

BLACK DRAGON GOLD CORP.
FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(Expressed in Canadian dollars unless otherwise noted)

Background

This Management's Discussion and Analysis ("MD&A") of Black Dragon Gold Corp. ("Black Dragon Gold" or the "Company"), provides an analysis of the Company's financial results for the six months ended June 30, 2020 and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2019 and the unaudited interim financial statements for the six months ended June 30, 2020. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available for viewing on SEDAR at www.sedar.com. This MD&A is based on information available as at August 12, 2020.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, are complete and reliable.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. Additional information related to the Company is available for view on the Company's website www.blackdragongold.com and on SEDAR at www.sedar.com.

Company Overview

Black Dragon Gold Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on August 20, 2007, and was classified as a junior mining issuer with the TSX Venture Exchange ("TSX-V"). The Company's head office address is Regent House, 65 Rodney Road, Cheltenham GL50 1HX United Kingdom. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2 with the Australian registered office at Ground Floor, 24 Outram Street, West Perth WA 6005 WA Australia. On August 29, 2018 the Company listed on the Australian Securities Exchange ("ASX") by way of an Initial Public Offering ("Prospectus Offering") issuing 30,000,000 CHESS Depository Interests ("CDI's") for AUD\$6,000,000 (\$5,727,541).

On February 18, 2019 the Company announced that the Company's common shares without par value (the "Shares") were voluntarily delisted from the TSX Venture Exchange (the "TSX-V") effective at the close of trading on February 28, 2019. The Shares continue to trade on the Australian Securities Exchange (the "ASX") as CHESS Depository Interests (or "CDIs") under the ASX Code "BDG".

Strategy

The Board and Management changes mentioned above are part of the 2018 strategic plan focused on creating shareholder value through fast tracking the progress of the Salave asset to production. Before assuming management of the Company, previous management had identified the construction permitting issues and the RMB debt as the sole restraints on the realization of the asset's significant value. Previous management resolved the RMB debt by renegotiating an option to repurchase the USD\$10 million facility for US\$3 million plus certain other consideration, as discussed above. Management's strategy for the construction approval was on clearing adversarial legal proceedings to allow the Company to reset the relationships with the relevant authorities and stakeholders. All proceedings have now been concluded with the final proceedings being dismissed by the Superior Court of Justice of Asturias during 2017.

On January 23, 2018 the Company announced that it had commenced a 2,200m exploration drilling program on the Salave Gold Deposit ("Salave" or "Salave Project") in Asturias, Spain, following the receipt of approval from the Asturias Ministry of Employment, Industry & Tourism, as well as the Municipality of Tapia de Casariego. This drilling program was completed in April of 2018, totalling 2,217 metres and final results were released on September 24, 2018.

During 2018 the company invested in a further drilling program that focussed on the Salave resource area with the following objectives:

- Confirm the orientation of higher grade gold mineralization intersected in numerous drill holes during previous diamond drilling programs.
- Provide information on the orientation of structures that potentially control the orientation of gold mineralization at Salave;
- confirm the gold tenor and intersection lengths of previous diamond drill holes;
- provide additional samples for metallurgical test work optimisation studies; and
- provide additional structural and geotechnical data for ongoing project development studies.

The program pushed deeper into the Salave Lower Zone with depths reaching 350m from surface (vertical), but with holes angled between 65° and 75°. Two drill rigs were mobilized to the Salave project in the spring of 2018 and all holes were drilled from two locations, minimising surface disturbance, and reducing the time required to complete the program.

The results of this program have been released to the market (April 5, September 10 and September 24, 2018) and for further information on the new Mineral Resource Estimate that was prepared by CSA Global and released on October 25, 2018 and can be found on the company's website <https://www.blackdragongold.com/investors/asx-announcements/> or www.asx.com.au/asx/statistics/announcements The updated mineral resource estimate (Table 1) represents a 28% increase in Measured and Indicated Resource ounces, and a 228% increase in Inferred Resource ounces;

| <i>Table 1</i> | Salave Mineral Resource Estimate at a 2.0 g/t Au Cut-Off Grade | | |
|---------------------------------|---|-------------|--------------|
| Category | Tonnes | Au | |
| | Mt | g/t | koz |
| Measured | 1.03 | 5.59 | 185 |
| Indicated | 7.18 | 4.43 | 1,023 |
| Measured & Indicated | 8.21 | 4.58 | 1,208 |
| Inferred | 3.12 | 3.47 | 348 |

Notes:

- Classification of the MRE was completed based on the guidelines presented by Canadian Institute for Mining (CIM -May 2014), adopted for Technical reports which adhere to the regulations defined in Canadian National Instrument 43-101 (NI 43-101).
- The mineral resource estimate was conducted by CSA Global of Perth Australia, with an effective date of October 22, 2018 and is posted on SEDAR and the Company's website..
- Mineral Resources that are not Mineral Reserves do not have economic viability.
- A cut-off grade of 2 g/t Au has been applied when reporting the Mineral Resource.
- Rows and columns may not add up exactly due to rounding.
- The quantity and grade of the Inferred resources reported in this estimation are conceptual in nature and there has been insufficient exploration to define these Inferred resources as an Indicated and Measured resource. It is uncertain if further exploration will result in upgrading them to an Indicated or Measured category, although it is reasonably expected that the majority of the Inferred resources could be upgraded to Indicated Mineral Resources with further exploration.

