

# BLACKHEATH RESOURCES INC.

## Form 51-102F1 Management Discussion and Analysis of the Financial Position and Results of Operations for the Year Ended December 31, 2018

April 12, 2019

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### TO OUR SHAREHOLDERS:

This Annual Management Discussion and Analysis (“MD&A”) supplements, but does not form part of, the financial statements of the Company for the year ended December 31, 2018. Consequently, the following discussion and analysis of the financial condition and results of operations for Blackheath Resources Inc. (“Blackheath” or the “Company”) should be read in conjunction with the audited financial statements of the Company and the notes thereto for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise stated, all amounts herein are expressed in Canadian dollars.

Discussion of the Company, its operations and associated risks is further described in the Company’s filings, which include the December 31, 2017 MD&A and audited financial statements, are available for viewing at [www.sedar.com](http://www.sedar.com). A copy of this MD&A will be provided to any applicant upon request.

### *Overall Performance and Outlook*

Blackheath was incorporated on May 2, 2011 and commenced business at that time as a mineral exploration company. Subsequently, Blackheath acquired an option to acquire an interest in the Covas tungsten property in northwest Portugal. The Covas property was primarily of interest for tungsten minerals and had significant historic tungsten resources, not compliant with National Instrument (“NI”) 43-101, with indicated additional potential for gold mineralization. In March 2015, the Company announced its initial NI 43-101 compliant resource estimate on the Covas property (see the Company’s news release dated March 31, 2015 available at [www.sedar.com](http://www.sedar.com)). However, the Company terminated the option in March 2018 and holds no further interest in the project.

During 2012 and 2013, the Company was active in acquiring additional projects and signed option agreements for a 100% interest in the Borralha tungsten property and the Bejanca tin/tungsten property, as well as other tungsten projects which were subsequently abandoned. Exploration results at Borralha and Bejanca have been encouraging however, the tungsten exploration industry is currently experiencing difficult capital and metals markets and equity financing available for exploration programmes is limited. Due to limited resources, in September 2018, the Company abandoned the Bejanca project and in October 2018, it optioned the Borralha project to a third party, which is subject to shareholder and regulatory approval (see “*Mineral Properties*”).

In August 2018, the Company received the initial subscription of \$25,000 in respect of a private placement of \$100,000, which is a term of the option agreement on the Borralha project. The remaining subscription of \$75,000 was received in October 2018. This private placement is subject to shareholder and regulatory approval. This amount is presented in the financial statements as a subscription received in advance within equity and will be moved to share capital upon issuance of the shares.

The Company is currently conserving cash and will have to raise additional financing in order to meet its financial commitments and to acquire any additional exploration projects.

### *Mineral Properties*

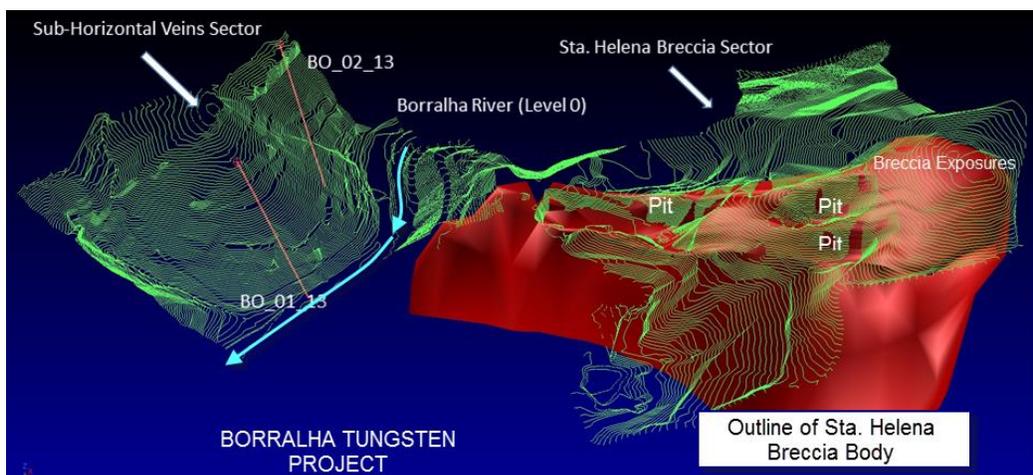
As at December 31, 2018, the Company held an interest in the Borralha property, located in northern Portugal, having terminated its options on the Covas, Vale das Gatas, and Bejanca properties. Barry J. Price, M.Sc., P.Geol. acts as the Company's independent "Qualified Person," as defined in National 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 has 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.

