BLACK DRAGON GOLD CORP.
(formerly Astur Gold Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2016

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these unaudited condensed consolidated interim financial statements they must be accompanied by a notice indicating that the unaudited condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2016 have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these unaudited condensed consolidated interim financial statements.

BLACK DRAGON GOLD CORP.
(formerly Astur Gold Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)
AS AT

	Notes	September 30, 2016	December 31, 2015 (Audited)
ASSETS			
Current			
Cash		$ 151,608	$ 110,764
Receivables	3	43,402	51,447
Prepaid expenses		1,993	706
		197,003	162,917
Equipment	4	1,061	1,341
Deposits		1,240	1,240
Exploration and evaluation assets	5	-	-
		2,301	2,581
Total assets		$ 199,304	$ 165,498
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Accounts payable and accrued liabilities	6, 10	$ 1,569,803	$ 875,285
Interest payable	7	1,551,760	1,063,422
Loan facility	7	10,235,174	10,094,313
Total liabilities		13,356,737	12,033,020
Shareholders' equity (deficiency)			
Share capital	8	12,950,624	12,494,553
Reserves	8	4,059,101	4,059,101
Deficit		(30,167,158)	(28,421,176)
Total shareholders' equity (deficiency)		(13,157,433)	(11,867,522)
Total liabilities and shareholders' equity		$ 199,304	$ 165,498

Nature and continuance of operations (Note 1)
Significant events (Note 14)
Subsequent events (Note 15)

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 29, 2016 and are signed on its behalf by:

/S/ ***"Brian Wesson"***	/S/ ***"Clyde Wesson"***
Brian Wesson	Clyde Wesson
Director	Director

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

BLACK DRAGON GOLD CORP.
(formerly Astur Gold Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian dollars)

	Notes	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
EXPENSES					
Consulting		$ -	$ 7,629	$ 14,459	$ 10,789
Corporate development		1,043	2,250	5,543	6,000
Depreciation		86	-	280	-
Filing fees		2,550	1,300	7,897	5,644
Foreign exchange loss (gain)		120,159	763,763	(614,151)	1,431,907
General and administrative	10	65,327	29,957	123,527	104,177
General exploration		-	-	1,800	1,183
Insurance		-	-	-	1,938
Management fees	10	305,704	15,000	335,704	45,000
Professional fees		118,365	54,684	147,475	187,949
Rent		6,382	16,227	21,557	37,982
Shareholder communications		16,449	-	19,045	3,982
Share-based compensation	8, 10	-	-	-	5,257
Transfer agent		1,760	991	4,715	3,872
Travel and related costs		267,361	2,050	277,290	13,943
Website design and maintenance		250	750	2,000	2,424
Loss from operations		(905,436)	(893,881)	(347,141)	(1,862,047)
OTHER ITEMS					
Change of control obligations		(460,524)	-	(460,524)	-
Gain on disposal of equipment		-	-	-	1,200
Interest and accretion expense	7	(186,717)	(356,467)	(938,471)	(1,033,617)
Interest income		41	64	154	262
		(647,200)	(356,403)	(1,398,841)	(1,032,155)
Loss and comprehensive loss for the period		$ (1,552,636)	$ (1,250,284)	$ (1,745,982)	$ (2,894,202)
Basic and diluted loss per common share		$ (0.04)	$ (0.03)	$ (0.05)	$ (0.08)
Weighted average number of common shares outstanding		42,257,359	36,780,761	38,626,354	36,780,761

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

BLACK DRAGON GOLD CORP.
(formerly Astur Gold Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian dollars)
SIX MONTHS ENDED SEPTEMBER 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,745,982)	$ (2,894,202)
Items not affecting cash:		
Depreciation	280	-
Gain on disposal of equipment	-	(1,200)
Interest and accretion expense	938,471	1,033,617
Share-based compensation	-	5,257
Unrealized foreign exchange (gain) loss	(614,151)	1,399,375
Change in non-cash working capital items		
Decrease in receivables	8,045	158,774
(Increase) decrease in prepaid expenses	(1,287)	10,891
Increase (decrease) in accounts payable and accrued liabilities	719,298	(12,958)
Net cash used in operating activities	(695,326)	(300,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of share capital	456,071	-
Proceeds, from long-term loan facility	280,099	241,823
Net cash provided by financing activities	736,170	241,823
CASH FLOWS FROM INVESTING ACTIVITY		
Proceeds from disposal of equipment	-	12,634
Net cash provided by investing activity	-	12,634
Change in cash during the period	40,844	(45,989)
Cash, beginning of period	110,764	203,650
Cash, end of period	$ 151,608	$ 157,661

