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BLACK DRAGON GOLD CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

For personal use only

These unaudited condensed consolidated interim financial statements of Black Dragon Gold Corp. for the nine months ended September 30, 2019 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

BLACK DRAGON GOLD CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars – Unaudited)

AS AT 30 September 2019

	Notes	September 30, 2019	December 31, 2018 (Audited)
ASSETS			
Current			
Cash and equivalents		\$ 2,074,330	\$ 3,582,261
Receivables	3	79,386	224,226
Prepaid expenses		<u>390</u>	<u>422</u>
		<u>2,154,106</u>	<u>3,806,909</u>
Deposits			
		<u>1,240</u>	<u>1,240</u>
		<u>1,240</u>	<u>1,240</u>
Total assets		<u>\$ 2,155,346</u>	<u>\$ 3,808,149</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Accounts payable and accrued liabilities	5	\$ 366,868	\$ 493,625
Interest Payable	6	<u>43,426</u>	<u>43,426</u>
Total liabilities		<u>410,294</u>	<u>537,051</u>
Shareholders' equity			
Share capital	7	23,116,685	23,116,685
Warrants	7	4,724,574	4,724,574
Reserves	7	5,863,347	5,757,569
Deficit		<u>(31,959,554)</u>	<u>(30,327,730)</u>
Total shareholders' equity		<u>1,745,052</u>	<u>3,271,098</u>
Total liabilities and shareholders' equity		<u>\$ 2,155,346</u>	<u>\$ 3,808,149</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 15, 2019 and are signed on its behalf by:

/s/ Paul CroninPaul Cronin
Director/s/ Richard MontiRichard Monti
Director

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

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

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30,

	Notes	Three Months Ended Sept. 30, 2019	Three Months Ended Sept. 30, 2018	Nine Months Ended Sept. 30, 2019	Nine Months Ended Sept. 30, 2018
EXPENSES					
Consulting		\$ 67,592	\$ 134,449	\$ 226,536	\$ 163,569
Depreciation		-	-	-	366
Directors' fees		44,748	31,582	138,313	128,220
Filing fees		15,943	6,496	19,667	12,696
Foreign exchange		35,437	153,488	121,400	160,592
General and administrative		125,945	165,435	381,962	399,406
General exploration		58,130	196,058	412,230	640,584
Management fees		45,175	(6,470)	96,514	136,750
Professional fees		5,595	52,466	58,511	72,620
Shareholder communications		1,657	135	17,341	3,353
Share-based compensation	9, 11	34,339	180,903	105,778	830,118
Transfer agent		3,642	3,538	11,189	12,075
Travel and related		3,790	26,556	42,383	97,064
Income (loss) before other items		<u>(441,993)</u>	<u>(944,636)</u>	<u>(1,631,824)</u>	<u>2,657,414</u>
OTHER ITEMS					
Interest and accretion expense		-	-	-	-
Interest income		-	-	-	-
		<u>(441,993)</u>	<u>(944,636)</u>	<u>(1,631,824)</u>	<u>(2,657,414)</u>
Loss and comprehensive loss for the period		<u>\$ (441,993)</u>	<u>\$ (944,636)</u>	<u>\$ (1,631,824)</u>	<u>\$ (2,657,414)</u>
Basic and diluted loss per common share		<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding		<u>110,861,225</u>	<u>90,980,790</u>	<u>110,861,225</u>	<u>83,273,929</u>

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

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	\$ (1,631,824)	\$ (2,657,414)
Items not affecting cash:		
Depreciation	-	366
Interest and accretion expense	-	-
Share-based compensation	105,778	830,118
Unrealized foreign exchange gain	-	160,592
Change in non-cash working capital items		
Decrease (increase) in receivables and	144,872	(139,884)
Decrease (increase) in prepaid expenses	-	452
Increase (decrease) in accounts payable and accrued liabilities	<u>(126,757)</u>	<u>(102,270)</u>
Net cash used in operating activities	<u>(1,507,931)</u>	<u>(1,908,040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash, net	<u>-</u>	<u>4,823,147</u>
Net cash provided by financing activities	<u>-</u>	<u>4,823,147</u>
Change in cash during the period	<u>(1,507,931)</u>	<u>2,915,107</u>
Cash, beginning of period	<u>3,582,261</u>	<u>1,753,221</u>
Cash, end of period	<u>\$ 2,074,330</u>	<u>\$ 4,668,328</u>

