



BLACK DRAGON GOLD

**ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2020**

# Black Dragon Gold Corp.

Annual report for the year ended 31 December 2020

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# Black Dragon Gold Corp.

Annual report for the year ended 31 December 2020

Report of the Directors

## 2020 Highlights

The financial year of 2020 (“FY20”) has been a frustrating year for our Company and for our shareholders, unfortunately due to a combination of the COVID-19 global pandemic, together with the slow permitting pathway in Spain our Salave Gold project has not progressed as we had anticipated.

Notwithstanding the challenges of the COVID-19 pandemic and slow progress in our Spanish permitting programme, during FY20 the company finalised the following corporate milestones:

- (i) Terms of Reference (“ToR”) received for the Environmental Impact Assessment (“EIA”) from the Asturian Ministry of Environment. Issuance of the ToR clarifies the Provincial Government’s Environmental requirements for project approval and accelerates the permitting timeframe. Following receipt of the ToR, we will be seeking to complete all submissions to the Provincial Government
  
- (ii) Undertook a placement raising AUD\$1,500,000 by a placement at AUD\$0.07 per share, with Proceeds to be used to towards progression of Salave Gold Project in North-West Spain, costs incurred in connection with due diligence for complementary projects, general working capital and costs of the capital raising

During FY20 the Company’s board and management reduced its corporate and administrative overheads in line with the reduced activity caused by the COVID-19 pandemic.

In the years prior to FY20, the Company has worked to increasing and creating shareholder value through the following initiatives:

- Ensuring the Salave Gold permits were acquired free of any encumbrances with previous management having resolved the Rand Merchant Bank debt
- In 2018, the Company expanded the Mineral Resource Estimate via a 2,200m drilling programme at the Salave Gold Deposit in Asturias, Spain. As a result, the Company reported a new Mineral Resource Estimate as disclosed in Table 1 on page 4 of this report
- During 2018, the Company initiated engineering studies and an economic analyses of its 100% owned Salave Gold based on the recently completed Mineral Resource Estimate completed by CSA Global.
- During 2019, the Company identified additional exploration targets within its permitted area. This was done via completion of a 760-line kilometre, high-resolution, airborne magnetic and radiometric, survey over the entire, 3,427 ha Salave Project. The survey succeeded in enhancing our understanding of the geology, and identifying additional exploration targets within the Company’s investigative permit area.

## Recent Developments

There were no significant subsequent events to the fiscal year end at 31 December 2020.

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Strategic Report

## Executive Director's Review

Your board continues to focus on developing the 100% owned the Salave project, one of the largest undeveloped gold projects in Europe. The Salave Gold Project is situated in the Asturias province of Northern Spain. As previously disclosed, during 2018, Black Dragon Gold reported an updated Measured Mineral Resource of 1.03 million tonnes grading 5.59 g/t Au, containing 0.19 million ounces of gold; an Indicated Mineral Resource of 7.18 million tonnes grading 4.43 g/t Au, containing 1.02 million ounces of gold, plus Inferred Resources totalling 3.12 million tonnes grading 3.47 g/t Au, containing 348,000 ounces of gold (See Table 1 below). During the financial period, the Company's 100% owned Spanish subsidiary EMC officially received the Terms of Reference ("ToR") from several administrative bodies involved in the EIA process.

As noted earlier in this report, we have been frustrated with delays to our permitting programme which was not helped by the COVID-19 global pandemic. We are working towards final submission and approval of an Environmental Impact Assessment as we continue to progress negotiations with the local authority and Spanish Government to finalise the remaining approvals to allow the Company to develop the Salave Gold project.

### a) Exploration Programme & Assets

The Company's tenure includes five Mining Concessions and associated extensions covering 662 ha and an Investigation Permit covering another 2,765 ha – refer table 2 on page 8. Within the concession boundaries, the Company owns 109,753 m<sup>2</sup> of freehold land over the surface mineralization.

*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 2018 Mineral Resource Estimate ("MRE") has been reported and classified as Measured, Indicated and Inferred in accordance with CIM Definition Standards (May, 2014) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition) ("JORC Code") and is therefore suitable for public release. The classification level is based upon an assessment of geological understanding of the deposit, geological and grade continuity, drill-hole spacing, quality control results, search and interpolation parameters, and analysis of available density information.

Table 1: Mineral Resource Estimate for the Salave Gold Deposit at a 2.0 g/t Au cut-off grade, Effective date, 31 October 2018

| Resource Category           | Tonnes (Mt) | Au grade (g/t) | Au contained metal (koz) |
|-----------------------------|-------------|----------------|--------------------------|
| Measured                    | 1.0         | 5.6            | 190                      |
| Indicated                   | 7.2         | 4.4            | 1,020                    |
| <b>Measured + Indicated</b> | <b>8.2</b>  | <b>4.6</b>     | <b>1,210</b>             |
| Inferred                    | 3.1         | 3.5            | 350                      |

#### Notes:

- The Mineral Resource Estimate was carried out by Dmitry Pertel, MSc (Geol), MAIG, GAA of CSA Global, the independent Qualified Person as defined by National Instrument 43-101. A copy of the technical report "Salave Gold Project Mineral Resource Update for Black Dragon Gold Corp." with an effective date of October 31, 2018, is posted on the Company's website [www.blackdragongold.com](http://www.blackdragongold.com)
- 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 (NI43-101), and the JORC Code
- A cut-off grade of 2 g/t Au has been applied when reporting the Mineral Resource.
- All density values were interpolated, except CHL and SER domains where a single density value of 2.67 t/m<sup>3</sup> was used.
- Rows and columns may not add up exactly due to rounding.
- Mineral Resources that are not Mineral Reserves have not demonstrated economic viability.

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## Strategic Report

- *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 Company first reported the 2018 MRE in accordance with the JORC Code and ASX listing rule 5.8 in its ASX announcement of 25 October 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimate in the previous announcement continue to apply and have not materially changed*

The resource cut-off grade of 2.0 g/t Au was chosen to capture mineralization 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 Resources. For full details regarding the Salave MRE please refer to the CSA Global technical report titled “Salave Gold Project Mineral Resource Update for Black Dragon Gold.” on the Company’s website, [www.blackdragongold.com](http://www.blackdragongold.com).

Several phases of metallurgical testwork has been carried out on the Salave Deposit. 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 mineralization 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%.

During FY20 as a result of the COVID-19 pandemic, there was minimal exploration activity undertaken which resulted in a reduced expenditure outflow. Subject to permitting success and funding the Company does intend to expand its exploration programme to identify new zones of mineralization.

### **b) Spanish Operating Environment & In-Country Management Team**

The Project is in Spain, therefore, the Company is subject to governmental, political, economic, and other uncertainties, including, but not limited to, expropriation of property, changes in mining policies or the personnel administering them. The Company’s operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment.