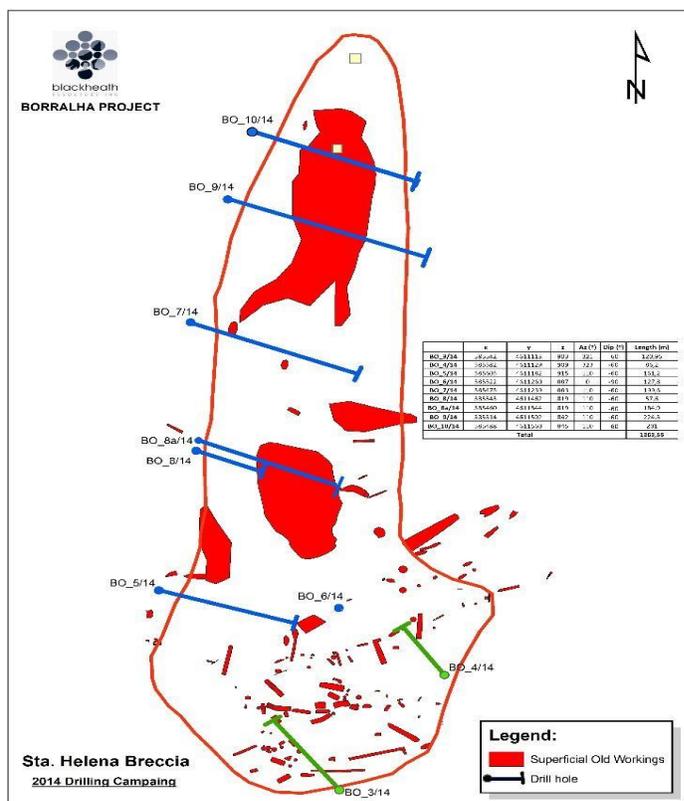
Results of surface trenching showed widespread tungsten mineralization and included 100 metres averaging 0.13% wolframite (“WO<sub>3</sub>”) which included 20 metres with a grade of 0.33% WO<sub>3</sub>. Mineralization of disseminated wolframite occurred in all of the trenches in the breccia and appears 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 (see figure below). Results (see News Release April 21, 2015) are considered very encouraging, indicating extensive near-surface tungsten mineralisation (see table below). Results included Hole BO 8A, located directly in the middle of the Santa Helena Breccia, which returned a long intercept, starting at 2 metres, with 118 metres from 57 m to 175 m averaging 0.29% WO<sub>3</sub>.

Hole ID	Intercept – Metres			Intercept % WO <sub>3</sub>
	From	To	Total	
BO 5	21	117	96	0.14
including	<b>54</b>	<b>117</b>	<b>63</b>	<b>0.20</b>
including	<b>88</b>	<b>117</b>	<b>29</b>	<b>0.27</b>
BO 6	36	112	76	0.09
including	69	89	20	0.14
and	97	112	15	0.06
BO 7	108	175	67	0.08
including	108	123	15	0.13
and	128	142	14	0.15
and	158	175	17	0.08
<b>BO 8A</b>	<b>57</b>	<b>175</b>	<b>118</b>	<b>0.29</b>
<b>including</b>	<b>84</b>	<b>175</b>	<b>91</b>	<b>0.32</b>
BO 9	85	93	8	0.27

and	188	199	11	0.10
BO 10	39	53	14	0.05
and	85	91	6	0.14
and	107	125	18	0.16
	152	171	19	0.07

Assay intercept widths may not be true widths, which cannot as yet be determined, as the shape and size of the mineralized breccia zones has not been determined. Tungsten analyses were performed by ALS Minerals laboratory, an international accredited firm in Vancouver, Canada using standard ME-XRF05 and ME-MS85 assay techniques for assays over 0.05% WO<sub>3</sub>. Hole BO 5, which was released July 23, 2014, was re-assayed using the above tungsten analyses, which are considered to be more accurate. QA/QC procedures included standards blanks and duplicates and accuracy and reproducibility are good. Intercepts were estimated with an arbitrary 0.05% WO<sub>3</sub> cut-off grade.