The resource cut-off grade of 2.0 g/t Au was chosen to capture mineralisation that is potentially amenable to underground mining, sulphide concentration, and gold recovery using off-site processing. This cut-off grade was selected based on a gold price of US\$1,300/ounce, a gold recovery of 92%, a mining cost of US\$50/tonne, a processing cost of US\$18/tonne, and a general and administration (G&A) cost of US\$6/tonne. The reported resources occur in bodies of sufficient size and continuity to meet the requirement of having reasonable prospects for eventual economic extraction. Due to the necessity to maintain a surficial crown pillar in a potential underground operation, all material from the present surface to a depth of 40 m is not included in the Salave mineral resource estimate.

Additionally, the company is in the process of defining an extensive exploration program across its concessions in Asturias with the aim to identify other high priority drill targets along the granodiorite alteration zones to the east, west and south of the current Salave deposit where historical soil and rock chips samples identified anomalous high-grade gold mineralisation. Following the completion of the quarter, EMC has completed a property wide airborne geophysical survey and submitted an application for additional drilling to test the potential of these zones.

Covid-19 Pandemic and Impact on Operations

The health of our employees is of paramount importance and in this regard the Company has a range of Covid-19 awareness, prevention and other risk mitigation controls in place. Since early March 2020, the impact of Covid-19 has brought Spain, to a complete lockdown of the population. This has also meant that businesses and regulatory authorities in Spain have slowed down with no clear deadline of resumption of normal activities which is impacting the workflow and permitting process. The current situation has resulted in a significant delay of EMC's activities to perform test-work and field-specific studies required for the EIA. The impact of the pandemic on the timing of our EIA submission is unclear at present, but the Company will continue to provide regular updates on our progress. At present we are anticipating the lockdown may last several weeks and possibly longer before normal business activities resume.

Preliminary Economic Assessment (PEA)

A Preliminary Economic Assessment (PEA) of the Salave project was released to the ASX on February 11, 2019 inclusive of positive results of the PEA. The PEA was based on the recently completed Mineral Resource Estimate completed by CSA Global (News release October 25, 2018), key highlights of the PEA include:

- Pre-Tax NPV at 5% discount rate: ranges between US\$239.2 and US\$353.2 million with base case at US\$296.2 million.
- After-Tax NPV: ranges between US\$184.7 and US\$273.9 million with base case at US\$230.0 million
- Pre-Tax Internal Rate of Return ("IRR"): between 23% and 35 with base case at 28%
- After-Tax Payback: 3.8 years
- Pre-Production Capital Cost, including contingency: US\$ 95.3 million
- Life of Mine ("LOM") Sustaining Capital Cost: US\$19.3 million
- Estimated Average LOM Total Cash Cost: \$675-783 / ounce (oz) Au
- Estimated Average LOM All-In Sustaining Costs ("AISC"): \$699-807/oz

For further information on the PEA please refer to the ASX announcement on 11 February 2019.

Terms of Reference (ToR) for the Environmental Impact Assessment (EIA)

On 29 January 2020, the Company announced to the ASX that, following a voluntary request by the Black Dragon Gold, the Asturian Ministry of Environment has issued a Terms of Reference for the Environmental Impact Assessment for the Salave Gold Project. Following the submission of the Initial Project Description in July 2019, the Company's wholly owned subsidiary, Exploraciones Minera del Cantábrico (EMC) requested the ToR to better define the scope of the EIA, reducing both the time and cost for the preparation of the documentation.

Receipt of the ToR has been the result of a cooperative, patient and respectful dialogue with interested parties to the Salave project. With the scope of the EIA now confirmed, the Company will be seeking to complete all submissions to the Provincial Government as quickly as possible. It is also worth noting that the issuance of the ToR demonstrates with willingness of the Asturian Government to work with the Company and the local community to ensure that the Salave provides a lasting economic and social benefit.

After receipt of the ToR from the Environmental Ministry of the Principality of Asturias, EMC commenced the preparation of the final Mine and Restoration Plan, which will be followed by the EIA. Significant progress had been made in assessing water management of both the terrestrial and marine domain

Overview of the Salave Project

The Salave Project is comprised of five, 30-year-term mining concessions (renewable up to 90 years) over the resource area and an investigative permit which collectively covers an area of 3,426.97 hectares. Within the concession boundaries, the Company owns 109,753 m² of freehold land over the surface mineralisation. The company applied for an administrative authorisation permit ("AAP") in 2015, which is similar to a construction permit. This was denied due to the Company not adequately addressing the concerns of the relevant stakeholders in relation to certain water issues. The Company subsequently brought administrative judicial proceedings against the relevant authorities claiming both the reversal of the decision and €8 million in damages. The legal proceedings essentially blocked the development process as it halted further consultation and negotiation. All judicial proceedings have now been dismissed.