In the event of a dispute arising in connection with the Company’s operations in Spain, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

Accordingly, the Company’s exploration, development and production activities in Spain could be substantially affected by factors beyond the Company’s control, any of which could have a material adverse effect on the Company.

The Company may in the future acquire mineral properties and operations outside of Spain, which expansion may present challenges and risks that the Company has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of the Company. Any material adverse changes in government policies or legislation of Spain, Canada or any other country that the Company has economic interests may affect the viability and profitability of the Company.

The Company's activities will involve mineral exploration and mining and regulatory approval of its activities may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, the Company's activities. The nature of the Company's business attracts a high level of public and media interest and, in the event of any resultant adverse publicity; the Company's reputation may be harmed.

## **Black Dragon Gold Corp.**

Annual report for the year ended 31 December 2020

Strategic Report

### **c) Jose Manuel Dominguez -General Manager in Spain**

Jose Manuel Dominguez is a mining engineer with more than 30 years of experience across various projects in Spain, Portugal and Italy, including as a general manager for Luzenac Europe (part of the Rio Tinto Group) from 1999 to 2006, a general manager for Rio Tinto Minerals Spain (part of the Rio Tinto Group) from 2006 to 2011 and a general manager of Imerys Talc Ital (part of the Imerys Group) from 2014 to 2016.

### **d) Black Dragon Gold's Key Principles**

The Company has the following key principles:

- demonstrate a commitment to health, safety, security, sustainability and environment at all locations and maintain a safe, healthy work environment;
- ensure adequate resources are allocated to health, safety, security, sustainability and environmental performance;
- comply with local laws relating to health, safety, security, sustainability and environment as well as embrace international laws and best practice, where possible;
- respect for human rights and social and cultural rights including the rights of indigenous and vulnerable people; promote where possible, local communities through procurement and employment practice;
- and ensure that proper management systems for health, safety, security, sustainability and environment

are in place through training, information sharing and continuous monitoring

### **e) Result for FY20**

During the year ended December 31, 2020 (the “current year”), the Company recorded net loss of \$1,184,893 compared to a net loss of \$1,972,126 during the year ended December 31, 2019 (the “comparative year”). The significant variances resulted from the following:

- **Foreign exchange gain (loss)**  
During the current year, the Company incurred a \$52,793 foreign exchange gain compared to a \$89,504 foreign exchange loss incurred during the comparative year. This variance related mainly to the change in the US\$: CAD\$ foreign exchange rate as it affected US\$-denominated liabilities and EUR: CAD\$ foreign exchange rates.
- **Consultants and Management fees**  
During the current year, the Company incurred \$278,674 of consultants and management fees, compared to \$405,716 during the comparative year. This variance related mainly to overall reduced corporate costs as the Company continues focuses on its permitting programme.
- **Exploration and evaluation costs**  
During the current year, the Company incurred general exploration expenses of \$137,700 (2019 - \$461,500) related to the Company's Salave Gold property. This reduced exploration and development spend is in line with the Company's focus on Government relations and permitting.

## Black Dragon Gold Corp.

Annual report for the year ended 31 December 2020

Strategic Report

| Exploration and Evaluation                                       | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Drilling costs   | -                 | -                 |
| Assays and Sampling  | -                 | 60,527            |
| Consultants - PEA  | -                 | 22,857            |
| Consultants - Mineral Resource Estimate                          | -                 | 69,741            |
| Consultants - Geological compilation and GIS database management | 137,700           | 293,827           |
| Mining software  | -                 | 14,548            |
| <b>Total</b>   | <b>\$137,700</b>  | <b>\$461,500</b>  |

- Professional fees  
During the current year, the Company incurred professional fees expense of \$133,313 (2019 - \$99,468) with increase due to reduced in-house work due to reduced activity resulting in more work being outsourced.
- Share-based compensation  
During the current year, the Company incurred no share-based payments expense compared to \$151,437 in 2019.

Paul Cronin  
Executive Director

30 March 2021



# Black Dragon Gold Corp.

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Strategic Report

## Competent Persons Statement

The Technical Information disclosed in this Annual Report has been reviewed and approved by Douglas Turnbull, P.Geo., a Qualified Person as defined under National Instrument 43-101 and a Competent Person for the purposes of JORC 2012. Mr Turnbull is a Professional Geologist and a member of the Engineers and Geoscientists of British Columbia. Mr Turnbull is a consultant to Black Dragon, and has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Turnbull consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

## Key Performance Indicators

The near term and primary performance indicators for Black Dragon are related to its exploration activities and include:

- (i) Efficiently managing the exploration programme and increasing the current mineralised footprint and increasing Black Dragon’s current JORC resource base;
- (ii) Advancing the permitting status on a pathway towards exploitation;
- (iii) Continued exploration on nearby prospects to define further drill targets with the intent of making additional mineral discoveries, and;
- (iv) Progressing the technical study elements for Salave, culminating in the completion of a Definitive Feasibility Study and Environmental and Social Impact Assessment (“ESIA”), both critical steps in making progress towards obtaining the necessary permits required for the development of the Salave Deposit.

## Chairman’s Update Corporate Strategy

As highlighted earlier in this report per the Executive Director’s report, the year 2020 was associated with delays to our permitting programme in Spain and on the on-set of the COVID-19 global pandemic. As a result we were not able to advance and accelerate the development of the Salave Gold project, your board remains focused on efficiently developing the project.

Noted below are some of the key risks & uncertainties associated with the project:

- Exploration & Development

The Concessions and the Investigation Permit are at various stages of exploration and development. Potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration and development of these permits and concessions, or any other permits or concessions that may be acquired in the future, will result in the discovery of further mineral deposits.

Even if an apparently viable deposit is identified, such as the Mineral Resource at the Project, there is no guarantee that it can be economically exploited.

- Future funding needs

The Company has no operating revenue and is unlikely to generate any operating revenue unless and until production commences at the Project. The future capital requirements of the Company will depend on many factors including its business development activities. The Company will need to continue to raise further capital to allow the company to develop the Salave Gold project and/or acquire further assets.

## Black Dragon Gold Corp.

Annual report for the year ended 31 December 2020

### Strategic Report

- Spain in-country risks

The Project is located in Spain. As such, the Company is subject to governmental, political, economic, and other uncertainties, including, but not limited to, expropriation of property, changes in mining policies or the personnel administering them. The Company's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Company's operations in Spain, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions.

The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's exploration, development and production activities in Spain could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company.

The Company may in the future acquire mineral properties and operations outside of Spain, which expansion may present challenges and risks that the Company has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of the Company.

- Operational risks

The future exploration and development activities of the Company may be affected by a range of factors, including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

Further to the above, the future development of mining operations at the Project (or any future projects that the Company may acquire an interest in) is dependent on a number of factors and avoiding various risks, including, but not limited to mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, risk of access to the required level of funding and contracting risk from third parties providing essential services.