A preliminary independent mining assessment study was carried out by Visa Consultores, in conjunction with and supervised by the Company. This work included: assessment of possible mining operations, open pit design and optimisation, ore processing, waste management, landscape rehabilitation, and closure plans. Results of the work are very encouraging and 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.

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, the site of the historic open pit. The programme comprised Hole BO-17, located in the surficial breccia zone approximately 100m south of previously reported Hole BO-8A, which showed 118m assaying 0.29% WO<sub>3</sub> (57m to 175m) and included a 91 metre intersection assaying 0.31% WO<sub>3</sub> (84m to 175m). Results from Hole BO-17 included a **92m intersection from 39 metres to 131 metres assaying 0.25% WO<sub>3</sub>** as shown below:

Hole ID	Intercept – Metres			Intercept % WO <sub>3</sub>
	From	To	Total	
BO-17	5	157	152	0.17
including	31	147	116	0.20
including	<b>39</b>	<b>131</b>	<b>92</b>	<b>0.25</b>

*Assay intercept widths may not be true widths, which cannot as yet be determined, as the shape and size of the mineralized breccia zones has not been determined. Tungsten analyses were performed by ALS Minerals laboratory, an accredited and internationally used firm in Vancouver, Canada using standard ME-XRF05 and ME-MS85 assay techniques for assays over 0.05% WO<sub>3</sub>. QA/QC procedures included standards blanks and duplicates and accuracy and reproducibility are good.*

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 on 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 (“NSR”) at the Company’s option. The agreement is subject to shareholder and regulatory approval.

#### *Bejanca*

The Bejanca property is located in the municipalities of Viseu, Vouzela and San Pedro do Sul, approximately 55 kilometres southeast of Porto in northern Portugal. The property comprises 70 square kilometres in size and is accessed by paved roads. The mines at Bejanca operated from the early 1900’s until 1985 when low tungsten prices resulted in their closure. Available historic records show production of tungsten concentrates between 1911 and 1939 as well as production of both wolframite (tungsten) concentrates and cassiterite (tin) concentrates between 1963 and 1985. Mining was from several shallow open pits and shallow underground workings. The tungsten and tin mineralisation occurs in stockworks in greisens and also in hydrothermal quartz veins.

Blackheath carried out back-hoe sampling in late 2015 and early 2016 and again in 2017 to re-assess the alluvial and eluvial material at Bejanca with a view to early establishment of a simple washing plant to extract high grade tin and tungsten values. The deposits cover an extensive area and one area of approximately 2 kilometres by 2 kilometres was selected for testing. A total of 72 test pits were excavated and sampled in successive one metre intervals below the soil and humus layer. The mineralized gravel deposits lie on surface, immediately below the soil layer. Generally, the soil layer was between 0.2 m and 1 m in depth followed by the mineralised gravel layer between 1 m and 5.5 m in thickness and immediately above bedrock. Preliminary work confirmed that the finer minus 2mm material contained more concentrated mineralisation and this material could be readily separated by screening before further processing and concentration.

The total sampled area of the alluvium is significant, covering 330 hectares with an average depth of 2.38 metres. The average grade in sampled pits was 519 g/t tin (“SnO<sub>2</sub>”) + 138 g/t WO<sub>3</sub>, which includes 113 hectares of higher grades of 732 g/t SnO<sub>2</sub> + 216g/t WO<sub>3</sub>. Higher concentrations of tin and tungsten occur in the finer sizes of alluvium. The density of the eluvium was analyzed and is 2.66 t/m<sup>3</sup> - 80% of values are in tin and 20% in tungsten.

Due to limited financial resources, the Company abandoned the project and returned the property to the optionor in September 2018.

## Covas

The Covas property is located in the District of Viana do Castelo in the Province of Minho, approximately 100 kilometres north of Porto, Portugal's second largest city, and 10 kilometres east of the resort town of Caminha. The property comprises 1,949 hectares in area and is accessed by paved roads. Covas is a past-producing tungsten mine and following its acquisition of an option for the Covas project in 2011, the Company carried out exploration programs including diamond drilling.

