

# BLACK DRAGON GOLD CORP.

## FORM 51-102F1 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (Expressed in Canadian dollars unless otherwise noted)

### Background

This Management's Discussion and Analysis ("MD&A") of Black Dragon Gold Corp. ("Black Dragon Gold" or the "Company"), provides an analysis of the Company's financial results for the year ended December 31, 2019 and should be read in conjunction with the accompanying audited annual consolidated financial statements for the year ended December 31, 2019 and the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is based on information available as at March 27, 2020.

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

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.

Additional information related to the Company is available for view on the Company's website [www.blackdragongold.com](http://www.blackdragongold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### Company Overview

Black Dragon Gold Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on August 20, 2007, and was classified as a junior mining issuer with the TSX Venture Exchange ("TSX-V"). The Company's head office address is Second Floor, Stamford House, Cheltenham, Gloucestershire, GL50 1HN U.K. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2. On August 29, 2018 the Company listed on the Australian Securities Exchange ("ASX") by way of an Initial Public Offering ("Prospectus Offering") issuing 30,000,000 CHESS Depository Interests ("CDI's") for AUD\$6,000,000 (\$5,727,541) gross proceeds.

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

### Strategy Moving Forward

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

On January 23, 2018 the Company announced that it had commenced a 2,200m exploration drilling program on the Salave Gold Deposit ("Salave" or "Salave Project") in Asturias, Spain, following the receipt of approval from the Asturias Ministry of

Employment, Industry & Tourism, as well as the Municipality of Tapia de Casariego. This drilling program was completed in April of 2018, totalling 2,217 metres and final results were released on September 24, 2018.

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

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

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

The results of this program have been released to the market (April 5, September 10 and September 24, 2018) and a new Mineral Resource Estimate has been prepared by CSA Global and released on October 25, 2018. The updated mineral resource estimate (Table 1) represents a 28% increase in Measured and Indicated Resource ounces, and a 228% increase in Inferred Resource ounces;

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

Notes:

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

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

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

A Preliminary Economic Assessment of the Salave project was performed in 2018 and on February 11, 2019 the Company announced positive results of the PEA. The PEA is based on the recently completed Mineral Resource Estimate completed by CSA Global (News release October 25, 2018). This document will form the basis of the Environmental Applications to be made to the government of Asturias in early 2019.

### **Overview of the Salave Project**

The Salave Project is comprised of five, 30-year-term mining concessions (renewable up to 90 years) over the resource area and an investigative permit which collectively covers an area of 3,426.97 hectares. Within the concession boundaries, the Company owns 109,753 m<sup>2</sup> of freehold land over the surface mineralisation. The company applied for an administrative authorisation permit (“AAP”) in 2015, which is similar to a construction permit. This was denied due to the Company not adequately addressing the concerns of the relevant stakeholders in relation to certain water issues. The Company subsequently brought administrative judicial proceedings against the relevant authorities claiming both the reversal of the decision and €8 million in damages. The legal proceedings essentially blocked the development process as it halted further consultation and negotiation. All judicial proceedings have now been dismissed.

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

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

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

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

### **Private Placements**

#### **Issued - 2018 transactions**

On May 1, 2018, the Company completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option and warrant (the “Share Consolidation”). Prior to the Share Consolidation, the Company had 236,588,374 Shares issued and outstanding. Following the Share Consolidation, the Company had 78,862,741 Shares issued and outstanding. The Share Consolidation has been presented throughout the consolidated financial statements retroactively.

On May 2, 2018 the unsecured convertible debentures were converted into common shares of the company at a post share consolidation share price of \$0.165 for 1,515,151 ordinary shares.

On August 22, 2018 the Company issued 30,000,000 CHES Depository Interests (“CDI’s”) in conjunction with an Initial Public Offering (“Prospectus Offering”) on the Australian Securities Exchange (“ASX”) for gross proceeds of \$5,727,541 (AUD\$6,000,000). Each CDI unit is comprised of one common share and one option warrant for every 2 CDI units issued at a share price of AUD\$0.33 (\$0.31), expiring on August 22, 2019. A residual value of \$1,560,000 was allocated to the warrants. The value attributed to the warrants was based on the residual method, which values the common shares at fair value, with the remaining amount of the proceeds being allocated to the warrants.

Finders fees and listing costs paid in conjunction with the Prospectus Offering were comprised of cash payments totalling \$759,481, the issuance of 483,333 CDI's valued at \$92,493 and the issuance of 6,075,000 share purchase warrants valued at \$222,100 exercisable for one year, all with the same terms as those attached to the unit warrants.

### **Convertible Debentures**

As at December 31, 2019 the Company has accrued interest payable of \$nil in connection with the convertible debenture included in accounts payable and accrued liabilities.