In addition, the construction of any proposed development may exceed the expected timeframe or cost for a variety of reasons out of the Company's control. Any delays to project development could adversely affect the Company's operations and financial results and may require the Company to raise further funds to complete the project development and commence operations.

- o Environmental risk

The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Spain. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

## **Black Dragon Gold Corp.**

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Strategic Report

- Commodity & Currency Exchange prices

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. The prices of gold, and other minerals fluctuate widely and are affected by numerous factors beyond the control of the Company, such as industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. Future serious price declines in the market values of gold, and other minerals could cause the development of, and eventually the commercial production from, the Company's projects and the Company's other properties to be rendered uneconomic.

Jonathan Battershill

Chairman

30 March 2021

# Black Dragon Gold Corp.

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Report of the Directors

## **Directors & Key Management**

### **Jonathan Battershill - Non-Executive Chairman**

Mr. Battershill graduated from the Camborne School of Mines in 1995. His career spans over 25 years in global mining, business development and finance based both in Australia and London. His industry experience includes senior operational and business development roles with WMC Resources as well as significant stockbroking and banking experience at Hartleys, Citigroup, UBS and Canaccord in Perth, Sydney and London. At UBS, Mr. Battershill was consistently voted the number one rated mining analyst in Australia between 2009 and 2015 by global institutional investors before relocating to London to assume the role of Global Mining Strategist. Mr Battershill left UBS to run a private consulting and advisory business in 2017 where he advised corporates on strategy, M&A and capital raisings, involving transactions totalling c.\$500m.

Mr. Battershill is currently a Managing Director at Canaccord Genuity UK and also serves as a Non-Executive Director of ASX listed Silver Mines Limited.

### **Paul Cronin - Executive Director**

Paul Cronin is a unique resource finance specialist, with significant experience in equity, debt and mergers and acquisitions within the sector. Mr Cronin was Vice President at the highly regarded resource fund, RMB Resources where he originated, structured and managed several debt and equity investments on behalf of the fund. He is currently Managing Director & CEO of Adriatic Metals, once of the UK's fastest growing base and precious development companies, where he has personally overseen a paradigm shift in the manner in which junior mining companies interface and benefit their local communities. Mr. Cronin has nearly 20 years of commodity trading, funds management and junior mining development experience. giving him an invaluable insight into the inner workings of capital markets serving the mining industry.

Mr. Cronin is also a Non-Executive Director of TSX listed Global Atomic Corporation, and ASX Listed Taruga Minerals Limited.

### **Richard Monti - Non-Executive Director**

Mr Monti has had a 35-year career in the international mineral resource industry resulting in broad knowledge and strategic planning capabilities. First-hand working knowledge of all aspects of the industry from project generation through exploration, resource, feasibility, construction, operations, finance, marketing and divestment. He has worked in diverse countries and has had exposure to most commodities including gold, nickel, iron ore, coal, industrial minerals, salt, potash and base metals. He has had 52 director-years' experience on fifteen ASX and TSX listed companies covering exploration and mining activities. His directorship roles include four as Chairman and sitting on numerous sub-committees. Mr. Monti was a principal of Ventnor Capital from 2005 to 2010, a corporate advisory business supplying advice across the commercial and corporate spectrum to junior- and mid-size companies.

Mr Monti is currently Chairman of Zinc of Ireland NL and Alto Metals Ltd and a Non-Executive Director of Boab Metals Ltd and Caravel Minerals Ltd Alberto Lavandeira - Non-Executive Director

### **Alberto Lavandeira - Non-Executive Director**

Alberto Lavandeira has over 38 years' experience operating and developing mining projects. Former Chief Executive Officer, President and COO of Rio Narcea Gold Mines (1995-2007), which built three mines including Aguablanca. Director of Samref Overseas S.A (2007-2014) - involved in the development of the Mutanda Copper-Cobalt Mine in the DRC. Mr. Lavandeira is currently Chief Executive Officer and Managing Director of AIM and TSX listed Atalaya Mining plc.

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Report of the Directors

## **Additional Key Management Personnel**

### **Jose Manuel Dominguez -General Manager in Spain**

Jose Manuel Dominguez is a mining engineer with more than 30 years of experience across various projects in Spain, Portugal and Italy, including as a general manager for Luzenac Europe (part of the Rio Tinto Group) from 1999 to 2006, a general manager for Rio Tinto Minerals Spain (part of the Rio Tinto Group) from 2006 to 2011 and a general manager of Imerys Talc Ital (part of the Imerys Group) from 2014 to 2016.

### **Gabriel Chiappini – Chief Financial Officer & Company Secretary**

Mr. Chiappini is an experienced ASX director and has been active in the capital markets for 17 years. He has assisted in raising AUD\$450m and has provided investment and divestment guidance to a number of companies and has been involved with 10 ASX IPO's in the last 12 years. He is a member of the AICD and CA ANZ. Mr. Chiappini is a Non-Executive Director of Black Rock Mining Limited (ASX:BKT), Invictus Energy Limited (ASX:IVZ) and Eneabba Gas Limited (ASX:ENB).

## **Company Directory**

Black Dragon Gold Corp. (the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on August 20, 2007 and is classified as a junior mining issuer with the Australian Securities Exchange (“ASX”) and as a Canadian non venture issuer.

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 (Non-Executive Chairman)

Paul Cronin (Executive Director)

Richard Monti (Non-Executive Director)

Alberto Lavandeira (Non-Executive Director)

### **Company Secretary**

Gabriel Chiappini

### **Canadian Registered Office**

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

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### **Auditor**

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

### **Stock Exchange Listing**

Australian Securities Exchange (Code: BDG)

### **Australian Share Registry**

Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace, Perth WA 6000 T: 1300 787 272

F: (08) 9323 2033

E: web. [queries@computershare.com.au](mailto:queries@computershare.com.au)

### **Canadian Share Registry**

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

### **Company Website**

[www.blackdragongold.com](http://www.blackdragongold.com)

# Black Dragon Gold Corp.

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Report of the Directors

## Directors' Report

The Directors present their annual report with the statutory financial statements of the Group for the year ended December 31, 2020.

This report should be read in conjunction with the Strategic Report on pages 3 to 14.

### 1. Board of Directors and Officers of the company

The names of the Directors who held office during the financial year and to the date of this report were:

| Director Name        | Position               | Appointed    |
|----------------------|------------------------|--------------|
| Jonathan Battershill | Non-Executive Chairman | 10 July 2017 |
| Paul Cronin          | Executive Director     | 10 July 2017 |
| Richard Monti        | Non-Executive Director | 10 July 2017 |
| Alberto Lavandeira   | Non-Executive Director | 10 July 2017 |

The Company Secretary of Black Dragon Gold is Gabriel Chiappini.

