

# **BLACK DRAGON GOLD CORP.**

**AUDIT REVIEWED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

**SIX MONTHS ENDED 30 JUNE 2021**

## ***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*

### **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**

Level 1, 10 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)

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## Directors' Report

The directors of Black Dragon Gold Corporation ("Black Dragon" or "Company" submit herewith the financial report of Black Dragon and its subsidiaries (the Group) for the half-year ended 30 June 2021, please refer to the directors' report below:

The names of the directors of the Company during or since the end of the half-year are:

### Name

Mr Jonathan Battershill  
Mr Paul Cronin  
Mr Alberto Lavandeira  
Mr Richard Monti (retired from the board on 11 August 2021)

The above named directors all held office during and since the end of the half-year end period except for Mr Richard Monti who retired from the board on 11 August 2021.

## REVIEW OF OPERATIONS

During the period, the Company focussed on progressing the Salave Gold Project in North-West Spain, in the Asturias region and preserving capital. Due to the COVID-19 impact during 2020 and 2021, unfortunately it brought Spain into several lockdowns of the population and economy. This also meant that businesses and regulatory authorities in Spain have slowed down with no clear deadline of resumption of normal activities. As a result the board has focused on preserving capital and cash reserves whilst we wait for normalization of the situation in Spain. In July 2021 the Company announced to the ASX that its Spanish subsidiary, Exploraciones Mineras del Cantábrico ("EMC"), submitted the Environmental Impact Assessment ("EIA") for the Salave Gold Project, to the Asturian Ministry of Mines. Now that the EIA has been submitted, the Asturian regulatory Ministries will conduct their review of the submitted documentation. The review will shortly be followed by a month-long public consultation period which will allow the Company to address or clarify points raised by the local community and stakeholders about the proposed development of the Project. Following the consultation period, EMC will continue to seek the final environmental approval for the commencement of construction at Salave.

## Salave Gold Project

During 2018, the Company announced that it had commenced a 2,200m exploration drilling program on the Salave Gold Deposit, the drilling program was completed in April of 2018, totalling 2,217 metres and final results were released on September 24, 2018.

The previous NI 43-101 Mineral Resource Estimate for the Salave Project (Amended Technical Report with effective date of October 7, 2016) defined measured and indicated resources totalling 6.52 million Tonnes grading 4.51 g/t Au containing 944,000 ounces of gold using a 2.0 g/t cutoff grade. The 2018 drilling program focussed on the Salave resource area and was designed to accomplish the following:

- 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.

A new Mineral Resource Estimate was prepared by CSA Global and released in Q4 2018, the updated mineral resource estimate represents a 28% increase in Measured and Indicated Resource ounces, and a 228% increase in Inferred Resource ounces;

<b>Salave Mineral Resource Estimate at a 2.0 g/t Au Cut-Off Grade</b>			
<b>Category</b>	<b>Tonnes</b>	<b>Au</b>	
	<b>Mt</b>	<b>g/t</b>	<b>koz</b>
<b>Measured</b>	1.03	5.59	185
<b>Indicated</b>	7.18	4.43	1,023
<b>Measured &amp; Indicated</b>	<b>8.21</b>	<b>4.58</b>	<b>1,208</b>
<b>Inferred</b>	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 the ASX & 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.
- Since the release of the Mineral Resource Estimate, the Company confirms that it is not aware of any new information or data that materially affects the Mineral Resource Estimate.

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.

### Corporate and Financial Position

Consolidated net assets at the half year-end were \$1,158,805 against \$1,810,630 at the close of the prior year. Total cash held at the half year-end was \$1,439,579 against \$2,097,420 at the close of the prior year.

The auditor's independence declaration is included on page 6 of the half-year report.

Signed in accordance with a resolution of the board of directors.

On behalf of the Directors



**Jonathan Battershill**

Chairman

London, UK, 9 September 2021

**AUDITOR'S INDEPENDENCE DECLARATION**

**Under Section 307C of the *Corporations Act 2001***

To the Board of Directors of  
Black Dragon Gold Corp.

I declare that, to the best of my knowledge and belief, during the half-year ended June 30, 2021 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

This declaration is in respect of Black Dragon Gold Corp. and the entities it controlled during the period.



**DAVIDSON & COMPANY LLP**  
Chartered Professional Accountants

Date: September 9, 2021



## INDEPENDENT AUDITOR'S REVIEW ENGAGEMENT REPORT

To the Board of Directors of  
Black Dragon Gold Corp.