Based on all drill results, in March 2015, the Company announced a maiden current resource estimate in all zones, compliant with the requirements of NI 43-101 and prepared by Gary Giroux, P. Eng., an independent Qualified Person (see news release for details) and filed a 2015 Technical (NI 43-101) Report and Resource Estimate authored by Barry J. Price, M.Sc., P.Geo. and Gary Giroux, M.A.Sc., P.Eng. on SEDAR on May 14, 2015. A summary table of estimated mineral resources is shown below:

WO <sub>3</sub> Cut-off (%)	Classification	Tonnes > Cut-off (tonnes)	Grade WO <sub>3</sub> (%)	Contained Metal MTU WO <sub>3</sub>
0.1	Indicated	1,081,000	0.42	449,800
	Inferred	2,211,000	0.35	767,100

The resource total takes into account all known mineralised areas located within the Covas Tungsten Project.

In 2017, the Company conducted further diamond drilling at Covas. This work was focussed on the hypothesis of a previously untested bulk tonnage tungsten target possibly indicated by coincident geophysical and geochemical anomalies. In early 2018, the Company received and announced the results of the diamond drill hole, which was drilled to 225 metres. Visual interpretation of the core indicated moderate to strong greisen alteration in the top third of the hold and locally strong to pervasive silicification in the bottom half of the hole. However, no tungsten mineralization was observed and no assays of any of the samples showed any significant results. Following a review of all results to date and of future commitment requirements for the property, the Company determined to terminate its option on the Covas property in March 2018, due to limited financial resources, and currently retains no further interest.

## Vale das Gatas

The Vale das Gatas property, located in the 130-square kilometre Vila Verde exploration licence about 100 kilometres east of Porto in northern Portugal, was the third largest tungsten mine in Portugal. The Vale das Gatas mine closed in 1986 as a result of a significant decline in tungsten price. At its peak, the mine employed over 1,000 workers and produced up to 635 tonnes of tungsten concentrates annually. Ore was mined primarily from quartz veins containing the tungsten mineral wolframite together with lesser amounts of the tin mineral cassiterite. The average recovered grade of the mine was 0.35% WO<sub>3</sub> per tonne. During the term of the option, the Company incurred approximately €277,000 at Vale das Gatas and in October 2017, due to limited financial resources, abandoned the project and returned the property to the optionor.

## Selected Annual Information

The following table summarizes selected financial information for the Company for each of the three most recent fiscal years prepared in accordance with IFRS:

	2018	2017	2016
Total assets	\$ 77,071	\$ 266,788	\$ 340,952
Cash	\$ 65,062	\$ 50,912	\$ 119,010
Current assets	\$ 74,326	\$ 120,025	\$ 165,598
Current liabilities	\$ 160,492	\$ 142,890	\$ 135,180
Long term liabilities	\$ -	\$ -	\$ -
Total shareholders' equity (deficiency)	\$ (83,421)	\$ 123,898	\$ 205,772
Loss and comprehensive loss for the year	\$ 307,319	\$ 428,205	\$ 767,899
Basic and diluted loss per share	\$ 0.01	\$ 0.01	\$ 0.02
Weighted-average shares outstanding	49,436,175	45,469,052	38,962,395

### Results of Operations

The Company had a loss (and comprehensive loss) for the current year of \$307,319, which compares to a loss (and comprehensive loss) of \$428,205 for the comparative year. The Company experienced decreases in most expense categories due to significant decreases in corporate activities during the current year as it conserved cash in response to the current market conditions. Significant items included in the current and comparative losses are as follows:

	2018	2017
Accounting and audit	\$ 17,143	\$ 20,176
Exploration and evaluation	\$ 227,397	\$ 340,249
Legal fees	\$ 19,314	\$ 7,727
Office and general	\$ 15,338	\$ 20,843
Rent and office services	\$ 10,813	\$ 21,416
Stock exchange and filing fees	\$ 10,241	\$ 8,480

The Company relies on its directors and officers who fulfill many of its administrative, management, and investor relations requirements and who are currently providing their services without compensation. With the depressed markets for junior tungsten explorers, the Company has reduced administrative and exploration expenditures to a bare minimum in response to the current market downturn.