### 2. Results

The Group realized a loss after tax for the year of CAD\$1,184,893 (2019 loss of CAD\$1,972,126).

### 3. Going Concern

The Group incurred a loss of CAD\$1,184,893 (31 December 2019: CAD\$1,972,126) in the period however the Group also had a net asset position at the balance sheet date.

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 the financial statements.

The consolidated financial statements for the year ended December 31, 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.

### 4. Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: \$nil).

# Black Dragon Gold Corp.

Annual report for the year ended 31 December 2020

## Report of the Directors'

### **5. Directors' indemnity insurance**

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

### **6. Auditor**

Davidson & Company LLP, Chartered Professional Accountants have been appointed as auditors of Black Dragon Gold Corp. and at the Company's Annual General Meeting Davidson & Company LLP, Chartered Professional Accountants will be proposed for re- appointment.

### **7. Financial risk management objectives**

The Group's financial risk management objectives and policies and exposures to risk are outlined in Note 10 to the financial statements.

### **8. Rounding of amounts and presentational Currency**

Amounts in the Directors Report and the accompanying financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise expressly stated. The Group financial statements are presented in Canadian Dollars ("CAD\$") which is the Group's presentational currency.

On behalf of the Board

Jonathan Battershill  
Chairman 30 March 2021

# Black Dragon Gold Corp.

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## **Corporate Governance Statement**

The Board of Directors of Black Dragon Gold is responsible for establishing the corporate governance framework of the group having regard to the ASX Corporate Governance Council published guidelines. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has adopted a corporate governance manual, based upon ASX Corporate Governance Council's Principles and Recommendations - 4th Edition. The board considers the Corporate Governance Manual to be suitable for the Company, given the size, history and current strategy of the Company.

The Company's Corporate Governance Manual together with the Appendix 4G 'Key to Disclosures Corporate Governance Council Principles and Recommendations', have been approved by the Board and can be located on the Company's website at <https://www.blackdragongold.com/downloads/corp-governance-files-/bdg-corporategovernance-manual-final-2020.pdf>

## **Remuneration policy for Executives and Management**

Given the size of the company, the Articles, and the board structure at 31 December 2020; the company had not established a separate Remuneration and Nominations Committee with relevant matters being considered by the full Board of the Company.

The Directors have responsibility for the appointment and performance assessment of the Chief Executive Officer (or CEO equivalent) and Chief Financial Officer, Company Secretary, other senior executives and terms and conditions including remuneration and approving the Company's remuneration and rewards framework. When considering the remuneration policy for the Company's Executives and Management the Board will consider performance and achievement in line with the Company's objectives and to ensure the interests of shareholders and stakeholders are enhanced. The Board will perform an annual review to ensure a strong link between performance and reward is made and will form part of the annual remuneration review.

## **Share options**

The Company has adopted a company share option plan (Plan). The Plan forms what the Board considers to be an important element of the Company's total remuneration strategy for its officers and staff. There were no share options issued during the year.

## **Remuneration policy for Non-Executive Directors**

The Directors have responsibility to review, monitor and make recommendations to the Board regarding the orientation and education of directors which includes an annual review of the directors' compensation program.

The Company Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide. The remuneration of the Non- Executive Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting. During FY20 there were no changes to the Non-Executive Directors' remuneration packages or fees.

The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The Non-Executive Directors each have service agreements that are reviewed annually by the Board.

# Black Dragon Gold Corp.

Annual report for the year ended 31 December 2020

Directors' remuneration (audited)

The Company paid the following remuneration to each Non-Executive Director:

| 2020                 | Salary/Fee     | Long term benefit | Total          |
|----------------------|----------------|-------------------|----------------|
|                      | CAD\$          | CAD\$             | CAD\$          |
| Jonathan Battershill | 84,388         | -                 | 84,388         |
| Richard Monti        | 50,633         | -                 | 50,633         |
| Alberto Lavandeira   | 50,633         | -                 | 50,633         |
| <b>TOTAL</b>         | <b>185,654</b> | <b>-</b>          | <b>185,654</b> |

The annual Directors fees payable by the Company is as follows:

|                                  | <u>Salary/Fee</u> |
|----------------------------------|-------------------|
|                                  | GBP£              |
| Jonathan Battershill             | 50,000            |
| Paul Cronin - Executive Director | 75,000            |
| Richard Monti                    | 30,000            |
| Alberto Lavandeira               | 30,000            |
| <b>Total</b>                     | <b>185,000</b>    |

## **Related Party Note – Director Advisor Fees**

The Company has entered into a consultancy agreement with Paul Cronin and Swellcap Limited (Cronin Agreement). Under the Cronin Agreement, Mr. Cronin is engaged by the Company to provide consultancy services to the Company as an Executive Director .

The Company will also reimburse Mr. Cronin for reasonable expenses necessarily incurred by him in the performance of the consultancy services. Mr. Cronin will report to the Board in relation to his engagement and the provision of the CEO consultancy services, which include managing the business of the Company, implementing strategy and managing operational functions of the Company in the role of CEO and as directed by the Board. Mr. Cronin may terminate the Cronin Agreement without cause by providing 3 months written notice to the Company. The Company may terminate the Cronin Agreement immediately with cause or by providing 6 months written notice without cause. In the event the Company is the subject of a change of control transaction, Mr. Cronin is entitled to receive a transaction bonus equal to £150,000.

The board of Black Dragon Gold resolved to amend the role of Paul Cronin from Managing Director to Executive Director, and in recognition of this transfer of responsibility reduce the cash fees paid by 50% effective 1 July 2020 so that his annual salary is reduced to £75,000 per annum. Mr Cronin will remain the senior executive at Black Dragon.

## Directors' Share options

In addition to the fees above, the Company has issued the following options to Directors (no director options were issued in either 2019 or 2020):

| Name of Director<br>Non-Executive and<br>Executive | Options<br>granted | Total options<br>vested as at 1<br>January<br>2020 | Options<br>vesting<br>in the<br>year | Total options<br>vested as at 31<br>December<br>2020 | Exercise<br>price | Date of<br>expiry |
|--|--------------------|--|--------------------------------------|--|-------------------|-------------------|
| Jonathan Battershill                               | 1,583,333          | 950,000  | 633,333                              | 1,583,333  | CADS0.24          | 24/9/2027         |
| Paul Cronin —<br>Executive Director                | 2,633,333          | 1,580,000  | 1,053,333                            | 2,633,333  | CADS0.24          | 24/9/2027         |
| Richard Monti                                      | 666,666            | 400,000  | 266,666                              | 666,666  | CADS0.24          | 24/9/2027         |
| Alberto Lavandeira                                 | 1,100,000          | 660,000  | 440,000                              | 1,100,000  | CAD S0.24         | 24/9/2027         |

## Directors' interests

The Directors' interests in shares and other securities in Black Dragon Gold are set out below:

| <b>Non-Executive Director</b> | <b>Number of ordinary Shares<br/>(CDI's)<br/>31 December 2020</b> | <b>Number of options 31<br/>December 2020</b> |
|-------------------------------|---|---|
| Jonathan Battershill          | 2,064,720   | 1,583,333                                     |
| Paul Cronin(i)                | 2,867,700   | 2,633,333                                     |
| Richard Monti                 | 1,586,125   | 666,666                                       |
| Alberto Lavandeira            | 1,256,364   | 1,100,000                                     |

(i) *Paul Cronin — was appointed as Executive director on 1 July 2019.*

## Directors Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable Canadian Company law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Canada governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Jonathan Battershill

Chairman

30 March 2021

**BLACK DRAGON GOLD CORPORAION**  
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

**FOR THE YEARS ENDED**  
**DECEMBER 31, 2020 AND 2019**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Black Dragon Gold Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Black Dragon Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred net losses since inception. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dylan Connelly.

