<b>Expiry date</b>	<b>Outstanding</b>	<b>Exercisable</b>	<b>Remaining Life (years)</b>	<b>Exercise Price</b>
					\$
Dec 17, 2019	Dec 17, 2024	1,840,000	1,840,000	2.19	1.25
Mar 31, 2021	Mar 31, 2023	4,154,970	4,154,970	0.47	0.60
Nov 22, 2021	Nov 22, 2024	1,538,461	1,538,461	2.12	0.91
<b>Outstanding, end of period</b>		<b>7,533,431</b>	<b>7,533,431</b>	<b>1.63</b>	<b>0.82</b>

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

**As of June 30, 2022**

<b>Date</b>	<b>Expiry date</b>	<b>Outstanding</b>	<b>Exercisable</b>	<b>Remaining Life (years)</b>	<b>Exercise Price</b>
					\$
Jul 19, 2019	Jul 24, 2024	48,000	48,000	2.08	2.50
Aug 11, 2020	Aug 11, 2022	320,000	320,000	0.12	1.25
Mar 1, 2021	Mar 1, 2026	350,000	233,333	3.67	0.69
Sep 7, 2021	Sep 7, 2023	3,600,000	3,600,000	1.19	0.55
<b>Outstanding, end of period</b>		<b>4,318,000</b>	<b>4,201,333</b>	<b>1.32</b>	<b>0.63</b>

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**As of Date of this MD&A**

Date	Expiry date	Outstanding	Exercisable	Remaining Life (years)	Exercise Price
Jul 19, 2019	Jul 24, 2024	48,000	48,000	1.79	2.50
Mar 1, 2021	Mar 1, 2026	350,000	350,000	3.39	0.69
Sep 7, 2021	Sep 7, 2023	3,600,000	3,600,000	0.91	0.55
<b>Outstanding, end of period</b>		<b>4,318,000</b>	<b>4,318,000</b>	<b>1.44</b>	<b>0.54</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.

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



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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.

### **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

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securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

We may also make direct investments in publicly-traded securities that have low trading volumes. Accordingly, it may be difficult for us to make trades in these securities without adversely affecting the price of such securities.

**Possible Volatility of Stock Price**

The market price of our common shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in our consolidated results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of our common shares. The purchase of our common shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Our common shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in our common shares should not constitute a major portion of an investor's portfolio.

**Trading Price of Common Shares Relative to Net Asset Value**

We are neither a mutual fund nor an investment fund, and due to the nature of our business and investment strategy and the composition of our investment portfolio, the market price of our common shares, at any time, may vary significantly from our net asset value per share. This risk is separate and distinct from the risk that the market price of our common shares may decrease.

**Available Opportunities and Competition for Investments**

The success of our operations will depend upon: (i) the availability of appropriate investment opportunities; (ii) our ability to identify, select, acquire, grow, and exit those investments; and (iii) our ability to generate funds for future investments. We can expect to encounter competition from other entities having investment objectives similar to ours, including institutional investors and strategic investors. These groups may compete for the same investments as us, may be better capitalized, have more personnel, have a longer operating history and have different return targets than us. As a result, we may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing which may further limit our ability to generate desired returns.

There can be no assurance that there will be a sufficient number of suitable investment opportunities available to us to invest in or that such investments can be made within a reasonable period of time. There can be no assurance that we will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of

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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.

**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.

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**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).