The Company expenses exploration and evaluation expenditures in the period incurred. Expenditures for the years ended December 31 and cumulative expenditures as at December 31, 2018 are as follows:

Portugal	Expenditures 2018	Expenditures 2017	Cumulative 2018
Covas	\$ 98,138	\$ 95,264	\$ 2,522,695
Bejanca	51,493	54,869	568,146
Borralha	77,766	136,378	1,117,654
Vale das Gatas	-	53,738	400,295
	<u>\$ 227,397</u>	<u>\$ 340,249</u>	<u>\$ 4,608,790</u>

Exploration and evaluation expenditures by activity are as follows:

	2018	2017
Administration	\$ 27,338	\$ 32,272
Camp and general	13,654	22,427
Drilling	-	107,602
Field materials	72	1,251
Geochemical, assays	-	12,339
Geological	38,515	86,647
Legal, license and taxes	146,641	58,154
Local labour	-	10,860
Roadwork	-	5,262
Travel and accommodation	1,177	3,435
	<u>\$ 227,397</u>	<u>\$ 340,249</u>

The Company was less active in the field in 2018 than in 2017 when it conducted drill programmes at Covas and Borralha. The most significant exploration and evaluation cost for the current year results from the write-off of performance deposits of \$146,641 (€95,000) relating to the Covas project in March 2018, the Bejanca project in September 2018, and the Borralha project in October 2018. Due to limited cash resources, the Company scaled back its field expenditures while it attempted to negotiate reduced expenditure requirements with the optionors and the government of Portugal. However, with no improvement in capital markets for junior tungsten explorers and without sufficient resources to maintain its agreements, the Company had to option out or abandon its remaining properties. A detailed breakdown of activity costs for each of the Company's properties is provided in Note 6 to the Company's December 31, 2018 financial statements.

Cash flows used in operations, before changes in non-cash working capital items, totalled \$163,301 (2017 - \$413,642) and include \$80,756 (2017 - \$318,118) in exploration and evaluation expenses and \$82,545 (2017 - \$95,524) in general and administrative expenses, excluding an unrealized foreign exchange translation gain of \$3,647 (2017 - \$9,125) relating to the performance deposits. The reduction in cash used for operations reflects the decreases in administrative and exploration expenses as detailed above.

Changes in non-cash working capital items provided cash of \$77,451 resulting primarily from the recovery of value-added-taxes receivable in Portugal, and also includes a decrease in prepaid expenses and an increase in accounts payable. In addition, the Company received a share subscription of \$100,000 towards a private placement that is subject to shareholder and regulatory approval (see *Outstanding Share Data*).

### ***Summary of Quarterly Results***

#### ***Quarterly Financial Data***

The Company has no operating revenue. Selected financial information set out below is based on and derives from the unaudited condensed interim financial statements of the Company for each of the quarters listed:

<b>Quarter Ended</b>	<b>Dec 31 2018</b>	<b>Sep 30 2018</b>	<b>Jun 30 2018</b>	<b>Mar 31 2018</b>	<b>Dec 31 2017</b>	<b>Sep 30 2017</b>	<b>Jun 30 2017</b>	<b>Mar 31 2017</b>
Exploration and evaluation	\$ 37,465	\$ 64,106	\$ 25,244	\$ 100,582	\$ 200,889	\$ 45,878	\$ 30,930	\$ 62,552
Loss and comprehensive loss	\$ 65,424	\$ 79,423	\$ 54,135	\$ 108,337	\$ 214,028	\$ 68,655	\$ 61,543	\$ 83,979
Loss per share - basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

The most significant variations amongst the losses for these quarters are discussed below:

Effective January 1, 2017, the chairman, president and chief executive officer, and chief financial officer agreed to waive their monthly compensation resulting in no management fees being recorded for 2017 or 2018. During the quarter ended December 31, 2017, the Company abandoned the Vale das Gatas project and conducted drill programmes at Covas and Borralha resulting in an increase in exploration and evaluation costs for the quarter.

During the first quarter of 2018, the Company abandoned the Covas project; exploration expenditures for this quarter include \$79,335 relating to the write-off the Covas performance deposit. During the second and third quarters of 2018, the Company continued to keep all expenditures to a minimum due to the continuing unfavourable market conditions. During the quarter ended September 30, 2018, the Company abandoned the Bejanca project and wrote off \$37,550 for the related performance deposit. Exploration expenditures for the quarter ended December 31, 2018 include \$29,756 relating to the write-off the Borralha performance deposit.

#### ***Discussion of Fourth Quarter***

The Company had a loss (and comprehensive loss) for the current quarter in the amount of \$65,424, which compares to a loss (and comprehensive loss) of \$214,028 for the comparative quarter ended December 31, 2017. The most significant item comprising the current loss was exploration and evaluation expenditures of \$37,465 (2017 - \$200,889). The Company had higher exploration and evaluation expenditures in 2017 due to conducting drill programmes at Covas and Borralha.