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

Vancouver, Canada

Chartered Professional Accountants

March 30, 2021

**BLACK DRAGON GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)  
AS AT

|   | Notes | December 31,<br>2020    | December 31,<br>2019    |
|---|-------|-------------------------|-------------------------|
| <b>ASSETS</b>                                     |       |                         |                         |
| <b>Current</b>                                    |       |                         |                         |
| Cash and cash equivalents                         | 7     | \$ 2,097,420            | \$ 1,761,658            |
| Receivables                                       | 3,8   | 47,967                  | 100,792                 |
|   |       | <u>2,145,387</u>        | <u>1,862,450</u>        |
| <b>Deposits</b>                                   |       | <u>1,240</u>            | <u>1,240</u>            |
| <b>Total assets</b>                               |       | <b>\$ 2,146,627</b>     | <b>\$ 1,863,690</b>     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |       |                         |                         |
| <b>Current</b>                                    |       |                         |                         |
| Accounts payable and accrued liabilities          | 5,8   | <u>\$ 335,997</u>       | <u>\$ 364,520</u>       |
|   |       | 335,997                 | 364,520                 |
| <b>Shareholders' equity</b>                       |       |                         |                         |
| Share capital                                     | 6     | 24,661,799              | 23,165,446              |
| Warrants  | 6     | 4,724,574               | 4,724,574               |
| Reserves  | 6     | 5,909,006               | 5,909,006               |
| Deficit   |       | (33,484,749)            | (32,299,856)            |
| <b>Total shareholders' equity</b>                 |       | <u><b>1,810,630</b></u> | <u><b>1,499,170</b></u> |
| <b>Total liabilities and shareholders' equity</b> |       | <b>\$ 2,146,627</b>     | <b>\$ 1,863,690</b>     |

**Nature of operations and going concern (Note 1)**

These consolidated financial statements were approved for issue by the Board of Directors on 30<sup>th</sup> March, 2021 and are signed on its behalf by:

*"Paul Cronin"*

Director

*"Richard Monti"*

Director

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

**BLACK DRAGON GOLD CORP.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

YEARS ENDED

|   | Notes | December 31,<br>2020  | December 31, 2019     |
|---|-------|-----------------------|-----------------------|
| <b>EXPENSES</b>   |       |                       |                       |
| Consulting  | 8     | \$ 217,358            | \$ 236,744            |
| Directors' fees   | 8     | 241,474               | 185,654               |
| Filing fees   |       | 30,937                | 21,920                |
| Foreign exchange loss (gain)  |       | (52,793)              | 89,504                |
| General and administrative  | 8     | 406,685               | 509,394               |
| Exploration and evaluation costs  |       | 137,700               | 461,500               |
| Management fees   | 8     | 81,316                | 168,972               |
| Professional fees   | 8     | 133,313               | 99,468                |
| Shareholder communication   |       | 24,469                | 23,288                |
| Share-based compensation  | 6, 8  | -                     | 151,437               |
| Transfer agent  |       | 10,998                | 14,742                |
| Travel and related  |       | 5,014                 | 56,374                |
| <b>Loss before other items</b>  |       | <b>(1,236,471)</b>    | <b>(2,018,997)</b>    |
| <b>OTHER ITEMS</b>  |       |                       |                       |
| Interest income   |       | 1,992                 | 24,705                |
| Gain (loss) on settlement of debt   | 6, 8  | (60,881)              | 21,952                |
| Other income  |       | 110,467               | 214                   |
|   |       | 51,578                | 46,871                |
| <b>Loss and comprehensive loss for the year</b>                                 |       | <b>\$ (1,184,893)</b> | <b>\$ (1,972,126)</b> |
| <b>Basic loss per common share</b>  | 6     | \$ (0.01)             | \$ (0.02)             |
| <b>Diluted loss per common share</b>  | 6     | \$ (0.01)             | \$ (0.02)             |
| <b>Weighted average number of common shares outstanding - basic and diluted</b> |       | 119,724,074           | 90,892,206            |

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

**BLACK DRAGON GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)  
**YEARS ENDED**

|  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                      |                      |
| Loss for the year  | \$ (1,184,893)       | \$ (1,972,126)       |
| Items not affecting cash:  |                      |                      |
| Share-based compensation   | -                    | 151,437              |
| Interest received on GIC   | (1,992)              | (24,705)             |
| Loss (gain) on settlement of debt                                  | 60,881               | (21,952)             |
| Shares issued for directors and officer services                   | 151,072              | 48,761               |
| Change in non-cash working capital items                           |                      |                      |
| Decrease in receivables  | 52,825               | 123,434              |
| Decrease in prepaid expenses                                       | -                    | 422                  |
| Decrease in accounts payable and accrued liabilities               | (89,404)             | (150,579)            |
| Net cash used in operating activities                              | (1,011,511)          | (1,845,308)          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |                      |                      |
| Interest received on GIC   | 1,992                | 24,705               |
| Shares issued for cash, net  | 1,345,281            | -                    |
| Net cash provided by financing activities                          | 1,347,273            | -                    |
| <b>Change in cash and cash equivalents during the year</b>         | <b>335,762</b>       | <b>(1,820,603)</b>   |
| <b>Cash and cash equivalents, beginning of year</b>                | <b>1,761,658</b>     | <b>3,582,261</b>     |
| <b>Cash and cash equivalents, end of year</b>                      | <b>\$ 2,097,420</b>  | <b>\$ 1,761,658</b>  |
| <b>Cash paid during the year for interest</b>                      | <b>\$ -</b>          | <b>\$ -</b>          |
| <b>Cash paid during the year for taxes</b>                         | <b>\$ -</b>          | <b>\$ -</b>          |
| <b>Supplemental disclosure with respect to cash flows (Note 7)</b> |                      |                      |