The project has had some €55 million spent on its development and resource definition. A prominent geophysical anomaly coincident with favourable geology, alteration and mineralization defines a significant gold target that prompted intense drilling campaigns by major gold companies resulting in some 69,000 metres of drilling plus extensive social, environmental and engineering studies and testwork.

The large quantum of large size core drilling has allowed pilot scale metallurgical testwork to be carried out. The most comprehensive metallurgical program consisting of bench-scale and pilot testing was managed by Ausenco Ltd. From 2005 to 2006 on two bulk samples from the Upper and Lower Zones of the Salave orebody.

The results from metallurgical testwork to date indicate that the Salave mineralisation is refractory and shows consistently high gold recoveries by flotation and subsequent pressure or bio oxidation of the sulphide concentrate. The Ausenco testwork demonstrated that the Salave ore is moderately hard with a bond work index ranging from 16.3 to 17.2 kWh/tonne, yields flotation recoveries ranging from 96.3 to 97.8% and subsequent recovery from pressure oxidation of the gold bearing sulphide concentrate of over 98%. The resulting overall potential gold recovery is approximately 96.5%.

Douglas Turnbull, P.Geo., is the Company's Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the technical disclosure in this MD&A.

Selected Financial Data

Quarterly Results

The following table summarizes information, on a quarterly basis, for the last eight quarters:

| | Three month period ended June 30, 2020 | Three month period ended March 31, 2020 | Three month period ended December 31, 2019 | Three month period ended September 30, 2019 |
|---|---|--|---|--|
| Total assets | 1,242,368 | 1,517,475 | 1,863,690 | 2,155,346 |
| Working capital (deficiency) | 870,012 | 1,066,905 | 1,497,930 | 1,745,052 |
| Shareholders' equity (deficiency) | 870,012 | 1,066,905 | 1,499,170 | 1,745,052 |
| Net (loss) income and comprehensive (loss) income | (222,355) | (456,276) | (340,302) | (441,993) |
| (Loss) income per share - basic | (0.002) | (0.01) | (0.02) | (0.01) |
| (Loss) income per share - diluted | (0.002) | (0.01) | (0.02) | (0.01) |
| | Three month period ended June 30, 2019 | Three month period ended March 31, 2019 | Three month period ended December 31, 2018 | Three month period ended September 30, 2018 |
| Total assets | 2,557,813 | 3,276,903 | 3,808,149 | 4,893,153 |
| Working capital (deficiency) | 2,151,466 | 2,707,174 | 3,269,858 | 4,187,279 |
| Shareholders' equity/(deficiency) | 2,152,706 | 2,708,414 | 3,271,098 | 4,193,566 |
| Net (loss) income and comprehensive (loss) income | (591,625) | (598,206) | (981,125) | (944,636) |
| (Loss) income per share - basic | (0.01) | (0.01) | (0.01) | (0.01) |
| (Loss) income per share - diluted | (0.01) | (0.01) | (0.01) | (0.01) |

Results of Operations

Three Months Ended June 30, 2020

During the three months ended June 30, 2020 (the “period”), the Company recorded net loss of \$222,355 compared to a net loss of \$591,625 incurred during the period ended June 30, 2019 (the “comparative period”). The significant variances resulted from the following:

General and Administrative

During the current period, the Company incurred \$83,118 compared to \$118,630 incurred in the comparative period. The variance is due to the company’s cash preservation strategy.

Foreign exchange gain (loss)

During the current period, the Company made a foreign exchange gain of \$67,302 compared to a loss of \$55,263 incurred during the comparative period.

Management fees

During the current period, the Company incurred \$12,828 of management fees paid or accrued to company’s including one controlled by one of the Company’s current directors compared to \$38,299 in the comparative period. Management fees relate to the provision of administrative services and overheads.

Professional fees

During the current period, the Company incurred Professional fees of \$23,615 against \$ 39,524 in professional fees in the comparative period. In line with the company’s activities and focus on cash preservation costs have reduced.

Share-based compensation

During the current period, the Company incurred share-based payments expense of NIL compared to \$35,917 in the prior comparative period.

Six Months Ended June 30, 2020

During the six months ended June 30, 2020 (the “period”), the Company recorded net loss of \$647,220 compared to a net loss of \$1,189,831 incurred during the 6 month period ended June 30, 2019 (the “comparative period”). The significant variances resulted from the following:

General and Administrative

During the current period, the Company incurred \$196,692 compared to \$256,017 incurred in the comparative period. The variance is due largely to the company’s reduced activities and focus on reducing costs.

Foreign exchange gain (loss)

During the current period, the Company incurred a \$16,877 foreign exchange loss compared to a \$85,963 foreign exchange loss incurred during the comparative year.

General exploration costs

During the current period, the Company incurred general exploration expenses of \$55,487 compared to the prior period. The significant cost reduction relating to the reduced exploration activity as the Company waits for further permitting approvals to progress the Salave Gold project.