Cash used in operations, before changes in non-cash working capital items, was \$35,128. Changes in non-cash working capital items produced a source of cash of \$18,592, which resulted primarily from an increase in accounts payable. Under financing activities, the Company received a share subscription of \$75,000 and repaid \$15,000 in temporary loans received from certain directors and officers. The Company had no investing activities during the quarter.

### ***Financial Position and Liquidity***

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 December 31, 2018 financial statements.

At December 31, 2018, the Company had cash on hand of \$65,062 (2017 - \$50,912). The increase in cash during the year results from the cash provided by financing activities (\$100,000) exceeding the cash used in operating activities (\$85,850). The Company received a share subscription in advance of a private placement announced in November 2018, which is subject to shareholder and regulatory approval.

At December 31, 2018, the Company had a working capital deficiency of \$86,166 (2017 – \$22,865). The Company intends to increase its working capital position by raising additional equity financing, however, the success of any future financings is not assured.

During the year, the Company experienced cash administrative expenses of approximately \$82,000 and cash exploration and evaluation expenses of approximately \$81,000 (excluding the write-off of the Covas, Bejanca, and Borralha performance deposits). Management considers the Company's working capital resources to be insufficient to meet its overhead requirements and desired exploration programmes 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.

### ***Capital Resources and Commitments***

The Company entered into an option agreement in May 2011, which was amended in May 2014 to provide the Company the option to acquire up to an 85% interest in the Covas project by incurring staged exploration expenditures of up to €2,651,000. During the term of the option, the Company incurred sufficient expenditures under the agreement to provide it the right to earn a 75% interest in the project and elect to form a joint venture with the optionor to further the development of the project. The Company did not make such an election and in March 2018 provided notice to the optionor that it would abandon the project and return the property. Upon abandoning the project, the Company forfeited its related performance deposit in the amount of \$79,335 (€50,000).

In December 2012, the Company entered into an agreement for an option to acquire up to a 100% interest in the Bejanca project. To earn its interest, the Company paid the optionor €25,000 upon signing and was required to pay an additional €100,000 upon the grant of a preliminary exploitation licence and a further €1 million upon mine production and the grant of a final exploitation licence. The Company incurred sufficient expenditures to maintain the property in good standing to July 31, 2017. Due to limited financial resources, in September 2018 the Company provided notice to the optionor that it would abandon the project and return the property. Upon abandoning the project, the Company forfeited its related performance deposit in the amount of \$37,550 (€25,000).

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Borralha tungsten project located in northern Portugal. The Company paid the owner of the property (the "Optionor") €25,000 upon signing and in addition to keeping the concessions in good standing, must pay the Optionor an additional €100,000 upon the grant of a preliminary exploitation license and €1,000,000 upon the grant of a final exploitation license.

During the term of the agreement, the Company had incurred sufficient expenditures to maintain the concession in good standing until 31 July 2017. During 2018, the Company was unable to negotiate a suitable reduction in expenditure requirements and consequently was in arrears under the option agreement and property concession.

In October 2018, the Company optioned the Borralha project to a third party (the "Optionee"). Under the terms of the agreement, which is subject to shareholder and regulatory approval, the Optionee must fulfill all of the terms of the original agreement with the Optionor and incur \$5 million on 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% NSR at the Company's option. The Optionee will become the

operator of the project and, accordingly, the Company will relinquish its interest in the performance deposit. As the Company was in arrears in respect of exploration expenditure requirements on the Borralha project, it wrote off the related performance bond in the amount of \$29,756 (€20,000).

In November 2013, the Company entered into an option agreement to acquire up to a 100% interest in the Vale das Gatas tungsten project. In October 2017, the Company abandoned the project and returned the property to the optionor. Upon abandoning the project, the Company forfeited the related \$22,131 (€15,000) performance deposit to the optionor.

The Company's Borralha project is a past-producing property and at an early stage of exploration. The future expenditures required to establish whether or not this property contains an economically recoverable deposit are not determinable at this time. If the results of future exploration programmes warrant incurring further exploration expenditures, and should the Company choose to maintain its interest in Borralha, then the Company may be required to raise additional funding.

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.