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

**BLACK DRAGON GOLD CORP.**

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

|  | <u>Share Capital</u> |                      |                     |                     |                        |                     |
|--|----------------------|----------------------|---------------------|---------------------|------------------------|---------------------|
|  | Number               | Amount               | Warrants            | Reserves            | Deficit                | Total               |
| <b>Balance, December 31, 2018</b>              | 110,861,225          | \$ 23,116,685        | \$ 4,724,574        | \$ 5,757,569        | \$ (30,327,730)        | \$ 3,271,098        |
| Shares issued for directors services           | 696,589              | 48,761               | -                   | -                   | -                      | 48,761              |
| Share-based compensation                       | -                    | -                    | -                   | 151,437             | -                      | 151,437             |
| Loss for the year                              | -                    | -                    | -                   | -                   | (1,972,126)            | (1,972,126)         |
| <b>Balance, December 31, 2019</b>              | <b>111,557,814</b>   | <b>\$ 23,165,446</b> | <b>\$ 4,724,574</b> | <b>\$ 5,909,006</b> | <b>\$ (32,299,856)</b> | <b>\$ 1,499,170</b> |
| <b>Balance, December 31, 2019</b>              | <b>111,557,814</b>   | <b>\$ 23,165,446</b> | <b>\$ 4,724,574</b> | <b>\$ 5,909,006</b> | <b>\$ (32,299,856)</b> | <b>\$ 1,499,170</b> |
| Shares issued for directors & officer services | 1,367,226            | 151,072              | -                   | -                   | -                      | 151,072             |
| Shares issued for cash                         | 21,428,572           | 1,423,137            | -                   | -                   | -                      | 1,423,137           |
| Finders' fees - cash                           | -                    | (77,856)             | -                   | -                   | -                      | (77,856)            |
| Loss for the year                              | -                    | -                    | -                   | -                   | (1,184,893)            | (1,184,893)         |
| <b>Balance, December 31, 2020</b>              | <b>134,353,612</b>   | <b>\$ 24,661,799</b> | <b>\$ 4,724,574</b> | <b>\$ 5,909,006</b> | <b>\$ (33,484,749)</b> | <b>\$ 1,810,630</b> |

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

## **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 and is classified as a junior mining issuer with the Australian Securities Exchange (the “ASX”). On February 28, 2019, the Company voluntarily delisted from the TSX Venture Exchange (“TSX-V”) and continued to trade on the ASX. The Company’s head office address is Ground Floor, Regent House, Rodney Road, Cheltenham, Gloucestershire, GL50 1HX, U.K. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2.

These consolidated 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 consolidated financial statements for the year ended December 31, 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.

During the year ended December 31, 2020, the Company’s board and management reduced its corporate and administrative overheads in line with the reduced activity caused by the COVID-19 pandemic. COVID-19 restrictions in Spain and more specifically Asturias, have prevented the execution and completion of certain field studies and site visits required for the completion of the Company’s Environmental and Social Impact Assessment. Due to the impact of COVID-19 restrictions, the operational functionality of these regulatory bodies has been impacted and many of the normal course meetings between the government and the Company’s management have been postponed. At present, there are still restrictions preventing movement between towns and regions, and face to face meetings are prohibited.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

These consolidated financial statements for the year ended December 31, 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”).

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and the exercise of management’s judgment in applying the Company’s accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company’s consolidated financial statements are discussed below.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Basis of presentation** (continued)

The Company's consolidated financial statements for the year ended December 31, 2020 have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **Use of estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

#### *Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The Company also makes estimates as to when performance conditions for stock options will be met. The determination of whether or not the achievement of performance milestones for stock options likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 6.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Use of estimates (continued)

#### *Income taxes*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

### Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Exploraciones Mineras del Cantabrico S.L. ("EMC"). EMC is a mining company in Asturias, Spain. All inter-company transactions and accounts have been eliminated upon consolidation.

### Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and depreciated using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value.

Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred. Exploration expenditures are the costs of exploring for mineral resources other than those occurring at existing operations and projects and comprise geological and geophysical studies, exploratory drilling, and sampling and resource development. Evaluation expenditures include the cost of conceptual and feasibility studies and evaluation of mineral resources at existing operations. When a decision is taken that a mining project is technically feasible and commercially viable, subsequent directly attributable expenditures are considered development expenditure and are capitalized within property, plant and equipment or mineral properties. If a property does not prove economically recoverable or technically feasible, all irrecoverable costs associated with the project, net of any previous impairment provisions, are written off.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation and future profitable production or proceeds from the disposition thereof.

## **2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Impairment of non-financial assets**

At each reporting date the carrying amounts of the Company's long-lived non-financial assets, which are comprised of exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in profit or loss for the year.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

### **Decommissioning provisions**

The Company recognizes the fair value of a liability for a decommissioning provision in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any decommissioning provisions as at December 31, 2020 and 2019.

### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

## **2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Income taxes** (continued)

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Loss per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants, except where there is a related flow-through share premium, as detailed in the next paragraph. Any fair value attributed to the warrants is recorded as reserves.

### **Share-based compensation**

Stock options and direct awards of stock granted to employees and other providing similar services are measured at fair value on the date of grant and is recognized as an expense with a corresponding increase in reserves as the options vest. Fair value is determined using the Black Scholes option pricing model taking into the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Options granted to non-employees are measured at their fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. Consideration paid for the shares on the exercise of stock options is credited to share capital.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

### **Foreign currency translation**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial position reporting date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

### **Financial instruments**

#### Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

#### Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

#### Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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**3. RECEIVABLES**

|                                   | December 31,<br>2020 | December 31,<br>2019 |
|-----------------------------------|----------------------|----------------------|
| Related party receivable (Note 8) | \$ 9,400             | \$ 6,315             |
| Value-added tax receivable        | 29,906               | 85,126               |
| GST receivable                    | 8,661                | 9,351                |
| <b>Total</b>                      | <b>\$ 47,967</b>     | <b>\$ 100,792</b>    |

**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**

|                                 | 2020              | 2019              |
|---------------------------------|-------------------|-------------------|
| Accounts payables               | \$ 60,250         | \$ 113,529        |
| Accrued liabilities             | 143,799           | 187,255           |
| Due to related parties (Note 8) | 131,948           | 63,736            |
| <b>Total</b>                    | <b>\$ 335,997</b> | <b>\$ 364,520</b> |

**6. SHARE CAPITAL AND RESERVES**

*Authorized:*

Unlimited number of common shares without par value.

**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 8).

**6. SHARE CAPITAL AND RESERVES** (continued)

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 8).

**Issued – 2019 transactions**

On November 20, 2019, the Company issued 696,589 shares valued at \$0.07 per share to settle outstanding director fees. The shares had a fair value of \$48,761, which resulted with a gain on settlement of debt of \$21,952 (Note 8).