Professional fees

During the current period, the Company incurred \$49,572 in professional fees compared to prior comparative period of \$52,916.

Cash Flows

Net cash used in operating activities during the six months ended June 30, 2020 was \$542,228 (2019 - \$1,085,324). The cash used in operating activities for the current period consists primarily of the operating loss and a change in non-cash working capital.

During the six months ended June 30, 2020, financing activities provided cash of \$1,519 and NIL for the comparative period.

Net cash provided by investing activities during the six months ended June 30, 2020, was \$Nil (2018 – \$Nil).

Financial Condition / Capital Resources

| | June 30, 2020 | December 31, 2019 | December 31, 2018 |
|------------------------------|------------------|----------------------|----------------------|
| Working capital (deficiency) | 870,012 | 1,499,170 | 3,269,858 |
| Deficit | (32,953,025) | (32,299,856) | (30,327,730) |

The Company has financed its operations to date through the issuance of common shares and debt financing. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company's unaudited condensed consolidated interim financial statements for the six months ended June 30, 2020 have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The unaudited condensed consolidated interim financial statements for the six months ended June 30, 2020 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at June 30, 2020 and as of the date of this report.

Contingencies

The Company has no contingencies as at the date of this MD&A.

Proposed Transactions

The Company has not entered into any undisclosed proposed transactions as at the date of this MD&A.

Related Party Transactions

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

Transactions with key management personnel

The following amounts were incurred with respect to the Company's Executive Director, directors and former Chief Financial Officer of the Company:

| | Six Months ended June 30, 2020 | Six Months ended June 30, 2019 |
|---|-----------------------------------|-----------------------------------|
| Management fees – Executive Director | 64,483 | 129,191 |
| Directors' fees – current directors | 94,574 | 93,565 |
| Administrative fees – Executive Director | 25,793 | 25,855 |
| Administrative fees – Chief Financial Officer | 60,184 | 59,663 |
| Share-based compensation | - | 71,439 |
| | 245,034 | 379,713 |

Investor Relations Activities

The Company maintains a website at www.blackdragongold.com. There are no investor relation agreements in effect as at June 30, 2020 and as of the date of this report.

Subsequent Events

There were no subsequent events to report.

Outstanding Share Data

The following table summarizes the Company's outstanding share data as of the date of this report:

| | Total Securities |
|--|------------------|
| Common shares (including 102,771,727 CDI's on ASX) | 111,929,336 |
| Stock options | 8,233,333 |
| Warrants | 2,666,666 |

Authorized:

Unlimited number of common shares without par value.

Warrants

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at June 30, 2020 is as follows:

| | Number of Warrants | Weighted Average Exercise \$'Price |
|-----------------------------------|-------------------------|---|
| Outstanding, December 31, 2017 | 65,636,353 | 0.34 |
| Issued | 15,000,000 | 0.32 |
| Expired | <u>(4,740,864)</u> | 0.24 |
| Outstanding, December 31, 2018 | 75,895,489 | 0.34 |
| Expired | <u>(73,228,823)</u> | 0.34 |
| Outstanding, December 30, 2019 | 2,666,666 | 0.33 |
| Expired | - | |
| Outstanding, June 30, 2020 | <u>2,666,666</u> | <u>0.33</u> |

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

As at June 30, 2020 the following incentive stock options are outstanding;

| Expiry Date | Number of Options | Exercise Price |
|--------------------|-------------------|----------------|
| September 24, 2027 | 5,983,333 | \$0.24 |
| October 22, 2027 | 416,667 | \$0.24 |
| August 29, 2023 | 333,333 | \$0.33 |
| September 18, 2019 | 1,500,000 | \$0.10 |
| Total | 8,233,333 | \$0.22 |

2019 transactions

On September 18, 2019, the Company granted 1,500,000 stock options to directors, officers, and consultants of the Company. The options are exercisable for a period of three years at a price of \$0.10 per share. The options vested immediately upon grant and were valued at \$41,627 which is included in share-based compensation at December 31, 2019 and were valued using the Black-Scholes option pricing model with the following weighted average assumptions:

| | |
|-------------------------|--------|
| Stock price | \$0.07 |
| Risk-free interest rate | 1.54% |
| Expected volatility | 73.82% |
| Expected life (years) | 3 |
| Expected dividend | nil |

Financial Instruments and Risk Management

Fair value

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|----------------------|-------------|---------|---------|-------------|
| Cash and equivalents | \$1,181,063 | \$ - | \$ - | \$1,181,063 |

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's cash is held at large financial institutions and it believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities. As at June 30, 2020, the Company had current assets of \$1,241,128 to settle current liabilities of \$372,356 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is due to variability of interest rates. The Company is exposed to interest rate risk on its bank account. The income earned on the bank account is subject to movements in interest rates. The Company has cash balances and no interest bearing debt, therefore, interest rate risk is nominal.

b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. Based on the Company's Euro denominated financial instruments at June 30, 2020, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a change in foreign exchange gain or loss.

