



blackheath
RESOURCES INC

Interim Management's Discussion and Analysis

Quarterly Highlights

For the Nine Months Ended September 30, 2019

The Company has elected to provide "Quarterly Highlights" as provided for a venture issuer by Section 2.2.1 of National Instrument 51-102F1.

INTRODUCTION

Blackheath Resources Inc. ("Blackheath" or the "Company") is a junior mineral exploration company listed under the trading symbol "BHR" on the TSX Venture Exchange. Since its incorporation in May 2011, the Company has been engaged in the exploration and development of mineral properties in northern Portugal, primarily for tungsten and tin. The Company currently has an interest in the Borralha tungsten project, which is subject to an option agreement with a third party.

This Interim Management's Discussion and Analysis ("MD&A") is dated November 21, 2019 and provides information on the Company's activities for the nine months ended September 30, 2019, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2019 condensed interim financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

Effective with the first quarter of its 2019 fiscal year, the Company elected to provide interim MD&A disclosure under the "Quarterly Highlights" regime as set out in Section 2.2.1 of National Instrument 51-102F1. Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2018 MD&A and audited financial statements, available for viewing at www.sedar.com.

QUARTERLY HIGHLIGHTS

Highlights of the Company's activities during the period under review are as follows:

- held its annual general meeting on April 17, 2019 where it received approval from its shareholders to complete the option agreement on the Borralha project (see "*Mineral Properties*");
- received regulatory approval of the Borralha option agreement;
- received regulatory approval for and completed the 2,000,000-share private placement at a price of \$0.05 per share for which share subscriptions of \$100,000 were received during 2018;
- received a share subscription of \$25,000 for 500,000 shares at a price of \$0.05 representing the first anniversary investment required under the recently approved Borralha option agreement;
- continued to conserve cash and keep operating expenditures to a bare minimum during this market downturn – management continues to provide its services to the Company without charge.

Further information regarding the Company's corporate and exploration activities is provided below.

FINANCIAL CONDITION

As at September 30, 2019, the Company had cash on hand of \$26,587 and a working capital deficiency of \$107,547. Included in the working capital deficiency is \$51,000 in fees due to management, which were accrued in 2016. Since January 1, 2017, management has been operating the Company without compensation. While management has reduced expenses to the bare minimum to help it through this market downturn, additional financing will be required in order for the Company to continue in operation.

Liquidity and Financial Resources

Blackheath has no history of profitable operations and the exploration of its mineral property is at an early stage. Therefore, it is subject to many risks common to comparable companies, including a lack of revenues, under-capitalization, cash shortages, and limitations with respect to personnel, financial, and other resources. Without operating revenues, the Company is dependent upon meeting its future capital requirements through the issuance of capital stock. Accordingly, management has identified certain conditions that cast significant doubt upon the Company's ability to continue as a going concern, as discussed in Note 1 to the September 30, 2019 condensed interim financial statements.

The Company's cash on hand decreased from \$65,062 as at December 31, 2018 to \$26,587 as at September 30, 2019 as a result of cash used in operating activities (\$64,475) exceeding cash provided by investing activities (\$1,000) and financing activities (\$25,000). Its working capital position moved from a deficiency of \$86,166 as at December 31, 2018 to a deficiency of \$107,547 as at September 30, 2019 due primarily to the payment or accrual of operating costs for the period.

During the nine-month period, the Company paid or accrued administrative expenses of approximately \$48,000, excluding non-cash items. Management considers the Company's working capital resources to be insufficient to meet its overhead requirements for the ensuing twelve months.

To continue in operation and to acquire new mineral prospects, the Company will need to raise additional equity funding. The administrative and exploration budgets are established depending on expected cash resources and such budgets are regularly adjusted according to actual cash resources. Given the current uncertainty in the capital markets, administrative and exploration expenditures will be tailored to available cash resources.

Commitments

The Company has management and administration contracts with two of its directors and one of its officers. The agreements call for aggregate payments of \$26,000 per month and provide for severance payments should the contracts be terminated without cause. Effective January 1, 2017, these directors and officer agreed to waive payment or accrual of any monthly fees until further notice.