**Warrants**

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at December 31, 2020 and 2019 is as follows:

|   | Number of Warrants | Weighted Average Exercise Price |
|---|--------------------|---------------------------------|
| Outstanding, December 31, 2018          | 75,895,489         | \$ 0.34                         |
| Expired                                 | (73,228,823)       | 0.34                            |
| Outstanding, December 31, 2019 and 2020 | 2,666,666          | \$ 0.33                         |

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

| Expiry Date   | Number of Warrants | Exercise Price |
|---------------|--------------------|----------------|
| June 29, 2021 | 2,666,666          | \$ 0.33        |
| <b>Total</b>  | <b>2,666,666</b>   | <b>\$ 0.33</b> |

**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.

**6. SHARE CAPITAL AND RESERVES** (continued)

**Stock options** (continued)

A summary of the status of the Company's stock options as at December 31, 2020 and 2019 is as follows:

|   | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price |
|---|----------------------|--|
| Outstanding, December 31, 2018          | 13,001,666           | \$ 0.28                                  |
| Granted                                 | 1,500,000            | 0.10                                     |
| Expired                                 | (6,268,334)          | 0.32                                     |
| Outstanding, December 31, 2019 and 2020 | 8,233,332            | \$ 0.22                                  |

A summary of the number of common shares reserved pursuant to the Company's options outstanding as at December 31, 2020 is as follows:

| Expiry Date        | Number of<br>Options | Exercise<br>Price | Number of<br>Options<br>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>                    |

During the year ended December 31, 2020, the Company recognized \$nil (2019 - \$151,437) of share-based compensation expense.

**2019 transactions**

On September 18, 2019, the Company granted 1,500,000 stock options to 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. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

Cash and cash equivalents consists of \$2,091,886 (2019 - \$1,756,124) of cash and \$5,534 (2019 - \$5,534) in cash equivalents.

## **8. 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 Chief Executive Officer, Directors, and the Chief Financial Officer of the Company:

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Management and consulting fees – Chief Executive Officer         | \$ 147,687        | \$ 252,321        |
| Directors' fees  | 241,474           | 185,654           |
| Management and consulting fees – former Chief Financial Officer  | 74,683            | 118,196           |
| Management and consulting fees – current Chief Financial Officer | 71,405            | -                 |
| Wages and salary   | 107,334           | 93,786            |
| Share-based compensation   | -                 | 133,529           |
|  | <b>\$ 642,583</b> | <b>\$ 783,486</b> |

As at December 31, 2020, included in accounts payable and accrued liabilities is \$128,390 (2019 - \$116,706) that is due to directors, officers and companies controlled by directors or officers.

As at December 31, 2020, included in accounts receivable is \$9,400 (2019 - \$6,315) that is due from a former officer of the Company and a company controlled by an officer of the Company.

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.

During the year ended December 31, 2019, the Company issued 696,589 shares valued at \$0.07 per share to settle outstanding director fees. The shares had a fair value of \$48,761, which resulted with a gain on settlement of debt of \$21,952.

## **9. 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.

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

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 cash equivalents | \$ 2,097,420 | -       | -       | \$ 2,097,420 |

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 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 and a related party and are therefore considered to have 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 December 31, 2020, the Company had current assets of \$2,145,387 to settle current liabilities of \$335,997 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 December 31, 2020, a 10% change in exchange rates between the Canadian dollar, Euro, AUD, USD, and GBP would result in a change of \$192,336 in foreign exchange gain or loss.

**10. 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.

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**11. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

|   | 2020           | 2019           |
|---|----------------|----------------|
| Income (Loss) for the year  | \$ (1,184,893) | \$ (1,972,126) |
| Expected income tax recovery  | (320,000)      | (532,000)      |
| Change in statutory, foreign tax, foreign exchange rates and other  | (441,000)      | 449,000        |
| Share issuance costs  | (21,000)       | -              |
| Permanent differences   | -              | 41,000         |
| Adjustment to prior year tax provision versus statutory tax returns | (12,000)       | 175,000        |
| Change in unrecognized deductible temporary differences             | 794,000        | (133,000)      |
| Total income tax expense (recovery)                                 | \$ -           | \$ -           |

The significant components of the Company's temporary differences and tax losses that have not been recognized on the consolidated statements of financial position are as follows:

| Temporary Differences                             | 2020          | Expiry Date<br>Range | 2019          | Expiry Date<br>Range |
|---|---------------|----------------------|---------------|----------------------|
| Exploration and evaluation assets                 | \$ 19,741,000 | No expiry date       | \$ 18,462,000 | No expiry date       |
| Share issue costs and other                       | 716,000       | 2041 to 2044         | 832,000       | 2039 to 2042         |
| Non-capital losses available<br>for future period | 18,559,000    | 2024 to no expiry    | 16,620,000    | 2023 to no expiry    |

Tax attributes are subject to review and potential adjustment by tax authorities.

### Annual Mineral Resources Statement

A summary of the Company's annual review of its Mineral Resources is in the Executive Director's Review.

As at 31 December 2020, the Company's Mineral Resource holdings was comprised of the following. The Company's sole project is the Salave Gold Project in Asturias, Spain:

*Mineral Resource Estimate for the Salave Gold Deposit at a 2.0 g/t Au cut-off grade,*

| Resource Category    | Tonnes (Mt) | Au grade (g/t) | Au contained metal (koz) |
|----------------------|-------------|----------------|--------------------------|
| Measured             | 1.0         | 5.6            | 190                      |
| Indicated            | 7.2         | 4.4            | 1,020                    |
| Measured + Indicated | 8.2         | 4.6            | 1,210                    |
| Inferred             | 3.1         | 3.5            | 350                      |

Notes:

- The Mineral Resource Estimate was carried out by Dmitry Pertel, MSc (Geol), MAIG, GAA of CSA Global, the independent Qualified Person as defined by National Instrument 43-101. A copy of the technical report "Salave Gold Project Mineral Resource Update for Black Dragon Gold Corp. " with an effective date of October 31, 2018, is posted on the Company's website [www.blackdragongold.com](http://www.blackdragongold.com)
- 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 (NI43-101), and the JORC Code
- A cut-off grade of 2 g/t Au has been applied when reporting the Mineral Resource.
- All density values were interpolated, except CHL and SER domains where a single density value of 2.67 t/m<sup>3</sup> was used.
- Rows and columns may not add up exactly due to rounding.
- Mineral Resources that are not Mineral Reserves have not demonstrated economic viability.
- 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 Company first reported the 2018 MRE in accordance with the JORC Code and ASX listing rule 5.8 in its ASX announcement of 25 October 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimate in the previous announcement continue to apply and have not materially changed.

There was no change between the Company's Mineral Resources as at 31 December 2020 against that as at 31 December 2019.

