



blackheath  
RESOURCES INC

## **Interim Management's Discussion and Analysis**

### **Quarterly Highlights**

#### **For the Nine Months Ended September 30, 2020**

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

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#### **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 another company.

This Interim Management's Discussion and Analysis ("MD&A") is dated November 2, 2020 and provides information on the Company's activities for the nine months ended September 30, 2020, and subsequent activity to the date of this report. Consequently, this MD&A should be read in conjunction with the Company's September 30, 2020 condensed interim financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Discussion of the Company, its operations and associated risks is further described in the Company's filings, which include the December 31, 2019 MD&A and audited financial statements, available for viewing at [www.sedar.com](http://www.sedar.com).

#### **QUARTERLY HIGHLIGHTS**

The Company's activities during the period under review consisted of completing its annual audit, monitoring developments at its Borralha project, and reviewing opportunities for additional business ventures and financing. The Company continued to conserve cash and keep operating expenditures to a bare minimum – management continues to provide its services to the Company without charge. In July 2020, the Company completed a non-brokered private placement to raise gross cash proceeds of \$249,650.

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

#### **FINANCIAL CONDITION**

As at September 30, 2020, the Company had cash on hand of \$194,250 and working capital of \$103,830. Included in working capital is \$51,000 in fees due to management, which were accrued, without terms, 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 challenging period, 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 Borralha 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, 2020 condensed interim financial statements.

The Company's cash on hand increased from \$19,134 as at December 31, 2019 to \$194,250 as at September 30, 2020 as a result of cash of \$222,740 provided by financing activities exceeding cash of \$47,624 used in operating activities. Its working capital position moved from a deficiency of \$85,720 as at December 31, 2019 to a positive working capital position of \$103,830 as at September 30, 2020 due primarily to the Company's recently completed financing.

During the period, the Company paid or accrued administrative expenses of approximately \$33,000. In addition, the Company received loan advances totalling \$30,000 from certain of its directors and officers; these advances were subsequently repaid prior to the end of the period. On July 30, 2020, the Company completed a non-brokered private placement for gross proceeds of \$249,650.

Management considers the Company's current working capital resources to be sufficient to meet its overhead requirements and settle its accounts payable for the ensuing twelve months, however, in order to acquire new mineral prospects and return to active exploration, 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.

In October 2018, the Company optioned the Borralha project to a third party. The Company has retained a 1% net smelter returns royalty ("NSR") in the project, which does not require financial participation by the Company.

The Company has cash requirements to meet its ongoing overhead costs and settle accounts payable. To date, the capital requirements of the Company have been met by equity subscriptions. Management believes that it will be able to raise equity capital as required to maintain operations in the short- and long-term, but recognizes the risks attached thereto. In addition, the out-break of the COVID-19 pandemic has introduced further uncertainty into the capital markets, which may negatively affect the future financing prospects of the Company. 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.

## FINANCIAL PERFORMANCE

### Loss

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

	2020		2019	
General and administrative expenses	\$	9,546	\$	9,674
Foreign exchange loss (gain)		613		(898)
Loss for the quarter	\$	10,159	\$	8,776

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

	2020		2019	
General and administrative expenses	\$	31,835	\$	49,502
Foreign exchange loss (gain)		1,355		(1,884)
Total operating expenses		33,190		47,618
Loss on disposal of equipment		-		1,114
Loss for the period	\$	33,190	\$	48,732

Operating expenses were lower for the current period due to the Company's relative inactivity. The most significant reduction was in legal expense as the Company incurred higher legal costs in the comparative period in respect of the Borralha option agreement and related private placement, which required shareholder and regulatory approval in accordance with the TSX Venture Exchange.

There were no exploration and evaluation expenditures incurred during the current or comparative periods as the Company had only an NSR on the Borralha project, which is under option by another company, and no other active exploration projects.

