

# **BLACK TUSK RESOURCES INC.**

## **Management Discussion and Analysis**

### **For the year ended April 30, 2020**

The Management Discussion and Analysis (“MD&A”), prepared August 28, 2020 should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended April 30, 2020 and the notes thereto of Black Tusk Resources Inc. (“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”) 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 200-666 Burrard Street, Vancouver, British Columbia, Canada. On November 12, 2019 the Company acquired 100% of Golda Resources Inc. and on January 13, 2020 the Company acquired 100% Chalice Gold Exploration Corp.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at April 30, 2020, 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**

#### **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; (paid)
- 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, 2020, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures as at April 30, 2020 and 2019:

	<b>Goldsmith Property</b>
	\$
<b>Balance, April 30, 2018</b>	132,990
<b>Acquisition Costs</b>	
Cash	20,000
<b>Deferred Exploration Costs</b>	
Exploration costs	37,259
<b>Balance, April 30, 2019</b>	190,249
<b>Deferred Exploration Costs</b>	
Recovery of exploration costs	(11,477)
<b>Write-off</b>	<b>(178,772)</b>
<b>Balance, April 30, 2020</b>	<b>-</b>

During the year ended April 30, 2020, the Company decided not to proceed with the Goldsmith option and have recorded an impairment of \$178,772 to write off the \$65,000 in acquisition costs and \$113,772 in deferred exploration costs.

### **Cluster Project**

On February 5, 2019, the Company entered into a mineral claim purchase agreement to purchase 100% interest in the mineral property called the Cluster Project, located in Val-D'Or, Quebec. In consideration of the Property, the Company made cash payment of \$25,000 and issued 1,000,000 common shares to the vendor during the year ended April 30, 2019.

As at April 30, 2020, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures as at April 30, 2020 and 2019:

	<b>Cluster Project</b>
	\$
<b>Balance, April 30, 2018</b>	-
<b>Acquisition Costs</b>	
Cash	25,000
1,000,000 shares issued at \$0.15 per share (Note 9)	150,000
<b>Total Acquisition Costs</b>	<b>175,000</b>
<b>Deferred Exploration Costs</b>	
Exploration costs	
<b>Total Deferred Exploration Costs</b>	
<b>Balance, April 30, 2019</b>	<b>175,000</b>
<b>Acquisition Costs</b>	
Cash	
<b>Total Acquisition Costs</b>	<b>175,000</b>
<b>Deferred Exploration Costs</b>	
Exploration costs	330,525
<b>Total Deferred Exploration Costs</b>	330,525
<b>Balance, April 30, 2020</b>	<b>505,525</b>

### **McKenzie East Project**

On November 12, 2019, the Company entered into a share purchase agreement to purchase 100% of the outstanding shares of Golda Resources Inc. At the time of acquisition, Golda Resources Inc. held a 100% interest in the mineral property called the McKenzie East Project, located in Quebec. In consideration of the mineral property, the Company issued 5,500,000 common shares to the owners and vendors of Golda Resources Inc. and paid \$15,000 cash to a third party consultant.

As at April 30, 2020, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures as at April 30, 2020 and 2019:

<b>McKenzie East Project</b>	
	\$
<b>Balance, April 30, 2019 and 2018</b>	-
<b>Acquisition Costs</b>	
Cash	15,000
5,500,000 shares issued at \$0.055 per share (Note 9)	302,500
<b>Total Acquisition Costs</b>	<b>317,500</b>
<b>Deferred Exploration Costs</b>	
Exploration costs	-
<b>Total Deferred Exploration Costs</b>	-
<b>Balance, April 30, 2020</b>	<b>317,500</b>

#### **South Rim Project**

On January 13, 2020, the Company entered into a share purchase agreement to purchase 100% of the shares of Chalice Gold Exploration Corp. ("Chalice"). At the time of acquisition, Chalice held a 100% interest in the mineral property called the South Rim Project, located in British Columbia. In consideration for the mineral property, the Company issued 10,000,000 common shares to the owners of Chalice.