Supplemental disclosure with respect to cash flows (Note 9)

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

BLACK DRAGON GOLD CORP.
(formerly Astur Gold Corp.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited)
(Expressed in Canadian dollars)

	Share Capital								
	Number		Amount		Reserves		Deficit		Total
Balance, December 31, 2015	36,780,761	$	12,494,553	$	4,059,101	$	(28,421,176)	$	(11,867,522)
Shares issued for cash	10,282,592		514,129		-		-		514,129
Share issuance costs	-		(58,058)		-		-		(58,058)
Loss for the period	-		-		-		(1,745,982)		(1,745,982)
Balance, September 30, 2016	47,063,353	$	12,950,624	$	4,059,101	$	(30,167,158)	$	(13,157,433)

	Share Capital								
	Number		Amount		Reserves		Deficit		Total
Balance, December 31, 2014	36,780,761	$	12,494,553	$	4,053,844	$	(24,596,731)	$	(8,048,334)
Share-based compensation	-		-		5,257		-		5,257
Loss for the period	-		-		-		(2,894,202)		(2,894,202)
Balance, September 30, 2015	36,780,761	$	12,494,553	$	4,059,101	$	(27,490,933)	$	(10,937,279)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Black Dragon Gold Corp. (formerly Astur 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 TSX Venture Exchange ("TSX-V"). The Company's head office address is Suite 545 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The registered and records office address is 2080 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

These unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. Management is currently raising equity and/or debt to meet its short- to medium-term obligations. 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. During the current period, the Company received gross proceeds totalling $514,129 pursuant to a non-brokered private placement (Note 8) and, subsequent to September 30, 2016, the Company announced its intention to raise an additional $6.5 million (Note 15).

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. These unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2016 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS"), *Interim Financial Reporting* ("IAS 34"). These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all information and disclosures required in audited consolidated financial statements and should be read in conjunction with the Company's December 31, 2015 audited consolidated financial statements.

The preparation of unaudited condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. There have been no changes to the Company's critical accounting estimates and judgments during the nine months ended September 30, 2016 from those presented in the Company's December 31, 2015 audited consolidated financial statements.

The Company's unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2016 have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, including 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.

(Expressed in Canadian dollars unless otherwise noted)

3. RECEIVABLES

	September 30, 2016	December 31, 2015
Foreign value-added tax	$ 28,367	$ 44,833
GST receivable	8,313	2,849
Other	6,722	3,765
Total	$ 43,402	$ 51,447

4. EQUIPMENT

	Office equipment	Vehicle	Total
Cost			
Balance, December 31, 2014	$ 13,161	$ 11,897	$ 25,058
Additions	1,359	-	1,359
Disposals	(13,161)	(11,897)	(25,058)
Balance, December 31, 2015 and September 30, 2016	$ 1,359	$ -	$ 1,359
Accumulated depreciation			
Balance, December 31, 2014	$ 8,949	$ 5,306	$ 14,255
Additions	18	-	18
Disposals	(8,949)	(5,306)	(14,255)
Balance, December 31, 2015	$ 18	$ -	$ 18
Additions	280	-	280
Balance, September 30, 2016	$ 298	$ -	$ 298
Carrying amounts			
As at December 31, 2015	$ 1,341	$ -	$ 1,341
As at September 30, 2016	**$ 1,061**	**$ -**	**$ 1,061**

(Expressed in Canadian dollars unless otherwise noted)

5. EXPLORATION AND EVALUATION ASSETS

	September 30, 2016	December 31, 2015
Acquisition costs	$ 5,536,947	$ 5,536,947
Exploration and evaluation costs	8,872,546	8,872,546
Impairment	(14,409,493)	(14,409,493)
Total exploration and evaluation assets	$ -	$ -

Salave Gold Property

In April 2010, the Company completed the acquisition of a 100% interest in the Salave property located in the province of Asturias, Spain. The Salave property is comprised of several mineral concessions and an investigation permit. There is contingent consideration of €20,000,000 due to the vendor for the acquisition of the Salave property if certain permits are received to operate an open pit mine.

The Salave property is also subject to a pre-existing lease termination agreement which calls for five cash payments of US$5,000,000 each with the first payment due when certain permits to construct and operate an open pit mine are received, the second on commencement of commercial production and the remaining three payments based on certain production levels with the final payment due after 800,000 ounces have been produced. Pursuant to the lease termination amending agreement, at the option of the Company and subject to regulatory approval, any of these payments can be satisfied in whole by the issuance of common shares of the Company.