We have reviewed the accompanying half-year financial report of Black Dragon Gold Corp., which comprises the condensed consolidated interim statement of financial position at June 30, 2021, the condensed consolidated interim statement of loss and comprehensive loss, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in shareholders' equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### ***Directors' Responsibility for the Half-Year Financial Report***

The directors of Black Dragon Gold Corp. are responsible for the preparation and fair presentation of the half-year report that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of Black Dragon Gold Corp., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Black Dragon Gold Corp. as attached to the director's declaration, has not changed as at the time of this auditor's review report.

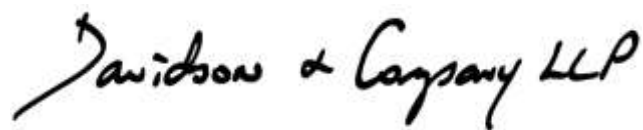
### ***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Black Dragon Gold Corp. is not in accordance with International Accounting Standard 34: *Interim Financial Reporting*.



*Emphasis of Matter*

Without qualifying our conclusion, we draw attention to Note 1 in the condensed consolidated interim financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Black Dragon Gold Corp.'s ability to continue as a going concern.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 9, 2021



**BLACK DRAGON GOLD CORP.**

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

As at

	Notes	June 30, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,439,579	\$ 2,097,420
Receivables	3	<u>54,668</u>	<u>47,967</u>
		<u>1,494,247</u>	<u>2,145,387</u>
<b>Deposits</b>		<u>1,240</u>	<u>1,240</u>
<b>Total assets</b>		<u>\$ 1,495,487</u>	<u>\$ 2,146,627</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	5,7	\$ <u>336,682</u>	\$ <u>335,997</u>
<b>Total liabilities</b>		<u>336,682</u>	<u>335,997</u>
<b>Shareholders' equity</b>			
Share capital	6	24,747,141	24,661,799
Warrants	6	4,724,574	4,724,574
Reserves	6	5,909,006	5,909,006
Deficit		<u>(34,221,916)</u>	<u>(33,484,749)</u>
<b>Total shareholders' equity</b>		<u>1,158,805</u>	<u>1,810,630</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ 1,495,487</u>	<u>\$ 2,146,627</u>

Nature of operations and going concern (Note 1)

Subsequent event (Note 11)

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

**BLACK DRAGON GOLD CORP.**

Condensed Consolidated Interim Statements of Loss & Comprehensive Loss  
(Expressed in Canadian dollars)

	Notes	Six Months Ended June 30, 2021 \$	Six Months Ended June 30, 2020 \$
<b>EXPENSES</b>			
Consulting	7	104,403	98,318
Directors' fees	7	127,154	116,488
Filing fees		18,560	7,089
Foreign exchange loss		104,547	22,826
General and administrative		199,637	196,692
General exploration		154,243	90,181
Management fees	7	-	55,487
Professional fees		36,031	49,572
Rent	7	10,778	-
Shareholder communications		5,487	9,193
Transfer agent		6,572	3,828
Travel and related		4,581	5,014
<b>Loss before other items</b>		<u>(771,993)</u>	<u>(654,688)</u>
<b>OTHER ITEMS</b>			
Gain on settlement of debt	6,7	34,799	-
Interest income		<u>27</u>	<u>1,519</u>
		<u>34,826</u>	<u>1,519</u>
<b>Loss and comprehensive loss for the period</b>		<u>(737,167)</u>	<u>(653,169)</u>
<b>Basic and diluted loss per common share</b>			
		\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>			
		134,765,554	111,661,922

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

**BLACK DRAGON GOLD CORP.**

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

Six Months Ended 30 June

	2021	2020
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	(737,167)	(653,169)
Items not affecting cash:		
Interest received on GIC	-	(1,519)
Other interest received	(27)	-
Gain on settlement of debt	(34,799)	-
Shares issued for directors services	85,342	24,011
Change in non-cash working capital items		
Decrease (increase) in receivables	(6,701)	40,727
Increase in accounts payable and accrued liabilities	<u>35,484</u>	<u>7,836</u>
Net cash used in operating activities	<u>(657,868)</u>	<u>(582,114)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest received on GIC	-	1,519
Other interest received	<u>27</u>	<u>-</u>
Net cash provided by financing activities	<u>27</u>	<u>1,519</u>
<b>Change in cash and cash equivalents during the period</b>	<u>(657,841)</u>	<u>(580,595)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>2,097,420</u>	<u>1,761,658</u>
<b>Cash and cash equivalents, end of period</b>	<u>1,439,579</u>	<u>1,181,063</u>
<b>Cash paid during the period for interest</b>	-	-
<b>Cash paid during the period for taxes</b>	-	-