### **Stock Options**

During September 2017, the Company granted stock options enabling the holders to acquire up to 5,983,333 common shares of the Company with exercise prices of between \$0.24 and \$0.45 per share, expiring on the earlier of i) ten years; and ii) three years from the date that each of the following milestones are achieved:

- i) 40% will vest upon receipt of a drilling permit for the Salave Gold project (exercisable at \$0.24 per share);
- ii) 20% will vest upon the completion of an equity financing of \$1,000,000 in North America (exercisable at \$0.33 per share);
- iii) 20% will vest upon commencement of the trading of the Company's shares on the Australian Stock Exchange (exercisable at \$0.33 per share); and
- iv) 20% will vest upon completion of a Preliminary Economic Assessment Study or a Scoping Study on the Salave Gold project (exercisable at \$0.45 per share); or
- v) 100% of all valid unvested stock options will vest immediately at an exercise price of \$0.45 per share in the event of a change of control.

During October 2017, the Company granted stock options enabling the holder to acquire up to 416,666 common shares of the Company with an exercise price of \$0.24 per share, expiring on the earlier of i) ten years; and ii) five years from the date that each of the following milestones are achieved:

- i) 40% will vest upon completion of 1,000 metres of drilling at the Salave Gold project; and;
- ii) 60% will vest upon the completion of a JORC or NI-43101 PEA or Scoping Study on the Salave Gold project.

As at December 31, 2019 the above vesting conditions have been met.

During February 2018, the Company granted stock options enabling the holder to acquire up to 333,333 common shares of the Company with an exercise price of \$0.33 per share, expiring on the earlier of i) ten years; and ii) five years from the date of commencement of the trading of the Company's shares on the Australian Stock Exchange (exercisable at \$0.33 per share)

As at December 31, 2019, all of the milestones noted above have been met with over 1,000 metres of drilling achieved and receipt of the drilling permit for the Salave Gold project, completion of a PEA, along with the completion of equity financing in North America and the commencement of trade on the Australian Stock Exchange.

On September 18, 2019, the Company granted 1,500,000 stock options to directors, officers, and consultants of the Company. The options are exercisable for a period of three years at a price of \$0.10 per share. The options vested immediately upon grant.

**Selected Financial Data**

*Annual Results*

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Total assets	\$ 1,863,690	\$ 3,808,149	\$ 1,834,252
Working capital (deficiency)	1,497,930	3,269,858	1,030,470
Shareholders' equity (deficiency)	1,499,170	3,271,098	816,195
Net (loss) income and comprehensive (loss) income	(1,972,126)	(3,638,540)	4,578,701
(Loss) income per share - basic	(0.02)	(0.04)	0.09
(Loss) income per share - diluted	(0.02)	(0.04)	0.09

*Quarterly Results*

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

	Three month period ended December 31, 2019	Three month period ended September 30, 2019	Three month period ended June 30, 2019	Three month period ended March 31, 2019
Total assets	\$ 1,863,690	\$ 2,155,346	\$ 2,557,813	\$ 3,276,903
Working capital (deficiency)	1,497,930	1,743,812	2,151,466	2,707,174
Shareholders' equity (deficiency)	1,499,170	1,745,052	2,152,706	2,708,414
Net (loss) income and comprehensive (loss) income	(340,302)	(441,993)	(591,625)	(598,206)
(Loss) income per share - basic	(0.02)	(0.00)	(0.01)	(0.01)
(Loss) income per share - diluted	(0.02)	(0.00)	(0.01)	(0.01)

	Three month period ended December 31, 2018	Three month period ended September 30, 2018	Three month period ended June 30, 2018	Three month period ended March 31, 2018
Total assets	\$ 3,808,149	\$ 4,893,153	\$ 767,065	\$ 1,450,690
Working capital (deficiency)	3,269,858	4,187,279	(36,964)	574,037
Shareholders' equity/(deficiency)	3,271,098	4,193,566	(30,578)	364,371
Net (loss) income and comprehensive (loss) income	(981,126)	(944,636)	(805,178)	(907,601)
(Loss) income per share - basic	(0.01)	(0.01)	(0.01)	(0.00)
(Loss) income per share - diluted	(0.01)	(0.01)	(0.01)	(0.00)

## Results of Operations

### *Year Ended December 31, 2019*

During the year ended December 31, 2019 (the “current year”), the Company recorded net loss of \$1,972,126 compared to a net loss of \$3,638,540 during the year ended December 31, 2018 (the “comparative year”). The significant variances resulted from the following:

#### *Foreign exchange gain (loss)*

During the current year, the Company incurred a \$89,504 foreign exchange loss compared to a \$155,601 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 \$405,716 of consultants and management fees, compared to \$516,235 during the comparative year. This variance related mainly to overall reduced corporate costs as the Company continues its strengthening of the local Management Team in Spain.

#### *Exploration and evaluation costs*

During the current year, the Company incurred general exploration expenses of \$461,500 (2018 - \$798,222) 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.