After 800,000 ounces of gold have been produced, the Salave property is also subject to a 5% net smelter return royalty (“NSR”), half of which can be purchased by the Company for a cash payment of US $5,000,000.

In 2005, the regional government of Asturias, Spain halted open-pit project development of the Salave property due to the introduction of certain zoning legislation and the rejection of a specific authorization for mining of the property. Immediately thereafter, a legal proceeding was commenced by EMC and the former owners of EMC against the government seeking the reversal of the decision to halt open-pit project development. This legal proceeding was not successful and accordingly the Company`s development plans for the Salave property changed from an open pit to an underground operation. The Company anticipates this development plan will receive all necessary permits. The consequence of this development plan is that the contingent consideration will not be payable.

During the fourth quarter of fiscal 2014, the Company received a negative decision on the Amended Environmental Impact Assessment from the Commission for Environmental Affairs of the Principality of Asturias (“CAMA”) for the Company's current development proposal of the Salave property. Subsequent to this negative decision, the Ministry of Economy and Employment of the Principality of Asturias issued a formal resolution, dated February 10, 2015 denying approval for the development proposal for Salave. As a result, the Company impaired all of its acquisition costs and exploration and evaluation costs during the year ended December 31, 2014.

In April 2015, the Company filed a lawsuit before the Asturias Court of Justice challenging the decision to reject approval of a proposed underground mine operation for the Salave project. The initial legal action seeks to challenge this ruling. In conjunction with this legal action, the Company filed a statement of claim (the “Claim”) against the Ministry of Economy and Employment of the Principality of Asturias in November 2015. The Claim seeks to recover Euro 8.59 million of expenditures incurred on the Salave property since 2010 when the Company acquired the property. Pending the outcome of this initial lawsuit, the Company will also consider all other possible legal actions available to defend and protect the rights of the Company.

(Expressed in Canadian dollars unless otherwise noted)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2016	December 31, 2015
Accounts payables	$ 578,200	$ 316,874
Accrued liabilities	317,080	300,580
Due to related parties (Note 10)	674,523	257,831
Total	$ 1,569,803	$ 875,285

7. LOAN FACILITY

	Nine Month Period Ended September 30, 2016	Nine Month Period Ended September 30, 2015
Loan facility borrowings, beginning of period	$ 10,094,313	$ 8,496,254
Loan facility borrowings made during the period	280,099	241,823
Foreign exchange	(139,238)	1,324,003
Loan facility borrowings, end of period	10,235,174	10,062,080
Loan transaction costs, beginning of period	(377,975)	(1,120,892)
Loan transaction costs accreted during the period	377,975	553,930
Loan transaction costs, end of period	-	(566,962)
Loan facility balance, end of period	$ 10,235,174	$ 9,495,118

In June 2013, the Company closed an agreement for a $10,000,000 loan facility ("Facility") to be provided by RMB Australia Holdings Limited ("RMB"), the lender. On August 8, 2013, the Facility was amended to convert all amounts owing and future borrowings from Canadian dollars to US dollars. Previously drawn Canadian dollar amounts were converted to their US dollar equivalents. The total value of the loan facility available to the Company was converted to US$10,000,000. As of September 30, 2016, US$7,788,614 (December 31, 2015 - US$7,566,682) had been drawn.

The Facility is for a maximum three-year term at LIBOR plus 6% per annum. In June 2016, the Facility was amended to extend the repayment date. The Facility is subject to an arrangement fee of 4.5% of the Facility amount, less any work fees paid to the arranger in cash, payable upon execution of the Facility. Both were paid during the year ended December 31, 2013. The Company has the right to prepay the Facility at any time, subject to certain break fees to compensate for lost interest to RMB. RMB also has the ability to cancel any undrawn amounts at any time with 10 days' notice. The Facility is secured by a general security agreement, a pledge over the shares of EMC, bank accounts, mining concession and investigation permit as well as a guarantee provided by the Company.

Under the terms of the Facility, on June 5, 2013, the Company issued 5,000,000 warrants entitling RMB to purchase 5,000,000 common shares of the Company for 36 months at an exercise price of $0.62 until June 5, 2016. RMB also had the right, upon choosing to exercise its warrants, to have the Company apply the warrant proceeds as a prepayment of the Facility and subject to related prepayment terms. The warrants were given a value of $1,017,659 using the Black-Scholes pricing model.

(Expressed in Canadian dollars unless otherwise noted)

7. LOAN FACILITY (cont'd…)

Subsequent to September 30, 2016, these warrants expired unexercised.

During the nine months ended September 30, 2016, the Company recorded $560,496 (2015 - $467,404) in interest expense from Facility borrowings.