Management believes that it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. To date, the capital requirements of the Company have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

#### ***Off-Balance Sheet Arrangements***

The Company had no off-balance sheet arrangements as at December 31, 2018 or as at the date hereof.

#### ***Proposed Transactions***

In October 2018, the Company entered into an agreement to option the Borralha project to a third party (see "*Mineral Properties*"). This transaction requires regulatory approval and approval from the Company's shareholders at a general or special meeting. As part of this agreement, the third party has subscribed for a private placement of 2,000,000 shares of the Company at a price of \$0.05 per share. Upon approval of the option agreement, the private placement would be subject to regulatory approval. The Company had no other proposed transactions as at December 31, 2018 or as at the date hereof.

#### ***Related Party Transactions and Key Management Compensation***

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the amounts agreed to between the parties.

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 years ended December 31, 2018 or 2017.

Accounts payable includes fees due to key management, which were accrued during 2016, as follows:

	2018	2017
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

During the year, the Company received temporary loans totalling \$15,000 from certain of its directors and officers. These advances were interest-free, due on demand with no fixed terms of repayment, and were repaid in December 2018.

### ***Changes in Accounting Policies***

On January 1, 2018, the Company adopted IFRS 9 – *Financial Instruments*, which replaces IAS 39 – *Financial Instruments – Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. There was no impact on the carrying values or equity as at January 1, 2018 and no measurement differences or classification changes due to adopting this new standard.

The Company's December 31, 2018 financial statements have been prepared in accordance with IFRS. A detailed listing of the Company's significant accounting policies and recent pronouncements is provided in Note 2 to these statements.

### ***Critical Accounting Estimates and Judgements***

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the period. Actual amounts could differ from these estimates.

The Company's most significant accounting judgement relates to the determination of assumptions used to estimate share-based compensation. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these assumptions can materially affect the fair value estimate. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity, and has no effect upon the Company's assets or liabilities.

### ***Financial Instruments***

The Company's financial instruments consist of the following:

	2018	2017
<b>Cash</b>		
Cash on deposit	\$ 65,062	\$ 50,912
<b>Receivables</b>		
Value-added taxes	\$ 8,409	\$ 59,404
<b>Performance deposits</b>	\$ -	\$ 142,994
<b>Accounts payable and accrued liabilities</b>		
Accounts payable	\$ 22,056	\$ 15,688
Accrued audit, legal, exploration, and other	138,436	127,202
	\$ 160,492	\$ 142,890

The carrying values of cash and receivables approximate their fair values due to the short-term nature of these instruments. The carrying value of accounts payable exceeds its fair value considering the current credit rating of the Company. Performance deposits are non-interest bearing and refundable primarily upon the Company meeting its annual property expenditure requirements, which vary depending on the required expenditure levels and exploration progress on each of the Company's projects. Management considers the carrying value of performance deposits to approximate their fair value due to their relatively short-term nature. Except as described below, it is management's opinion that the Company is not exposed to significant credit, market, or liquidity risks in respect of these financial instruments. All of the Company's financial instruments are carried at amortized cost.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's Canadian cash is held through a major Canadian financial institution with a high investment grade rating. The Company also maintains cash denominated in euros that is held through a major bank in Portugal, which also has a high investment grade rating. The Company is carrying value-added taxes receivable of \$8,148, which is refundable by the government of Portugal. To date, the Company has not experienced any delays in receiving such refunds. The carrying value of the Company's cash and receivables totalling \$73,471 represents the Company's maximum exposure to credit risk as at December 31, 2018.

The Company is exposed to market risk, which is the risk that the fair values of financial instruments will fluctuate with changes in market prices. The significant market risk to which the Company is exposed is currency risk. As at December 31, 2018, the Company held the equivalent of \$8,148 in receivables and \$75,697 in accounts payable, which are denominated in euros and therefore subject to currency risk due to fluctuations in the exchange rate with the Canadian dollar.

Due to the size and nature of these balances and the volatility of the exchange rate between the dollar and the euro, such currency risk could result in future gains or losses to the Company. During 2018, the euro strengthened against the Canadian dollar by approximately 3.7%. Based on the Company's euro denominated monetary assets and liabilities as at December 31, 2018, each 5% fluctuation in the exchange rate would result in a gain or loss of approximately \$3,377. Except for the performance deposits, these balances turn over regularly and therefore prolonged exposure to currency risk is considered to be minimal. The Company maintains only the minimum amount of such balances required to maintain its exploration projects in Portugal and does not employ any forward contracts or hedges to manage its currency risk. Due to the size and short-term nature of these items, the Company does not consider its currency risk in respect of these financial instruments to be significant.

