

# **BLACK TUSK RESOURCES INC.**

## **Management Discussion and Analysis**

**For the year ended April 30, 2018**

The Management Discussion and Analysis (“MD&A”), prepared August 15, 2018 should be read in conjunction with the audited financial statements and notes thereto for the year ended April 30, 2018 and the notes thereto of Black Tusk Resources Inc. (“the Company or Black Tusk”) which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **DESCRIPTION OF BUSINESS**

Black Tusk Resources Inc. (“the Company or Black Tusk”) was incorporated on November 18, 2016 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 500-666 Burrard Street, Vancouver, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at April 30, 2018, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

### **EXPLORATION PROJECT**

#### **EXPLORATION AND EVALUATION ASSET**

##### **Goldsmith Property**

On November 30, 2016, the Company entered into an option agreement to purchase the claims in Goldsmith Property. In order to exercise its option, the Company must make cash payment of \$100,000 as follows:

- \$5,000 upon execution of the agreement; (paid)
- an additional \$7,000 on the Initial Public Offering of the Company; (paid)
- an additional \$13,000 on or before November 30, 2017; (paid)
- an additional \$20,000 on or before November 30, 2018;
- an additional \$25,000 on or before November 30, 2019; and
- an additional \$30,000 on or before November 30, 2020.

The Company must also issue 400,000 common shares of the Company as follows:

- 200,000 common shares on the Initial Public Offering of the Company; (issued) and
- an additional 200,000 common shares on or before November 30, 2020.

The Company must make all government payments in order to maintain the mineral claims in good standing. The Optionors retain a 2% net smelter royalty ("NSR") on the Goldsmith Property. The Company may purchase the first 1% of the NSR by paying the Optionors \$500,000.

As at April 30, 2018, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures as at April 30, 2018 and 2017:

	<b>Goldsmith Property</b>
<b>Balance, November 18, 2016</b>	\$ -
<b>Acquisition Costs</b>	
Cash	5,000
<b>Total Acquisition Costs</b>	5,000
<b>Deferred Exploration Costs</b>	
Geology and geophysical costs	45,130
Exploration costs	31,685
<b>Total Deferred Exploration Costs</b>	76,815
<b>Balance, April 30, 2017</b>	81,815
Acquisition costs	
Cash	20,000
Shares Issued	20,000
<b>Total Acquisition Costs</b>	40,000
<b>Deferred Exploration Costs</b>	
Exploration costs	11,175
<b>Balance, April 30, 2018</b>	\$ 132,990

**SELECTED ANNUAL INFORMATION**  
(\$000's except loss per share)

	For the year ended April 30, 2018	For the period from November 18, 2016 (date of inception) to April 30, 2017
Revenue	\$ Nil	\$ Nil
Net Loss	\$ (477)	\$ (98)
Basic and Diluted Loss per Share	\$ (0.04)	\$ (0.02)
Total Assets	\$ 469	\$ 232
Long Term Debt	\$ Nil	\$ Nil
Dividends	\$ Nil	\$ Nil

## OPERATIONS

### Three month period ended April 30, 2018

During the three months ended April 30, 2018, the Company reported a net loss of \$264,163. Included in the determination of operating loss was \$24,000 spent on management fees, \$14,093 on professional fees, \$2,743 on transfer agent and filing fees, \$44,699 on travel and promotion, \$79,250 on consulting fees, and \$265 on office expenses and miscellaneous. The Company also incurred a stock based compensation expense of \$99,113.

### Twelve month period ended April 30, 2018

During the twelve months ended April 30, 2018, the Company reported a net loss of \$477,200. Included in the determination of operating loss was \$72,000 spent on management fees, \$90,155 on professional fees, \$27,219 on transfer agent and filing fees, \$82,538 on travel and promotion, \$86,900 on consulting fees, and \$19,275 on office expenses and miscellaneous. The Company also incurred a stock based compensation charge of \$99,113.

## SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017	April 30, 2017
Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (264)	\$ (128)	\$ (54)	\$ (31)	\$ (98)
Basic and diluted					
Loss per share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.02)

Comparative figures for the period ended January 31, 2017 are not available as the Company was incorporated on November 18, 2016.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at April 30, 2018 were \$152,615 compared to \$113,557 at April 30, 2017.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation is as follows:

	Year ended April 30, 2018	Period from November 18, 2016 (Inception) to
Management fees	\$ 72,000	\$ 30,000
Share-based compensation	99,113	37,500
	\$ 171,113	\$ 67,500

## COMMITMENTS

The Company is committed to certain cash payments, share issuances and exploration expenditures in connection with the acquisition of its mineral property claims.

## SUBSEQUENT EVENTS

On May 10, 2018, the Company completed the private placement for 625,000 common shares at \$0.15 per share for a cash proceeds of \$93,750. Each unit consist of one common share and one half of one share purchase warrant at a price of \$0.20 per share for a two-year term.

On May 11, 2018, the Company granted 300,000 stock options to Company's consultants at exercise price of \$0.20. The expiration date is March 11, 2020 and the stock options are vested at the grant date.

## NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early-adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's financial statements.

### *IFRS 9 Financial Instruments*

Issued by the IASB July 2014, effective for the Company's annual periods beginning May 1, 2018.

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets:**  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities:**  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets:**  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently evaluating the impact of the final standard and amendments on its financial statements.

#### *IFRS 16 Leases*

IFRS 16, *Leases* (“IFRS 16”): In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently assessing the impact of IFRS 16.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”): In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet commenced revenue-producing operations.

#### *IFRIC Interpretation 22*

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”): On December 8, 2016, the IASB issued IFRIC 22, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The Standard provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income on initial recognition that relates to, and is recognized on the de-recognition of, a non-monetary prepayment asset or a non-monetary deferred income liability. It is effective January 1, 2018. The Company is currently assessing the impact on the adoption of this interpretation.

## **CRITICAL ACCOUNTING POLICIES**

### Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an

expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

### Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale; and
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

#### *Financial assets at fair value through profit or loss (“FVTPL”)*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if:

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company’s cash is classified as FVTPL assets.

#### *Held-to-maturity (“HTM”)*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

#### *Available-for-sale financial assets (“AFS”)*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as AFS.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company does not have any assets classified as loans and receivables.

### *Derecognition of financial assets*

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

## **SHARE CAPITAL**

### Issued

The company has 13,758,658 shares issued and outstanding as at April 30, 2018 and 14,383,658 shares issued and outstanding as at August 15, 2018.

### Stock Options

The Company has 1,000,000 stock options outstanding as at April 30, 2018 and 1,300,000 stock options outstanding as at August 15, 2018.

### Share Purchase Warrants

The Company has 4,495,715 share purchase warrants outstanding as at April 30, 2018 and 4,808,215 share purchase warrants outstanding as at August 15, 2018.

### Escrow Shares

The Company has 4,560,044 shares held in escrow as at April 30, 2018 and August 15, 2018.