As at April 30, 2020, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures as at April 30, 2020:

## South Rim Project

<b>South Rim Project</b>	
	\$
<b>Balance, April 30, 2019 and 2018</b>	-
<b>Acquisition Costs</b>	
10,000,000 shares issued at \$0.075 per share (Note 9)	750,000
<b>Total Acquisition Costs</b>	<b>750,000</b>
<b>Deferred Exploration Costs</b>	
Exploration costs	-
<b>Total Deferred Exploration Costs</b>	-
<b>Balance, April 30, 2020</b>	<b>750,000</b>

## Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and the expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

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

	April 30, <u>2020</u>	April 30, <u>2019</u>	April 30, <u>2018</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (2,607)	\$ (1,113)	\$ (477)
Basic and Diluted Loss Per Share	\$ (0.06)	\$ (0.07)	\$ (0.04)
Total Assets	\$ 1,887	\$ 917	\$ 469
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

**OPERATIONS**

**Three month period ended April 30, 2020**

During the three months ended April 30, 2020 the Company reported a net loss of \$841,374. (2019 - \$245,299). Included in the determination of operating loss was \$70,000 (2019 - \$61,000) spent on management fees, \$60,166 (2019 - \$(13,116)) on professional fees, \$7,937 (2019 - \$7,168) on transfer agent and filing fees, \$27,068 (2019 - \$41,977) on travel and promotion, \$445,695 (2019 - \$152,838) on consulting, recovery of \$88,899 (2019 - \$10,000) on investor communication and \$19,291 (2019 - \$(14,042)) on office and miscellaneous. The Company also incurred a stock based compensation charge of \$138,106 (2019 - \$(526)). In addition the Company incurred a charge of \$(66,023) (2019 - \$Nil) for settlement of flow-through liability, \$49,261 (2019 - \$Nil) for a loss on settlement of debt and \$178,772 (2019 - \$Nil) on write off of mineral property

**Twelve month period ended April 30, 2020**

During the twelve months ended April 30, 2020 the Company reported a net loss of \$2,607,177 (2019 - \$1,112,722). Included in the determination of operating loss was \$270,000 (2019 - \$171,500) spent on management fees, \$185,767 (2019 - \$66,570) on professional fees, \$34,080 (2019 - \$30,490) on transfer agent and filing fees, \$108,540 (2019 - \$149,036) on travel and promotion, \$1,275,782 (2019 - \$464,762) on consulting, \$301,158 (2019 - \$139,938) on investor communication and \$23,246 (2019 - \$6,821) on office and miscellaneous. The Company also incurred a stock based compensation charge of \$246,594 (2019 - \$83,605). In addition the Company incurred a charge of \$(66,023) (2019 - \$Nil) for settlement of flow-through liability, \$49,261 (2019 - \$Nil) for a loss on settlement of debt and \$178,772 (2019 - \$Nil) on write off of mineral property.

**SUMMARY OF QUARTERLY RESULTS**  
(\$000's except earnings per share)

	April 30, <u>2020</u>	January 31, <u>2020</u>	October 31 <u>2019</u>	July 31, <u>2019</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (842)	\$ (365)	\$ (598)	\$ (802)
Basic and diluted Loss per share	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.03)

	April 30, <u>2019</u>	January 31, <u>2019</u>	October 31, <u>2018</u>	July 31, <u>2018</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (247)	\$ (244)	\$ (405)	\$ (217)
Basic and diluted Loss per share	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash and cash equivalents at April 30, 2020 were \$159,892 compared to \$250,209 at April 30, 2019.

**OFF-BALANCE SHEET ARRANGEMENTS**

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

**TRANSACTIONS WITH RELATED PARTIES**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally affected on the same terms, conditions and amounts as transactions between unrelated parties.

When considering each possible related party, not only their legal status is taken into account, but also the substance of the relationship between these parties.

The Company has identified its directors and senior officers as its key management personnel.

Included in the Statements of Loss and Comprehensive Loss for the year ended April 30, 2020 and 2019, are the following amounts, which arose due to transactions with related parties:

	<b>2020</b>	<b>2019</b>
	\$	\$
Management fees from CFO	120,000	78,250
Management fees from CEO	120,000	83,250
Director fees	30,000	10,000
Geological services from Director	34,610	21,613
Stock-based compensation (Note 9)	142,000	46,900

As at April 30, 2020, the Company has included in accounts payable and accrued liabilities a total of \$8,574 (2019 - \$13,575), which are payable to directors, officers, and companies controlled by officers.