The Company has ensured that the Mineral Resources quoted are subject to thorough governance arrangements and internal controls. The Mineral Resource estimates were prepared by independent specialist resource and mining consulting group CSA Global. The Company understands that CSA Global is an experienced consulting group which applies best practice in modelling and estimation methods. CSA has also undertaken reviews of the underlying information used to generate the resource estimation. In addition, the Company's management carries out regular reviews and audits of internal processes and external consultants that have been engaged by the Company.

The Annual Mineral Resources statement above is based on and fairly represents information and supporting documentation prepared by a competent person or persons. The Annual Mineral Resource statement as a whole has been approved by Douglas Turnbull, P. Geo., a consultant to Black Dragon Gold, a Professional Geologist and a member of the Engineers and Geoscientists of British Columbia. Douglas Turnbull, has provided prior written consent to the issue of the Annual Mineral Resource statement in the form and context in which it appears in this annual report.

### Corporate governance statement

The Company's corporate governance statement for the year ended 31 December 2020 is available on the Company's website at <https://www.blackdragongold.com/downloads/corp-governance-files-/bdg-corporate-governance-manualfinal-2020.pdf>.

### Shareholdings

The issued capital of the Company as at 26 February 2021 is 134,353,613 fully paid ordinary shares. All issued ordinary shares carry one vote per share and carry the rights to dividends.

### Distribution of Ordinary Shares

#### Range of Units as of 26 February 2021

| Range            | Total holders | Units              | % Units       |
|------------------|---------------|--------------------|---------------|
| 1 - 1,000        | 18            | 5,217              | 0.00          |
| 1,001 - 5,000    | 16            | 63,342             | 0.05          |
| 5,001 - 10,000   | 67            | 601,233            | 0.45          |
| 10,001 - 100,000 | 172           | 7,735,607          | 5.76          |
| 100,001 Over     | 137           | 125,948,213        | 93.74         |
| <b>Total</b>     | <b>410</b>    | <b>134,353,612</b> | <b>100.00</b> |

#### Unmarketable Parcels (Australian CDI)

|  | Minimum Parcel Size | Holders | Units   |
|--|---------------------|---------|---------|
| Minimum \$ 500.00 parcel at \$ 0.0800 per unit | 6,250               | 41      | 114,666 |

### Substantial shareholders as at 26 February 2021

As at 26 February 2021 there were 4 shareholders who held a substantial shareholding within the meaning of the Australian Corporations Act. A person has a substantial holding if the total votes that they or their associates have relevant interests in is five per cent of more of the total number of votes.

| Name                                      | Shares    | % of issued capital |
|---|-----------|---------------------|
| DEUTSCHE BALATON AKTIENGESELLSCHAFT       | 9,142,857 | 6.81                |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 7,951,581 | 5.92                |
| OCEANIC CAPITAL PTY LTD                   | 7,704,167 | 5.73                |
| CITICORP NOMINEES PTY LIMITED             | 7,624,970 | 5.68                |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 6,978,747 | 5.19                |

**Top 20 Shareholders as at 23 February 2020**

| Rank | Name   | Shares            | % Shares      |
|------|--|-------------------|---------------|
| 1    | DEUTSCHE BALATON AKTIENGESELLSCHAFT                        | 9,142,857         | 6.81          |
| 2    | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                  | 7,951,581         | 5.92          |
| 3    | OCEANIC CAPITAL PTY LTD                                    | 7,704,167         | 5.73          |
| 4    | CITICORP NOMINEES PTY LIMITED                              | 7,624,970         | 5.68          |
| 5    | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                  | 6,978,747         | 5.19          |
| 6    | CDS & CO   | 5,143,566         | 3.83          |
| 7    | REDLAND PLAINS PTY LTD <BRIAN BERNARD RODAN S/F A/C>       | 4,372,175         | 3.25          |
| 8    | PANTERRA GOLD TECHNOLOGIES PTY LTD                         | 3,666,666         | 2.73          |
| 9    | BUPRESTID PTY LTD <HANLON FAMILY SUPER A/C>                | 3,550,000         | 2.64          |
| 10   | MR BARRY FRANCIS CRONIN <THE HILLVIEW 52 SUPER A/C>        | 3,167,378         | 2.36          |
| 11   | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 2,769,065         | 2.06          |
| 12   | DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT             | 2,555,965         | 1.90          |
| 13   | WYMOND INVESTMENTS PTY LTD <DEEWHY SALES P/L SUPER A/C>    | 2,518,333         | 1.87          |
| 14   | SWELLCAP LIMITED   | 1,957,372         | 1.46          |
| 15   | DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT             | 1,900,000         | 1.41          |
| 16   | DIXSON TRUST PTY LIMITED                                   | 1,883,333         | 1.40          |
| 17   | EXCHANGES CONTROL FOR CLASS C01                            | 1,822,096         | 1.36          |
| 18   | GREATCITY CORPORATION PTY LTD <RICHARD MONTI A/C>          | 1,586,125         | 1.18          |
| 19   | MILA INVESTMENT CO PTY LTD <MILA INVESTMENT A/C>           | 1,500,000         | 1.12          |
| 20   | AWD CONSULTANTS PTY LTD                                    | 1,320,000         | 0.98          |
|      | <b>Total</b>   | <b>79,114,396</b> | <b>58.88%</b> |

Unquoted Securities

|   |           |
|---|-----------|
| Total Unquoted Options                      | 6,733,331 |
| Total number of holders of Unquoted Options | 7         |

Significant Option Holders

| Name                 | Number of Options |
|----------------------|-------------------|
| Jonathan Battershill | 1,583,333         |
| Paul Cronin          | 2,633,333         |
| Alberto Lavandeira   | 1,100,000         |
| Richard Monti        | 666,666           |

|   |           |
|---|-----------|
| Total Unquoted Warrants expiring 29 June 2021 | 3,857,932 |
| Total number of holders of Unquoted Warrants  | 5         |

**Voting Rights**

The Company is incorporated under the legal jurisdiction of British Columbia, Canada. To enable companies such as the Company to have their securities cleared and settled electronically through CHESSE, Depository Instruments called CHESSE Depository Interests (CDIs) are issued. Each CDI represents one underlying ordinary share in the Company (Share). The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESSE Depository Nominees Pty Limited (CDN), a subsidiary of ASX, holds the legal title to the underlying Shares.

Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

If holders of CDIs wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant English law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

- (i) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or
- (ii) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or
- (iii) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDI they hold.

Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These voting rights exist only under the ASX Settlement Operating Rules, rather than under British Columbia Law. Since CDN is the legal holder of the applicable Shares and the holders of CDIs are not themselves the legal holder of their applicable Shares, the holders of CDIs do not have any directly enforceable rights under the Company's articles of association.

As holders of CDIs will not appear on our share register as the legal holders of shares of ordinary shares they will not be entitled to vote at our shareholder meetings unless one of the above steps is undertaken.