The Company is subject to liquidity risk such that it may not be able to meet its obligations under its financial instruments as they fall due. The Company manages this risk by maintaining cash balances to ensure that it is able to meet its short- and long-term obligations as and when they fall due. Cash projections are regularly updated to reflect the dynamic nature of the business.

#### ***Disclosure for Companies without Significant Revenue***

Consistent with other companies in the mineral exploration industry, Blackheath has no source of operating revenue. The statement of loss and comprehensive loss included in the Company's December 31, 2018 financial statements provides a breakdown of the general and administrative expenses for the year under review. Note 6 to these financial statements includes detailed listings of the exploration and evaluation costs incurred on its mineral properties.

#### ***Outstanding Share Data***

As at December 31, 2018, the Company had 49,436,175 (diluted – 60,260,175) common shares issued compared to 49,436,175 (diluted – 67,618,925) common shares issued and outstanding as at December 31, 2017.

During the year, 7,358,750 warrants expired unexercised. The Company received a share subscription for a private placement of 2,000,000 shares at a price of \$0.05 per share, which is subject to shareholder and regulatory approval. Notes 4 and 5 to the Company's December 31, 2018 financial statements provide additional details of the Company's share capital activity for the year.

At December 31, 2018 and the date hereof, the Company had outstanding stock options and warrants enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	2,390,000	\$ 0.13	30 December 2020
	360,000	\$ 0.13	5 July 2021
	<u>720,000</u>	\$ 0.13	26 July 2021
	3,470,000		
<b>Warrants</b>	7,354,000	\$ 0.10	19 July 2020

#### ***Management***

Blackheath is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Blackheath could result, and other persons would be required to manage and operate the Company.

## ***Risk Factors***

There are risks associated with the securities of the Company and such risks are described in documents filed on [www.sedar.com](http://www.sedar.com) under the Company's profile. The securities of the Company are highly speculative due to the nature of the Company's business and the present stage of its development. There is no assurance that the Company's exploration will result in the discovery of an economically viable mineral deposit. The Company's interest in and rights to its mineral property are subject to various risks. There can be no assurance that there are not title defects affecting the interest of the Company or the optionors in the Borralha property. There is no assurance that the Company will be capable of exercising its option to acquire an interest in the Borralha property. The optionors' interest in the Borralha property cannot be assigned without the approval of the Portuguese Government. The optionors would need to acquire such approval in order for legal title to the properties to be transferred to the Company or to a future subsidiary of the Company or to a third party. There is no assurance that shareholder approval for the October 2018 option agreement on Borralha will be received, and that the related private placement will be completed. The Company has incurred losses to date and management considers the Company's current financial resources to be insufficient to cover general and corporate expenses for the next twelve months. The Company currently has insufficient funds to incur the exploration expenditures required to keep its Borralha property in good standing and will have to raise additional funds to further explore and to maintain its ownership interest in the Borralha property. There is no assurance such additional funding will be available to the Company. Should the ongoing minimum required expenditures not be maintained on its Borralha property, it could lose its interest in the property. Additional equity financing may result in substantial dilution thereby reducing the marketability of the Company's common shares. The Company's activities are subject to the risks normally encountered in the mining exploration business. The economics of exploring, developing and operating resource properties are affected by many factors including the cost of exploration and development operations, variations of the grade of any ore mined, the rate of resource extraction, fluctuations in the price of resources produced, government regulations relating to royalties, taxes and environmental protection. The Company may become subject to liability for hazards against which it is not insured. The Company's current and past mineral properties have been previously mined and it is possible that previous operations have resulted in pollution or other environmental hazards that the Company could become responsible for. The Company competes with other mining companies with greater financial and technical resources. Certain of the Company's directors and officers serve as directors or officers of other public and private resource companies, and to the extent that such other companies may participate in ventures in which the Company may participate, such directors and officers of the Company may have a conflict of interest.

## ***Controls and procedures***

The CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim condensed financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate for non-venture issuers under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX-V listed companies are not required to provide representations in the interim and annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to

provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **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 Annual 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"

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Alex Langer, President & CEO