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

**BLACK DRAGON GOLD CORP.**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Share Capital					
	Number	\$ Amount	\$ Warrants	\$ Reserves	\$ Deficit	\$ Total
<b>Balance, December 31, 2019</b>	111,557,814	23,165,446	4,724,574	5,909,006	(32,299,856)	1,499,170
Shares issued for directors services	371,522	24,011	-	-	-	24,011
Loss for the period	-	-	-	-	(653,169)	(653,169)
<b>Balance, June 30, 2020</b>	111,929,336	23,189,457	4,724,574	5,909,006	(32,953,025)	870,012

	Share Capital					
	Number	\$ Amount	\$ Warrants	\$ Reserves	\$ Deficit	\$ Total
<b>Balance, December 31, 2020</b>	134,353,612	24,661,799	4,724,574	5,909,006	(33,484,749)	1,810,630
Shares issued for directors services	1,285,539	85,342	-	-	-	85,342
Loss for the period	-	-	-	-	(737,167)	(737,167)
<b>Balance, June 30, 2021</b>	135,639,151	24,747,141	4,724,574	5,909,006	(34,221,916)	1,158,805

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

## **BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2021

### **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 Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX 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 Venture Exchange (TSX-V) effective at the close of trading on February 28, 2019. The Shares continue to trade on the Australian Securities Exchange (“ASX”) as CHES Depository Interests (or “CDI’s”) under the ASX Code “BDG”.

These 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 condensed consolidated interim financial statements for the six months ended June 30, 2021 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.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

These condensed consolidated interim financial statements, including the comparative period, have been prepared in accordance with International Accounting Standards (“IAS 34”), Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the audited consolidated financial statements of the Company for the year ended December 31, 2020 and should be read in conjunction with those financial statements. These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on 9 September 2021.

### **3. RECEIVABLES**

		June 30, 2021	December 31, 2020
Related party receivable (Note 7)	\$	8,876	\$ 9,400
Value-added tax receivable		35,050	29,906
GST receivable		<u>10,742</u>	<u>8,661</u>
Total	\$	54,668	\$ 47,967

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2021

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

The Salave Project is comprised of 30-year-term mining concessions over the resource area. 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.

Although the Company has taken steps to verify title to its mineral property in which it has an interest, these procedures do not guarantee the Company’s title. Its property may be subject to prior agreements or transfers and title may be affected by undetected defects. Further, we make judgements for properties where concessions terms have expired, and a renewal application has been made and is awaiting approval. We use judgement as to whether the concession renewal application is probable to be received, but ultimately this is beyond our control. If a renewal application is not approved, we could lose rights to those concession.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2021	December 31, 2020
Accounts payables	\$ 67,718	\$ 60,250
Accrued liabilities	223,194	147,357
Due to related parties (Note 7)	<u>45,770</u>	<u>128,390</u>
Total	<u>\$ 336,682</u>	<u>\$ 335,997</u>

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2021

**6. SHARE CAPITAL AND RESERVES***Authorized:*

Unlimited number of common shares without par value.

**Issued – 2021 transactions**

On May 3, 2021, the Company issued 1,285,539 shares valued at \$0.07 per share to settle outstanding director fees. The shares had a fair value of \$85,342, which resulted with a gain on debt settlement of \$34,799 (Note 7).

**Issued – 2020 transactions**

On February 20, 2020, the Company issued 371,522 shares valued at \$0.07 per share to settle outstanding director fees. The shares had a fair value of \$26,373, which resulted with a loss on debt settlement of \$2,718 (Note 7).

On August 24, 2020, the Company issued 21,428,572 shares at AUD\$0.07 per share for gross proceeds of AUD\$1,500,000 (\$1,423,137). Finders fees paid were comprised of cash payments totalling \$77,856.

On September 14, 2020, the Company issued 995,704 shares valued at \$0.13 per share to settle outstanding director and officer fees. The shares had a fair value of \$124,699, which resulted with a loss on debt settlement of \$58,163 (Note 7).

**Warrants**

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at June 30, 2021 and December 31, 2020, is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2019 and 2020	2,666,666	\$ 0.33
Expired	(2,666,666)	\$ 0.33
Outstanding, June 30, 2021	-	-

**Stock options**

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.