The Facility also charges a 1.5% commitment fee on the undrawn balance of the loan. For the nine months ended September 30, 2016, the Company has paid or accrued $Nil (2015 - $12,284) in interest expense from the commitment fee. The Company was not charged a commitment fee from April 1, 2015 to September 30, 2016.

Interest, including the commitment fee, is payable quarterly. The Company did not make its interest payments from September 2014 to September 30, 2016 and has accrued these amounts as owing.

The negative decision of the Amended Environmental Impact Assessment (Note 5) is a review event whereby RMB can discontinue the Facility and demand repayment. In March 2015, RMB agreed to extend the review event period and provide funding for certain approved activities. Due to the uncertainty involving the extension, the Company has decided to treat the Facility as a current item.

	Nine Month Period Ended September 30, 2016	Nine Month Period Ended September 30, 2015
Interest expense from borrowings	$ 560,496	$ 467,404
Interest expense from commitment fee	-	12,284
Accretion of loan transaction costs	377,975	553,929
Interest expense	$ 938,471	$ 1,033,617

8. SHAREHOLDERS' EQUITY

Authorized:

Unlimited number of common shares without par value.

Issued

During the nine months ended September 30, 2016, the Company completed a non-brokered private placement, raising gross proceeds of $514,129 through the issuance of 10,282,592 units at a price of $0.05 per unit. Each unit is comprised of one common share and one share purchase warrants. Each warrant entitles the holder to acquire one additional common share for a period of two years at a price of $0.07 per share. If, during this 24 month period, the closing price of the Company's common shares is at least $0.20 for a period of 20 consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants by issuing a news release or giving written notice thereof all holders of warrants, and, in such case, the warrants will expire on the earlier of: (i) the 30th day after the date on which the news release or written notice is disseminated by the Company; and (ii) the original expiry date.

The Company paid a finder's fee of $37,500 and incurred share issuance costs of $20,558 in conjunction with this private placement.

(Expressed in Canadian dollars unless otherwise noted)

8. SHAREHOLDERS' EQUITY (cont'd…)

Warrants

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at September 30, 2016 is as follows:

	Number	Exercise Price and Weighted Average Exercise Price
Balance, December 31, 2014	6,137,536	$ 0.67
Expired March 15, 2015	(778,286)	$ 0.90
Expired March 18, 2015	(359,250)	$ 0.90
Balance, December 31, 2015	5,000,000	$ 0.62
Expired June 5, 2016	(5,000,000)	$ 0.62
Issued August 12, 2016	10,282,592	$ 0.07
Balance, September 30, 2016	10,282,592	$ 0.07

As at September 30, 2016, there are 10,282,592 warrants outstanding with an exercise price of $0.07 per share, expiring August 12, 2018.

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. The Company did not issue any options during the nine months ended September 30, 2016.

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2014	3,437,000	$ 0.56
Expired	(1,572,000)	1.25
Outstanding, December 31, 2015 and September 30, 2016	1,865,000	$ 0.47
Stock options exercisable, September 30, 2016	1,865,000	$ 0.47

(Expressed in Canadian dollars unless otherwise noted)

8. SHAREHOLDERS' EQUITY (cont'd…)

Stock options (cont'd…)

As at September 30, 2016, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
1,590,000	0.40	June 2, 2017
75,000	0.85	December 10, 2017
200,000	0.80	January 24, 2018
1,865,000		

Share-based compensation

During the nine month period ended September 30, 2016, the Company recognized $Nil (2015 - $5,257) in share-based compensation expense. The fair value of share-based compensation is calculated using the Black-Scholes option-pricing model.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	Nine Month Period Ended September 30, 2016	Nine Month Period Ended September 30, 2015
Cash paid during the period for income taxes	$ -	$ -

(Expressed in Canadian dollars unless otherwise noted)

10. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel

The following amounts were incurred with respect to the current directors and officers of the Company:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Management fees	$ 305,704	$ 45,000
Administrative fees	15,000	22,500

b) Transactions with other related parties

The following amounts were incurred with respect to former directors and officers of the Company:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Change of control obligations	$ 490,524	$ -

There is $674,523 (December 31, 2015 - $257,831) in accounts payable and accrued liabilities at September 30, 2016 that is due to directors and officers, former directors and officers and to companies controlled by directors and officers and former directors and officers of the Company.

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

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

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	$ 151,608	$ -	$ -	$ 151,608

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at September 30, 2016, the Company had current assets of $197,003 to settle current liabilities of $13,356,737 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.