During the year ended April 30, 2020, the Company granted a total of 4,800,000 options granted to directors and officer (Note 9).

## **COMMITMENTS**

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

## **SUBSEQUENT EVENTS**

- a) On May 2, 2020, the Company issued 1,654,000 common shares pursuant to a debt settlement agreement.
- b) On June 3, 2020, the Company issued 484,615 common shares pursuant to a debt settlement agreement.
- c) On June 3, 2020, the Company issued 4,000,000 pursuant to the exercise of 4,000,000 warrants at a price of \$0.06 per share for total proceeds of \$240,000
- d) On June 26, 2020, the Company completed a private placement for 2,500,000 units ("Units") at \$0.06 per unit for gross cash proceeds of \$150,000. Each Unit consists of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase an additional share at a price of \$0.06 per share for a two-year term.
- e) On July 15, 2020, the Company completed a private placement for 3,125,000 flow-through shares at \$0.08 per share for gross cash proceeds of \$250,000.
- f) On July 15, 2020, the Company completed a private placement for 9,652,000 flow-through units ("Units") at \$0.08 per unit for gross cash proceeds of \$772,160. Each Unit consists of one common share and one half of one share purchase warrant. Each warrant will entitle the holder to purchase an additional share at a price of \$0.08 per



share for a two-year term. The Company paid finders fees of \$68,704 in cash, issued 179,400 common shares and granted 679,400 warrants to various brokers in connection with the private placement.

- g) On July 27, 2020, the Company granted 2,100,000 stock options to directors and officers of the Company. The options are exercisable at \$0.07 per share for a two year term.
- h) On August 13, 2020, the Company completed a private placement for 3,077,000 units ("Units") at \$0.065 per unit for gross cash proceeds of \$200,005. Each Unit consists of one common share and one half of one share purchase warrant. Each warrant will entitle the holder to purchase an additional share at a price of \$0.08 per share for a five year term. The Company paid finders fees of \$12,000 cash and 184,620 warrants in connection with the Private Placement.
- i) On August 18, 2020, the Company issued 2,000,000 common shares pursuant to the exercise of stock options at a price of \$0.05 per share for total proceeds of \$100,000.
- j) On August 25, 2020, the Company issued 200,000 common shares pursuant to the exercise of warrants at a price of \$0.06 per share for total proceeds of \$12,000.
- k) On August 27, 2020, the Company issued 200,000 common shares pursuant to the exercise of stock options at a price of \$0.05 per share for total proceeds of \$10,000.

## **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company adopted the following new standard effective May 1, 2019:

### **IFRS 16 Leases**

IFRS 16 replaces IAS 17, "Leases" and the related 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 is not substantially changed. The standard is effective for periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15, "Revenue from Contracts with Customers".

The adoption of IFRS 16 did not have a material impact on the Company's future results and financial position.

## FINANCIAL INSTRUMENTS

### Fair Values

The Company's financial instruments consist of cash, accounts payable and other payables. The fair values of cash and cash equivalents and accounts payable approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments as at April 30, 2020:

	Fair value		Carrying value	
FVTPL (i)	\$	159,892	\$	159,892
Amortized cost (ii)	\$	110,103	\$	110,103

- (i) Cash and cash equivalents
- (ii) Accounts payable

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value as at April 30, 2020 by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 159,892	\$ -	\$ -	\$ 159,892

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. The Company has minimal credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of April 30, 2020 equal \$110,103. All the liabilities presented as accounts payable are due on demand. The Company intends to finance its operations over the next twelve months with loans from directors and companies controlled by directors and share private placements.

## **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

As at April 30, 2020, the Company is not exposed to significant market risk.

## **CRITICAL ACCOUNTING ESTIMATES**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

Share-based payment transaction:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

## **SHARE CAPITAL**

### Issued

The company has 68,154,955 shares issued and outstanding as at April 30, 2020 and 95,137,970 as at August 28, 2020.

### Share Purchase Options

The Company has 6,712,156 stock options outstanding at April 30, 2020 and 6,312,156 as at August 28, 2020.

### Warrants

The Company has 21,350,218 share purchase warrants outstanding at April 30, 2020 and 27,976,437 as at August 28, 2020.

### Escrow Shares

The Company has 1,520,016 shares held in escrow as at April 30, 2020 and 760,009 as at August 28, 2020.