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2021

**6. SHARE CAPITAL AND RESERVES (cont'd...)**

A summary of the status of the Company's stock options as at June 30, 2021 and December 31, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2019, 2020, and June 30, 2021	8,233,332	\$ 0.22

As at June 30, 2021 the following incentive stock options are outstanding:

Expiry Date	Number of Options	Exercise Price	Number of Options Exercisable
September 24, 2027	5,983,333	\$0.24	5,983,333
October 22, 2027	416,666	\$0.24	416,666
February 7, 2028	333,333	\$0.33	333,333
September 18, 2022	1,500,000	\$0.10	1,500,000
<b>Total</b>	<b>8,233,332</b>	<b>\$0.22</b>	<b>8,233,332</b>

**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 Chief Executive Officer, General Manager, Directors and the current and former Chief Financial Officers of the Company:

	Six Months ended June 30, 2021	Six Months ended June 30, 2020
Management and consulting fees – Chief Executive Officer	\$ 32,546	\$ 90,276
Directors' fees	127,154	94,574
Management and consulting fees – current Chief Financial Officer	63,489	60,184
Management and consulting fees – former Chief Financial Officer	-	59,937
Wages and salary	52,075	48,305
	<b>\$ 275,264</b>	<b>\$ 353,276</b>

As at June 30, 2021 included in accounts payable and accrued liabilities is \$45,770 (December 31, 2020 - \$128,390) that is due to directors, officers, companies controlled by directors or officers of the Company, and a company with a common director and officer of the Company (Note 5).

As at June 30, 2021, included in accounts receivable is \$8,876 (December 31, 2020 - \$9,400) due from a company with a common director and officer of the company (Note 3).



**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2021

**7. RELATED PARTY TRANSACTIONS (cont'd...)**

During the period ended June 30, 2021, the Company incurred rent expense of \$10,778 (2020 - \$nil) with a company with a common director and officer of the Company.

On May 3, 2021, the Company issued 1,285,539 shares valued at \$0.07 per share to settle outstanding director fees. The shares had a fair value of \$85,342, which resulted with a gain on debt settlement of \$34,799.

During the year ended December 31, 2020, the Company issued 371,522 shares valued at \$0.07 per share to settle outstanding director fees. The shares had a fair value of \$26,373, which resulted with a loss on debt settlement of \$2,718.

During the year ended December 31, 2020, the Company issued 995,704 shares valued at \$0.13 per share to settle outstanding director and officer fees. The shares had a fair value of \$124,699, which resulted with a loss on debt settlement of \$58,163.

**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.

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

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

Assets	\$ Level 1	\$ Level 2	\$ Level 3	\$ Total
Cash and cash equivalents	1,439,579	-	-	1,439,579

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 and cash equivalents are held at large financial institutions and it believes it has no significant credit risk. The Company's receivables are due from the Government of Canada, Government of Spain, and a related party and are therefore considered to have no significant credit risk.

## **BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2021

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### **8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

#### *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, 2021, the Company had current assets of \$1,495,487 to settle current liabilities of \$336,682 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, AUD, USD, and GBP denominated financial instruments at June 30, 2021, a 10% change in exchange rates between the Canadian dollar, Euro, AUD, USD, and GBP would result in a change in foreign exchange gain or loss amounting to \$120,994.

### **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 period. 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 Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Six Months Ended 30 June 2021

**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:

<b>Particulars</b>	<b>June 2021 quarter</b>			<b>Year to date June 2021</b>		
	<b>\$ Canada</b>	<b>\$ Spain</b>	<b>\$ Total</b>	<b>\$ Canada</b>	<b>\$ Spain</b>	<b>\$ Total</b>
Operating Expenses	(314,585)	(162,954)	(477,539)	(526,686)	(245,307)	(771,993)
Gain on Settlement of Debt	34,799	-	34,799	34,799	-	34,799
Interest Income	12	-	12	27	-	27
Net Loss	(279,774)	(162,954)	(442,728)	(491,860)	(245,307)	(737,167)
Total Non-Current Assets				1,240	-	1,240
Total Assets				1,316,684	178,803	1,495,487
Total Liabilities				169,275	167,407	336,682

**11. SUBSEQUENT EVENT**

On 28 July 2021, the Company announced to the ASX that its Spanish subsidiary, EMC, has submitted the Environmental Impact Assessment for the Salave Gold Project, to the Asturian Ministry of Mines.

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars)  
Six Months Ended 30 June 2021

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In the opinion of the Directors:

- (a) The financial statements and notes set out on pages 9 to 19:
  - (i) Comply with Accounting Standards IAS 34 Interim Financial Reporting;
  - (ii) Give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the six months ended on that date; and
  
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors

On behalf of the Directors



**Jonathan Battershill**  
Chairman  
London, UK, 9 September 2021