FINANCIAL PERFORMANCE

Loss and Comprehensive Loss

The Company's loss and comprehensive loss for the current and comparative quarters includes the following:

	2019		2018	
General and administrative expenses	\$	9,674	\$	13,657
Foreign exchange loss (gain)		(898)		1,660
Exploration and evaluation expenses		-		64,106
Loss and comprehensive loss for the quarter	\$	8,776	\$	79,423

The Company's loss and comprehensive loss for the current and comparative nine-month periods includes the following:

	2019		2018	
General and administrative expenses	\$	49,502	\$	57,329
Foreign exchange gain		(1,884)		(5,366)
Exploration and evaluation expenses		-		189,932
Total operating expenses		47,618		241,895
Loss on disposal of equipment		1,114		-
Loss and comprehensive loss for the period	\$	48,732	\$	241,895

During the period, the Company incurred higher legal costs in respect of the Borralha option agreement and related private placement, which required shareholder and regulatory approval in accordance with the TSX Venture Exchange. Rent and office related expenses were lower as the Company vacated its office space and disposed of various items of office equipment in January 2019. There were no exploration and evaluation expenditures during the current period as the only property remaining in the Company's portfolio at September 30, 2019 was the Borralha project, which is under option by a third party. During 2018, the Company had exploration and evaluation expenses of \$189,932, which included the write-off of performance deposits of \$79,335 on the Covas project and \$37,550 on the Bejanca project. Foreign exchange gains and losses relate primarily to the translation of performance deposits on the Company's projects in Portugal.

Cash Flows

The main components of the Company's cash flows for the current and comparative quarters include the following:

	2019	2018
General and administrative expenses	\$ (8,709)	\$ (13,531)
Exploration and evaluation expenses	-	(26,556)
Changes in non-cash working capital items	(20,069)	4,080
Share subscriptions received	25,000	25,000
Loan proceeds – related parties	-	5,000
	\$ (3,778)	\$ (6,007)

The main components of the Company's cash flows for the current and comparative nine-month periods include the following:

	2019	2018
General and administrative expenses	\$ (47,381)	\$ (55,126)
Exploration and evaluation expenses	-	(73,047)
Changes in non-cash working capital items	(17,094)	58,859
Proceeds from sale of equipment	1,000	-
Share subscriptions received	25,000	25,000
Loan proceeds – related parties	-	15,000
	\$ (38,475)	\$ (29,314)

In May 2019, the Company closed a private placement against subscriptions of \$100,000, which were received during 2018. A further subscription of \$25,000 was received in September 2019. The most significant item within changes in non-cash working capital items for the comparative periods relates to the recovery of value-added-taxes receivable in Portugal. During 2018, the Company received temporary loans from directors/officers.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management includes executive and non-executive directors and executive officers. There was no compensation paid or payable to key management or parties related to key management during the periods ended September 30, 2019 or 2018. As at September 30, 2019, accounts payable includes fees due to key management, which were accrued during 2016, as follows:

	2019	2018
A company controlled by the chairman/director	\$ 15,000	\$ 15,000
A company controlled by the president and CEO	24,750	24,750
The CFO/director	11,250	11,250
	\$ 51,000	\$ 51,000

OUTSTANDING SHARE DATA

Details of the Company's outstanding shares, options, and warrants is as follows:

	November 21 2019	September 30 2019	December 31 2018
Shares issued and outstanding	51,936,175	51,436,175	49,436,175
Outstanding stock options	3,470,000	3,470,000	3,470,000
Outstanding warrants	7,354,000	7,354,000	7,354,000
Diluted shares outstanding	62,760,175	62,260,175	60,260,175

In May 2019, the Company issued 2,000,000 shares from treasury at a price of \$0.05 per share in respect of subscriptions of \$100,000 received during the year ended December 31, 2018. In September 2019, the Company received a share subscription of \$25,000 and subsequently issued 500,000 shares at a price of \$0.05 per share in October 2019. Both issuances were in accordance with the Borralha option agreement. Notes 3 and 4 to the Company's September 30, 2019 condensed interim financial statements provide additional details regarding share capital, stock option, and share purchase warrant activity for the period.

MAJOR OPERATING MILESTONES

During the period under review, the Company held its annual general meeting where it received approval from its shareholders to complete the option agreement on the Borralha project, received regulatory approval of the Borralha option agreement, and completed the related private placement by issuing 2,000,000 shares from treasury. The Company continued to conserve cash and keep operating expenditures to a bare minimum during this market downturn so as to maintain the Company's continued operations. In September 2019, the Company received a share subscription of \$25,000 representing the first anniversary investment under the Borralha option agreement

MINERAL PROPERTIES

As at September 30, 2019, the Company held an interest in the Borralha property, located in northern Portugal. Barry J. Price, M.Sc., P.Geo. acts as the Company's independent "Qualified Person," as defined in National Instrument 43-101.