Accounting standards

- Basis of presentation

These unaudited condensed consolidated interim financial statements for the six months ended June 30, 2020 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company’s most recent annual audited consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all information and disclosures required in audited consolidated financial statements and should be read in conjunction with the Company’s December 31, 2019 audited consolidated financial statements.

As at the date of these financial statements, all recent accounting standards have been applied in these financial statements.

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, legal, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Legal risks include the future outcome of the Company’s legal challenge before the Asturias Court of Justice challenging the decision to reject approval of a proposed underground mine operation for the Salave project. It is noted that the Company is the plaintiff in these proceedings and the outcome is not expected to stop the exploitation of the mining concessions.
- Financial risks include commodity prices, interest rates and the Canadian dollar, United States dollar and the Euro exchange rate, all of which are beyond the Company's control.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

There can be no assurance that future financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements or forward-looking information (collectively “forward-looking statements”) within the meaning of applicable securities legislation. We are hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “if” “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) that once the Company obtains a positive Environmental Impact Declaration (“EID”) and

the authorization of the project, it will be able to commence construction of the Salave gold mine, pending municipal permits;

(iii) the market and future price of gold; (iv) the timing, cost and success of future exploration and development activities; (v) currency fluctuations; (vi) requirements for additional capital; and (vii) increases in mineral resource estimates (vii) possible outcomes of the Company's lawsuit against the Ministry of Economy and Employment of the Principality of Asturias.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things, the estimation of mineral resources, the realization of resource estimates, gold and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the availability of necessary financing and materials to continue to explore and develop the Salave Gold Property in the short and long-term, the progress of development and exploration activities, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined, risks relating to variations in ore reserves, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in the price of gold, silver and copper and the worldwide demand for and supply of such metals, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Salave Gold Property may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks.

Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements in this MD&A are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements contained in this MD&A.



BLACK DRAGON GOLD
ASX: BDG

BLACK DRAGON GOLD CORP.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

SIX MONTHS ENDED 30 JUNE 2020

These unaudited condensed consolidated interim financial statements of Black Dragon Gold Corp. for the six months ended 30 June 2020 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

CORPORATE DIRECTORY

Black Dragon Gold Corporation is incorporated in British Columbia, company incorporation number BC0800267

Black Dragon Gold Corporation is a Registered Foreign Company in Australia: ARBN 625522250

DIRECTORS

Jonathan Battershill
Chairman Non-Executive

Paul Cronin
Executive Director

Alberto Lavandeira
Non-Executive Director

Richard Monti
Non-Executive Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Gabriel Chiappini

Canadian Registered Office

1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2. Email: info@blackdragongold.com

United Kingdom Office

Ground Floor, Regent House, 65 Rodney Road, Cheltenham, Gloucestershire, GL50 1HX U.K. Phone: +44 0207 993 4077

Australian Registered Office

Ground Floor, 24 Outram Street, West Perth, WA 6005. Australia Phone: + 61 8 6102 5055

AUDITOR

Davidson & Company LLP, Chartered Professional Accountants, 1200-609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C V7Y 1G6

SHARE REGISTRY

Canada

Computershare Investor Services Inc. 510 Burrard St,
Vancouver, BC, V6C 3B

Australia

Computershare Investor Services Pty Ltd Level 11, 172 St
Georges Terrace

Perth Western Australia, 6000

Telephone: 1300 787 272
Facsimile: (08) 9323 2033
Email: web.queries@computershare.com.au

STOCK EXCHANGE LISTING

Australian Securities Exchange (Code: BDG)

BLACK DRAGON GOLD CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

As at 30 June 2020

| | Notes | June 30, 2020 | December 31, 2019 (Audited) |
|--|-------|---------------------|-----------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash and equivalents | | \$ 1,181,063 | \$ 1,761,658 |
| Receivables | 3,9 | 60,065 | 100,792 |
| | | <u>1,241,128</u> | <u>1,862,450</u> |
| Deposits | | <u>1,240</u> | <u>1,240</u> |
| Total assets | | \$ 1,242,368 | \$ 1,863,690 |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 5 | \$ 372,356 | \$ 364,520 |
| Interest Payable | 6 | - | - |
| Total liabilities | | <u>372,356</u> | <u>364,520</u> |
| Shareholders' equity | | | |
| Share capital | 7 | 23,189,457 | 23,165,446 |
| Warrants | 7 | 4,724,574 | 4,724,574 |
| Reserves | 7 | 5,909,006 | 5,909,006 |
| Deficit | | <u>(32,953,025)</u> | <u>(32,299,856)</u> |
| Total shareholders' equity | | <u>870,012</u> | <u>1,499,170</u> |
| Total liabilities and shareholders' equity | | \$ 1,242,368 | \$ 1,863,690 |

Nature and continuance of operations (Note 1)**Subsequent events** (Note 12)

These condensed and unaudited consolidated interim financial statements were approved for issue by the Board of Directors on August 12, 2020 and are signed on its behalf by:

/s/ Paul Cronin
Paul Cronin
Director

/s/ Richard Monti
Richard Monti
Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BLACK DRAGON GOLD CORP.