### Cash Flows

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

	2020	2019
General and administrative expenses	\$ (10,159)	\$ (8,709)
Changes in non-cash working capital items	(4,832)	(20,069)
Shares issued for cash, net of issuance costs	222,740	-
Share subscriptions received	-	25,000
Loan repayments – related parties	(30,000)	-
	\$ 177,749	\$ (3,778)

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

	2020	2019
General and administrative expenses	\$ (33,190)	\$ (47,381)
Changes in non-cash working capital items	(14,434)	(17,094)
Proceeds from sale of equipment	-	1,000
Shares issued for cash, net of issuance costs	222,740	-
Share subscriptions received	-	25,000
Loan proceeds – related parties	30,000	-
Loan repayments – related parties	(30,000)	-
	\$ 175,116	\$ (38,475)

General and administrative expenses were lower in the current period due to reduced activity and legal costs. The most significant item within changes in non-cash working capital items for the current period relates to the reduction in accounts payable. During June 2020, the Company received a temporary loan from directors and officers; this loan was subsequently repaid in August 2020. In July 2020, the Company completed a private placement for \$249,650, less cash finders' fees of \$13,989 and legal and filing fees of \$12,921.

### 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, 2020 or 2019. Accounts payable includes fees due to key management, which were accrued, without terms, during 2016, as follows:

	2020	2019
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 period, the Company received and subsequently repaid loan advances totalling \$30,000, which were received from certain of its directors and officers. These advances were interest-free, unsecured, and due on demand.

## OUTSTANDING SHARE DATA

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

	November 2 2020	September 30 2020	December 31 2019
Shares issued and outstanding	9,732,708	9,732,708	5,193,618
Outstanding stock options	347,000	347,000	347,000
Outstanding warrants	4,793,431	4,793,431	735,400
Diluted shares outstanding	14,873,139	14,873,139	6,276,018

Effective December 9, 2019, the Company consolidated its outstanding common shares on the basis of one post-consolidation share for every ten pre-consolidation shares. All information and per-share amounts in respect of issued and outstanding shares, incentive stock options, share purchase warrants, and loss per share have been retrospectively adjusted to reflect the consolidation.

On July 19, 2020, 735,400 share purchase warrants expired unexercised and on July 30, 2020, the Company closed a non-brokered private placement by issuing 4,539,090 shares and 4,793,431 warrants. Notes 3 and 4 to the Company's September 30, 2020 condensed interim financial statements provide additional details regarding share capital, stock option, and share purchase warrant activity for the period.

## NOVEL CORONAVIRUS (COVID-19)

Up to the date of this report, the Company's operations have not been materially affected by the Coronavirus. The Company has no staff and is currently being managed by the chief executive officer and chief financial officer, who work from home. The Company currently has no exploration projects or fieldwork underway.

The out-break of the COVID-19 pandemic has introduced significant uncertainty in the capital markets, which may affect the ability of junior exploration companies to raise equity to fund operations and exploration activities. The financing prospects of the Company may be negatively affected should the pandemic persist for an extended period of time, which would affect the Company's ability to raise capital to fund its administrative overhead and acquire new exploration projects. While the future impact of this outbreak is difficult to predict, the Company will continue to monitor and assess the associated risks to the Company's operations and remain prepared to respond appropriately.

## MAJOR OPERATING MILESTONES

During the period under review, the Company completed its annual audit, monitored developments at its Borralha project, and reviewed opportunities for additional business ventures and financing. The Company continued to conserve cash and keep operating expenditures to a bare minimum so as to maintain the Company's continued operations. In July 2020, the Company closed a private placement for gross cash proceeds of \$249,650.

## MINERAL PROPERTIES

As at September 30, 2020, 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 (“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. 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% WO<sub>3</sub>. 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% WO<sub>3</sub>.

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 concession in good standing with the owner (“Optionor”) of the project. In October 2018, the Company optioned the Borralha project to a third party (the “Optionee”). Under the terms of the agreement, the Optionee must fulfill all of the terms of the Company’s original agreement with the Optionor and incur \$5 million in exploration and evaluation expenditures, or complete a feasibility study, to earn a 90% interest in the project. Under the terms of the agreement with the Optionee, the Company could retain a 10% working interest in Borralha, which could be converted to a 1% NSR at the Company’s option. In December 2019, the Company elected to convert its interest in the Borralha project into a 1% NSR.

### **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 contracts for its current and future mineral properties are 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”*

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Alex Langer, President & CEO