In June 2013, the Company closed a loan facility agreement with RMB Australia Holdings Ltd. (see Note 7). Borrowings made against this loan facility agreement are subject to interest at LIBOR plus 6% per annum. The LIBOR is derived from a filtered average of several world banks' interbank deposit rates for larger loans with maturities between overnight and one full year and is subject to change and therefore subject to interest rate risk. Based on the Company's loan facility balance at September 30, 2016, a 1% change in LIBOR would result in a $102,352 change in annual interest expense.

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 September 30, 2016, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a $41,117 change in foreign exchange gain or loss.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

In August 2013, the Company's loan facility agreement with RMB Australia Holdings Ltd. was amended so that all borrowings and repayments will be made in US dollars (see Note 7). Based on the Company's US dollar loan facility balance at September 30, 2016, a 10% change in exchange rates between the Canadian dollar and the US dollar would result in an $898,000 change in foreign exchange gain or loss.

12. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity and a loan facility agreement (see Note 7). The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company will need to raise additional capital by obtaining equity financing, selling assets and incurring debt to develop its business.

13. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration of exploration and evaluation assets located in Spain. Geographic information is as follows:

	Deposits	Equipment	Total
September 30, 2016			
Canada	$ 1,240	$ 1,061	$ 2,301
Spain	-	-	-
	$ 1,240	$ 1,061	$ 2,301
December 31, 2015			
Canada	$ 1,240	$ 1,341	$ 2,581
Spain	-	-	-
	$ 1,240	$ 1,341	$ 2,581

14. SIGNIFICANT EVENTS

On July 12, 2016, the Company entered into strategic agreements, subject to approval by the TSX Venture Exchange, organised by Lionsbridge Pty Ltd. ("Lionsbridge") for the restructuring of the Company.

14. SIGNIFICANT EVENTS (cont'd…)

Lionsbridge, RMB Australia Holdings Limited ("RMB") and the Company have entered into an option agreement, facilitated by Lionsbridge, under which RMB has granted the Company the option (the "Option") to repay the secured debt facility owed by the Company to RMB (see Note 7) in consideration for a cash payment of US$3,000,000, a 2% net smelter returns royalty on the first 800,000 ounces of gold produced from the Company's Salave Project (the "NSR"), certain additional consideration to a maximum of U.S $6,000,000 if, over a three year period, the Company enters into any sale, merger or joint venture involving the Salave Project where the Salave Project is valued in excess of US$10,000,000, and reimbursement of certain expenses. The NSR may be repurchased by the Company at any time until the earlier of (a) receipt of primary environmental approvals for the Salave Project or (b) December 31, 2017 for a cash payment of US$3.0 million. If the Company wishes to repurchase the NSR before December 31, 2016, it may do so for a cash payment of US$2.0 million. Under the Option Agreement, RMB had granted Lionsbridge the exclusive right until September 6, 2016 (the "Exclusivity Period"), subsequently extended, to exercise the Option.

The Company has also entered into a services agreement (the "Services Agreement") with both Lionsbridge and Westech International Pty Ltd. ("Westech") under which Lionsbridge will provide the Company with corporate management services. Westech will be engaged by the Company to provide technical services from time to time for the development of the Company's business. The shareholders of the Company approved the Services Agreement at its Annual General Meeting held October 11, 2016.

Lionsbridge also arranged the non-brokered private placement for the Company, as disclosed in Note 8.

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2016, the Company executed definitive agreements with Rand Merchant Bank ("RMB") to exercise the Option through the assignment of the RMB US$10-million debt facility. The RMB debt facility will be assigned to the Company for total consideration of US$3,051,764.62. On completion of the transaction, the Company will assume RMB's position as secured creditor over its wholly-owned Spanish subsidiary. The parties are now working together to satisfy the conditions precedent to closing.

Subsequent to September 30, 2016, the Company announced that it intends to raise up to $6.5 million by way of a non-brokered private placement through the sale of up to 118,181,818 units at a price of $0.055 per unit. Each unit will consist of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of $0.11 cents per share for a period of 24 months. If, during this 24-month period, the volume-weighted average price of the Company's common shares is at least $0.22 cents for a period of seven consecutive trading days, the Company may, at its option, accelerate the expiry date of the warrants by issuing a news release or giving written notice thereof to all holders of these warrants and, in such case, these warrants will expire on the earlier of:

1. The 30th day after the date on which the news release or written notice is provided by the Company;
2. The original expiry date.

A finder's fee may be payable in connection with this private placement.

This private placement is subject to acceptance for filing by the TSX Venture Exchange. Management reserves the right to oversubscribe the raise by 20% to raise an additional $1.3-million through the sale of up to an additional 2,363,636 units.