Unaudited Condensed Consolidated Interim Statements of Operations & Comprehensive Loss

(Expressed in Canadian dollars)

30 June 2020

| | Notes | Three Months Ended June 30, 2020 \$ | Three Months Ended June 30, 2019 \$ | Six Months Ended June 30, 2020 \$ | Six Months Ended June 30, 2019 \$ |
|---|-------|---|---|---|---|
| EXPENSES | | | | | |
| Consulting | | 58,360 | 50,695 | 98,318 | 158,944 |
| Depreciation | | - | - | - | - |
| Directors' fees | | 68,465 | 45,756 | 116,488 | 93,565 |
| Filing fees | | (4,974) | 706 | 7,089 | 3,724 |
| Foreign exchange (gain)/loss | | (67,302) | 55,263 | 16,877 | 85,963 |
| General and administrative | | 83,118 | 118,630 | 196,692 | 256,017 |
| General exploration | | 38,546 | 188,277 | 90,181 | 354,100 |
| Management fees | | 12,828 | 38,299 | 55,487 | 51,339 |
| Professional fees | | 23,615 | 39,524 | 49,572 | 52,916 |
| Shareholder communications | | 7,112 | 1,978 | 9,193 | 15,684 |
| Share-based compensation | 8, 10 | - | 35,917 | - | 71,439 |
| Transfer agent | | 3,817 | 2,823 | 3,828 | 7,547 |
| Travel and related | | (887) | 13,757 | 5,014 | 38,593 |
| Income loss before other items | | <u>222,698</u> | <u>591,625</u> | <u>648,739</u> | <u>1,189,831</u> |
| OTHER ITEMS | | | | | |
| Interest and accretion expense | 6 | - | - | - | - |
| Interest income | | 343 | - | 1,519 | - |
| | | <u>222,355</u> | <u>591,625</u> | <u>647,220</u> | <u>1,189,831</u> |
| Loss and comprehensive loss for the period | | <u>222,355</u> | <u>591,625</u> | <u>647,220</u> | <u>1,189,831</u> |
| Basic and diluted loss per common share | | \$0.002 | \$0.01 | \$0.01 | \$0.01 |
| Weighted average number of common shares outstanding | | 111,929,336 | 110,861,225 | 111,743,575 | 110,861,225 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BLACK DRAGON GOLD CORP.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

| | 2020 | 6 months to 30 June 2019 |
|---|------------------|-----------------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) for the period | (647,220) | (1,189,831) |
| Items not affecting cash: | | |
| Share-based compensation | | 71,439 |
| Interest received on GIC | (1,519) | - |
| Shares issued for directors services | 57,948 | - |
| Unrealized foreign exchange gain | | - |
| Change in non-cash working capital items | | |
| Decrease (increase) in receivables and | 40,727 | 165,009 |
| Increase (decrease) in accounts payable and accrued liabilities | <u>7,836</u> | <u>(131,941)</u> |
| Net cash outflow used in operating activities | <u>(542,228)</u> | <u>(1,085,324)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest received on GIC | 1,519 | - |
| Shares issued for cash, net | <u>-</u> | <u>-</u> |
| Net cash provided by financing activities | <u>1,519</u> | <u>-</u> |
| Effect of movement in exchange rates on cash held | 39,886 | - |
| Change in cash during the period | <u>(580,595)</u> | <u>(1,085,324)</u> |
| Cash, beginning of period | <u>1,761,658</u> | <u>3,582,261</u> |
| Cash, end of period | <u>1,181,063</u> | <u>2,496,937</u> |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BLACK DRAGON GOLD CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

| | Share Capital | | \$ Warrants | \$ Equity Portion of Convertible Debenture | \$ Reserves | \$ Deficit | \$ Total |
|---|---------------|--------------|----------------|---|----------------|---------------|-------------|
| | Number | \$ Amount | | | | | |
| Balance, December 31, 2018 | 110,861,225 | 23,116,685 | 4,724,574 | - | 5,757,569 | (30,327,730) | 3,271,098 |
| Shares issued for cash, net | - | - | - | - | - | - | - |
| Warrants | - | - | - | - | - | - | - |
| Warrants issued with convertible debentures | - | - | - | - | - | - | - |
| Equity portion of convertible debentures | - | - | - | - | - | - | - |
| Share-based compensation | - | - | - | - | 71,439 | - | 71,439 |
| Income (loss) for the period | - | - | - | - | - | (1,189,831) | (1,189,831) |
| Balance, June 30, 2019 | 110,861,225 | 23,116,685 | 4,724,574 | - | 5,829,009 | (31,517,562) | 2,152,706 |