Borralha

The Borralha property is located in the municipalities of Montalegre and Veira do Minho, approximately 60 kilometres northeast of Porto in northern Portugal. The property comprises 93 square kilometres in area and is accessed by paved roads. Borralha was Portugal's second largest tungsten mine (after Panasqueira) until its closure in 1985 as a result of a decline in tungsten price. The mine started operations in 1903 and available historic records show production of tungsten in wolframite concentrates between 1907 and 1939 with some production of separate tin concentrates as a by-product. In the 1960's and 1970's, the mine produced high-quality wolframite concentrates and also lesser amounts of additional scheelite (tungsten) concentrates. Ore was mined primarily from vertical quartz veins, supplemented by limited open pit excavations in the later years. Initial work at Borralha focussed on the large, partially-developed tungsten-bearing Santa Helena breccia zone with limited work on relatively untested sub-horizontal tungsten and tin bearing veins.

The Santa Helena Breccia zone, which had never been drilled, has been partially mined by open pits in areas of more extensive tungsten-bearing quartz veins. Other tungsten veins have been scavenged over the years, often by "apanhistas" or illegal miners, and all mining ceased in 1985 as a result of world-wide low tungsten prices. The breccia body is over 500 metres in length, 200 metres wide at the south end and open to an unknown depth. Results of surface trenching showed widespread tungsten mineralization and included 100 metres averaging 0.13% wolframite ("WO₃") which included 20 metres with a grade of 0.33% WO₃. Mineralization of disseminated wolframite occurred in all of the trenches in the breccia and appears to be concentrated in some zones.

In 2014, the Company completed a diamond drilling programme at Borralha to test the tungsten values in the Santa Helena Breccia. Results included Hole BO 8A, located directly in the middle of the Santa Helena Breccia, which returned a long intercept, starting at a depth of two metres, with 118 metres from 57 metres to 175 metres averaging 0.29% WO₃. In addition, a short diamond drilling programme was undertaken in 2017 to provide further confirmation of the extent of the near-surface tungsten mineralisation in the Santa Helena Breccia. Hole BO-17, located in the surficial breccia zone approximately 100 metres south of Hole BO-8A, included a 92-metre intersection from 39 metres to 131 metres assaying 0.25% WO₃.

A preliminary independent mining assessment study was carried out and included the assessment of possible mining operations, open pit design and optimisation, ore processing, waste management, landscape rehabilitation, and closure plans. Results of the work proposed a concept of development of an initial smaller scale starter pit to be followed by increased production from the main open pit, although further exploration work is required before commencing any detailed feasibility assessment.

Tungsten mineralization in the form of wolframite is disseminated throughout the breccia and includes a higher grade mineralized trend from the center to the southern end of the breccia. This higher grade trend is open for expansion. The breccia appears to be continuing at depth, however further drilling will be required to fully

understand the true dimensions of the St. Helena Breccia and its mineralized zones and before preparation of a resource estimate.

During 2018, due to limited resources and a lack of additional funding, the Company faced a financial inability to keep the Borralha property in good standing. In October 2018, the Company optioned the Borralha project to a third party, which must fulfill all of the terms of the original agreement with the property owner and incur \$5 million in exploration and evaluation expenditures or complete a feasibility study to earn a 90% interest in the project. The Company will retain a 10% working interest in Borralha, which may be converted to a 1% net smelter returns royalty at the Company's option.

Cautionary Note

This document contains "forward-looking information" which includes, but is not limited to, statements with respect to the future price of metals, historical estimates of mineralization, capital expenditures, success of exploration activities, permitting time lines, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage, the completion of regulatory approvals. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". In making statements containing forward looking information, the Company has applied certain factors and assumptions that it believes are reasonable, including that there is no material deterioration in general business and economic conditions; that the supply and demand for, deliveries of, and the level and volatility of prices of the Company's primary metals and minerals develop as expected; that the concession contract for its Borralha mineral property is renewed and maintained in good standing; that the Company receives regulatory and governmental approvals for its mineral properties on a timely basis; that the Company is able to obtain financing for the development of its mineral properties on reasonable terms; that the Company is able to procure equipment and supplies in sufficient quantities and on a timely basis; that exploration timetables and capital costs for the Company's exploration plans are not incorrectly estimated or affected by unforeseen circumstances; that any environmental and other proceedings or disputes are satisfactorily resolved; and that the Company maintain its ongoing relations with the other parties to the option agreements on the Borralha property. However, statements containing forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors may include, among others, actual results of current exploration activities; future metal prices; accidents, labour disputes and other risks of the mining industry; the risk that the concession contract for the Borralha property is not renewed; delays in obtaining governmental or regulatory approvals or financing or in the completion of exploration activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Approval

The Board of Directors of the Company has approved the disclosure contained in this Interim MD&A, a copy of which will be provided to any interested parties upon request.

Respectfully submitted

On Behalf of the Board of Directors

"Alex Langer"

Alex Langer, President & CEO