Exploration and Evaluation	December 31, 2019	December 31, 2018
Drilling costs	-	402,930
Assays and Sampling	60,527	80,545
Consultants - PEA	22,857	108,972
Consultants – Mineral Resource Estimate	69,741	114,936
Consultants – Geological and mapping database	293,827	51,440
Mining software	14,548	39,399
	\$461,500	\$798,222

#### *Professional fees*

During the current year, the Company incurred professional fees expense of \$99,468 (2018 - \$117,246), due to reduced corporate related activity in the year.

#### *Share-based compensation*

During the current year, the Company incurred share-based payments expense of \$151,437 (2018 - \$906,006), valued using the Black-Scholes option pricing model, as a result of granting 1,500,000 stock options with exercise prices of AUD\$0.10 for all issued options in 2019.

### **Three Months Ended December 31, 2019**

The Company incurred a comprehensive loss of \$340,302 (three months ended December 31, 2018 - \$981,126) The loss is significantly lower than the comparative period due mainly to overall reduced exploration and development and corporate costs as the Company continues to focus on Government relations and permitting for preparation of the drilling program and strengthening of the local Management Team in Spain.

## Cash Flows

Net cash used in operating activities during the year ended December 31, 2019 was \$1,845,308 (2018 - \$3,148,134). The cash used in operating activities for the current year consists primarily of the operating loss and a change in non-cash working capital.

During the year ended December 31, 2019, financing activities provided cash of \$24,705 (2018 - \$4,977,174). The financing activities in 2018 were as a result of the Prospectus Offering for 30,000,000 CDI's on the ASX.

Net cash provided by investing activities during the year ended December 31, 2019, was \$Nil (2018 – \$Nil).

## Financial Condition / Capital Resources

	December 31, 2019	December 31, 2018	December 31, 2017
Working capital (deficiency)	\$ 1,497,930	\$ 3,269,858	\$ 1,030,470
Deficit	(32,299,856)	(30,327,730)	(26,689,190)

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

The Company's audited annual consolidated financial statements for the year ended December 31, 2019 have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

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

The Company's audited annual consolidated financial statements for the year ended December 31, 2019 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at December 31, 2019 and as of the date of this report.

## Contingencies

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

## Proposed Transactions

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

## Related Party Transactions

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel. The following amounts were incurred with respect to officers and directors and former officers and directors of the Company:

	2019	2018
Management fees – current Chief Executive Officer	\$ 50,776	\$ 258,882
Directors’ fees – current directors	185,654	190,435
Management fees – current Chief Financial Officer	118,196	122,147
Wages and salary	93,786	-
Consulting fees – current Chief Executive Officer	201,545	-
Administrative fees – current Chief Executive Officer	-	52,178
Share-based compensation	133,529	840,142
	<u>\$ 783,486</u>	<u>\$ 1,463,784</u>

As at December 31, 2019, included in accounts payable and accrued liabilities is \$116,706 (2018 - \$74,794) that is due to directors, officers and companies controlled by directors or officers or a former director or officer of the Company.

As at December 31, 2019, included in accounts receivable is \$6,315 (2018 - \$nil) that is due to an officer of the Company.

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.

## Investor Relations Activities

The Company maintains a website at [www.blackdragongold.com](http://www.blackdragongold.com). There are no investor relation agreements in effect as at December 31, 2019 and as of the date of this report.

## Subsequent Events

Subsequent to December 31, 2019:

The Company issued 371,522 common shares pursuant to the shareholder resolutions relating to Non-Executive Directors’ receiving common shares in lieu of cash payment to settle outstanding director fees.

## Outstanding Share Data

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

	Number of shares issued or issuable
Common shares (including 102,648,839 CDI’s on ASX)	111,929,336
Stock options (exercise prices ranging from \$0.10 to \$0.33, expiring between September 18, 2021 and October 22, 2027)	8,233,332
Warrants (exercise price of \$0.33 per share, expiring June 29, 2021)	2,666,666



## 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 and interest payable approximated their fair value because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

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

Assets	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 1,761,658	\$ -	\$ -	\$ 1,761,658

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

### *Credit risk*

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

### *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, 2019, the Company had current assets of \$1,862,450 to settle current liabilities of \$364,520 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 that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

#### *b) Foreign currency risk*

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. Based on the Company's Euro denominated financial instruments at December 31, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a change of \$7,000 in foreign exchange gain or loss.

## **New accounting standards and interpretations adopted during the year**

As at the date of these financial statements, the following standards have been applied in these financial statements:

- (i) IFRS 16 – New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.
- (ii) IFRIC 23 - New standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

The adoption of the above standards did not have an impact on the consolidated financial statements of the Company.

## **Risks and Uncertainties**

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

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

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

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

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

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

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) that once the Company obtains a positive Environmental Impact Declaration ("EID") and the authorization of the project, it will be able to commence construction of the Salave gold mine, pending municipal permits; (iii) the market and future price of gold; (iv) the timing, cost and success of future exploration and development activities; (v) currency fluctuations; (vi) requirements for additional capital; and (vii) increases in mineral resource estimates (vii) possible outcomes of the Company's lawsuit against the Ministry of Economy and Employment of the Principality of Asturias.

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

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

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

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

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

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