| | Share Capital | | \$ Warrants | \$ Equity Portion of Convertible Debenture | \$ Reserves | \$ Deficit | \$ Total |
|---|---------------|--------------|----------------|---|----------------|---------------|-------------|
| | Number | \$ Amount | | | | | |
| Balance, December 31, 2019 | 111,557,814 | 23,165,446 | 4,724,574 | - | 5,909,006 | (32,299,856) | 1,499,170 |
| Shares issued for cash, net | - | - | - | - | - | - | - |
| Warrants | - | - | - | - | - | - | - |
| Warrants issued with convertible debentures | - | - | - | - | - | - | - |
| Equity portion of convertible debentures | - | - | - | - | - | - | - |
| Share-based compensation | - | - | - | - | - | - | - |
| Shares issued for Directors services | 371,522 | 24,011 | - | - | - | - | 24,011 |
| Foreign Currency Reserve | - | - | - | - | - | (5,949) | (5,949) |
| Income (loss) for the period | - | - | - | - | - | (675,055) | (675,055) |
| Balance, June 30, 2020 | 111,929,336 | 23,189,457 | 4,724,574 | - | 5,909,006 | (32,953,025) | 870,012 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

Black Dragon Gold Corp. (the “Company”) was incorporated under the laws of the Province of British Columbia on August 20, 2007. The Company’s head office address is Second Floor, Stamford House, Cheltenham, Gloucestershire, GL50 1HN U.K. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2. On February 18, 2019 the Company announced that the Company’s common shares without par value (the “Shares”) were voluntarily delisted from the TSX-V effective at the close of trading on February 28, 2019. The Shares continue to trade on the Australian Securities Exchange (“ASX”) as CHESSE Depository Interests (or “CDI’s”) under the ASX Code “BDG”.

These unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The unaudited condensed consolidated interim financial statements for the six months ended June 30, 2020 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

On May 1, 2018, the Company completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option and warrant (the “Share Consolidation”). Prior to the Share Consolidation, the Company had 78,862,741 Shares issued and outstanding. The Share Consolidation has been presented throughout the consolidated financial statements retroactively and all equity related issuances are presented on a post consolidation basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited condensed consolidated interim financial statements for the six months ended June 30, 2020 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company’s most recent annual audited consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all information and disclosures required in audited consolidated financial statements and should be read in conjunction with the Company’s December 31, 2019 audited consolidated financial statements.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

3. RECEIVABLES

| | June 30, 2020 | December 31, 2019 |
|----------------------------|------------------|----------------------|
| Related party receivable | - | 6,315 |
| Receivable | 8,960 | - |
| Deposits | 9,202 | - |
| Value-added tax receivable | 28,730 | 85,126 |
| GST receivable | 13,173 | 9,351 |
| Total | 60,065 | 100,792 |

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

4. EXPLORATION AND EVALUATION ASSETS**Salave Gold Property**

The Salave Project is comprised of 30-year-term mining concessions over the resource area. The company applied for an administrative authorisation permit (“AAP”) in 2015, which is similar to a construction permit. This was denied due to the Company not adequately addressing the concerns of the relevant stakeholders in relation to certain water issues. The Company subsequently brought administrative judicial proceedings against the relevant authorities claiming both the reversal of the decision and Euro€8.59 million in damages. The legal proceedings essentially blocked the development process as it halted further consultation and negotiation. All judicial proceedings have now been dismissed.

Before assuming management of the Company, previous management had identified the construction permitting issues and the RMB debt as the sole restraints on the realization of the asset’s significant value. Previous management resolved the RMB debt by renegotiating an option to repurchase the US\$10 million facility for US\$3 million plus certain other consideration, as discussed in Note 7. Management’s strategy for the construction approval was on clearing adversarial legal proceedings to allow the Company to reset the relationships with the relevant authorities and stakeholders. All proceedings have now been concluded with the final proceedings being dismissed by the Superior Court of Justice of Asturias during 2017.

On January 23, 2018 the Company announced that it had commenced an exploration drilling program on the Salave Gold Deposit (“Salave” or “Salave Project”) in Asturias, Spain, following the receipt of approval from the Asturias Ministry of Employment, Industry & Tourism, as well as the Municipality of Tapia de Casariego. This drilling program was completed in April of 2018.

A Preliminary Economic Assessment of the Salave project was performed in 2018 and on February 11, 2019 the Company announced results of the PEA. The PEA is based on the recently completed Mineral Resource Estimate completed by CSA Global. In January 2020, the Company received from the Asturian Ministry of Environment the terms of reference for the Environmental Impact Assessment for the Salave Gold Project. Following the submission of the Initial Project Description in July 2019, the Company requested the Terms of Reference to better define the scope of the EIA, reducing both the time and cost for the preparation of the documentation.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2020 | December 31, 2019 |
|---------------------------------|-----------------------------|----------------------|
| Accounts payables | \$ 126,724 | \$ 113,529 |
| Accrued liabilities | 245,632 | 187,255 |
| Due to related parties (Note 8) | <u> </u> | <u>63,736</u> |
| Total | <u>\$ 372,356</u> | <u>\$ 364,520</u> |

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

6. SHARE CAPITAL AND RESERVES*Authorized:*

Unlimited number of common shares without par value.

Warrants

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at June 30, 2019 and 31 December 2018, is as follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|-----------------------------------|-----------------------|-----------|--|
| Outstanding, December 31, 2017 | 65,636,353 | | 0.34 |
| Issued | 15,000,000 | | 0.32 |
| Expired | <u>(4,740,864)</u> | | 0.24 |
| Outstanding, December 31, 2018 | 75,895,489 | \$ | 0.34 |
| Expired | <u>(73,228,823)</u> | | 0.34 |
| Outstanding, December 30, 2019 | 2,666,666 | \$ | 0.33 |
| Expired | - | | |
| Outstanding, June 30, 2020 | 2,666,666 | \$ | 0.33 |

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

As at June 30, 2020 the following incentive stock options are outstanding;

| Expiry Date | Number of Options | Exercise Price |
|--------------------|-------------------|----------------|
| September 24, 2027 | 5,983,333 | \$0.24 |
| October 22, 2027 | 416,667 | \$0.24 |
| August 29, 2023 | 333,333 | \$0.33 |
| September 18, 2019 | 1,500,000 | \$0.10 |
| Total | 8,233,333 | \$0.22 |

During the six months ended June 30, 2020, the Company recognized \$nil (2019 - \$71,439) of share-based compensation expense.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

2019 transactions

On September 18, 2019, the Company granted 1,500,000 stock options to directors, officers, and consultants of the Company. The options are exercisable for a period of three years at a price of \$0.10 per share. The options vested immediately upon grant and were valued at \$41,627 which is included in share-based compensation at December 31, 2019 and were valued using the Black-Scholes option pricing model with the following weighted average assumptions:

| | |
|-------------------------|--------|
| Stock price | \$0.07 |
| Risk-free interest rate | 1.54% |
| Expected volatility | 73.82% |
| Expected life (years) | 3 |
| Expected dividend | nil |

7. RELATED PARTY TRANSACTIONS

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

Transactions with key management personnel

The following amounts were incurred with respect to the Company's current and former Presidents and Chief Executive Officers, the current and former directors and the current and former Chief Financial Officers of the Company:

| | Six Months ended June 30, 2020 | Six Months ended June 30, 2019 |
|---|-----------------------------------|-----------------------------------|
| Management fees – Executive Director | 64,483 | 129,191 |
| Directors' fees – current directors | 94,574 | 93,565 |
| Administrative fees – Executive Director | 25,793 | 25,855 |
| Administrative fees – Chief Financial Officer | 60,184 | 59,663 |
| Share-based compensation | - | 71,439 |
| | 245,034 | 379,713 |

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*Fair value*

The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

The carrying value of receivables and accounts payable and accrued liabilities and loan facility approximated their fair value because of the short-term nature of these instruments. Cash is measured at fair value using Level 1 inputs. The carrying value of deposits also approximates its fair value.

Fair value

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

| Assets | \$ Level 1 | \$ Level 2 | \$ Level 3 | \$ Total |
|----------------------|---------------|---------------|---------------|-------------|
| Cash and equivalents | 1,181,063 | - | - | 1,181,063 |

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held at large financial institutions and it believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities. As at June 30, 2020, the Company had current assets of \$1,242,368 to settle current liabilities of \$372,356 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk due to variability of interest rates. The Company is exposed to interest rate risk on its bank account. The income earned on the bank account is subject to the movements in interest rates. The Company has cash balances and no-interest bearing debt, therefore, interest rate risk is nominal.

b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. Based on the Company's Euro denominated financial instruments at June 30, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a change in foreign exchange gain or loss.

9. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company will need to raise additional capital by obtaining equity financing, selling assets and incurring debt to develop its business.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2020

10. SEGMENT INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration of exploration and evaluation assets located in Spain. The Company presently has one exploration project, “the Salave Gold Project.” Geographic information is as follows:

| Particulars | –June 2020 quarter | | | Year to date June 2020 | | |
|----------------------------|--------------------|-------------|-------------|------------------------|-------------|-------------|
| | \$ Canada | \$ Spain | \$ Total | \$ Canada | \$ Spain | \$ Total |
| Operating Expenses | (132,952) | (89,746) | (222,698) | (444,870) | (203,870) | (648,739) |
| Finance Charges | - | - | - | - | - | - |
| Other Expenses | - | - | - | - | - | - |
| Other Incomes | 343 | - | 343 | 1,519 | - | 1,519 |
| Income/(loss) before taxes | (132,608) | (89,746) | (222,354) | (443,350) | (203,870) | (647,220) |
| Current tax expense | - | - | - | - | - | - |
| Deferred tax expense | - | - | - | - | - | - |
| Net Income/(loss) | (132,608) | (89,746) | (222,354) | (443,350) | (203,870) | (647,220) |
| Total Non-Current Assets | | | | 1,240 | - | 1,240 |
| Total Assets | | | | 1,102,244 | 140,125 | 1,242,369 |
| Total Liabilities | | | | 288,008 | 84,348 | 372,356 |

11. SUBSEQUENT EVENTS

There were no subsequent events to report post 30 June 2020.