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

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

	Share Capital		Warrants	Equity Portion of Convertible Debenture	Reserves	Deficit	Total
	Number	Amount					
Balance, December 31, 2017	78,862,741	\$ 19,695,960	\$ 3,164,574	\$ 15,388	\$ 4,629,463	\$ (26,689,190)	\$ 816,195
Shares issued for cash, net	30,000,000	5,161,503	-	-	-	-	5,161,503
Warrants	-	-	566,038	-	-	-	566,038
Finders' fees and capital costs - cash	-	(646,581)	-	-	-	-	(646,581)
Finders' fees – ASX CDI's (shares)	483,333	(92,493)	-	-	-	-	(92,493)
Finders' fees – ASX options	-	(222,100)	222,100	-	-	-	-
Shares issued for convertible debentures	1,515,151	216,200	-	-	-	-	216,200
Share-based compensation	-	-	-	-	830,118	-	830,118
Income (loss) for the period	-	-	-	-	-	(2,657,414)	(2,657,414)
Balance, September 30, 2018	110,861,225	\$ 24,112,489	\$ 3,952,712	\$ 15,388	\$ 5,459,581	\$ (29,346,604)	\$ 4,193,566

	Share Capital		Warrants	Equity Portion of Convertible Debenture	Reserves	Deficit	Total
	Number	Amount					
Balance, December 31, 2018	110,861,225	\$ 23,116,685	\$ 4,724,574	\$ -	\$ 5,757,569	\$ (30,327,730)	\$ 3,271,098
Shares issued for cash, net	-	-	-	-	-	-	-
Warrants	-	-	-	-	-	-	-
Warrants issued with convertible debentures	-	-	-	-	-	-	-
Equity portion of convertible debentures	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	105,778	-	105,778
Income (loss) for the period	-	-	-	-	-	(1,631,824)	(1,631,824)
Balance, September 30, 2019	110,861,225	\$ 23,116,685	\$ 4,724,574	\$ -	\$ 5,863,347	\$ (31,959,554)	\$ 1,745,052

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

BLACK DRAGON GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

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

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

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

The unaudited condensed consolidated interim financial statements for the nine months ended September 30, 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2019 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company’s most recent annual audited consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all information and disclosures required in audited consolidated financial statements and should be read in conjunction with the Company’s December 31, 2018 audited consolidated financial statements.

BLACK DRAGON GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd...)

Accounting standards and interpretations issued but not yet applied

As at the date of these financial statements, the following standards have not 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.

Management has assessed the impact of new standards on the Company's accounting policies and financial statement presentation and applied the standards effective on or after January 1, 2019. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

3. RECEIVABLES

	September 30, 2019	December 31, 2018
Value-added tax receivable	\$ 71,705	\$ 172,068
GST receivable	7,681	52,158
Total	\$ 79,386	\$ 224,226

BLACK DRAGON GOLD CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

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

The Salave Project is comprised of 30-year-term mining concessions over the resource area and a contiguous Investigative Permit surrounding the mining concessions. 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 €8.59 million in damages. The legal proceedings essentially blocked the development process as it halted further consultation and negotiation. All judicial proceedings have now been dismissed.

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

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

A Preliminary Economic Assessment of the Salave project was performed in 2018 and on February 11, 2019 the Company announced results of the PEA. The PEA is based on the Mineral Resource Estimate completed by CSA Global and released on October 25, 2018.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Accounts payables	\$ 111,355	\$ 237,976
Accrued liabilities	101,599	180,855
Due to related parties (Note 9)	153,914	74,794
Total	\$ 366,868	\$ 493,625

6. CONVERTIBLE DEBENTURE

As at September 30, 2019 the Company has accrued interest payable of \$43,426 in connection with the convertible debenture included in accounts payable and accrued liabilities.

7. SHARE CAPITAL AND RESERVES

Authorized:

Unlimited number of common shares without par value.

BLACK DRAGON GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

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 Company issued 1,515,151 common shares on the full conversion of the \$251,000 principal balance of the convertible debenture.

On August 22, 2018 the Company issued 30,000,000 CHESS 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 totaling \$759,481, the issuance of 483,333 CDI's valued at \$92,493 and the issuance of 6,075,000 share purchase options valued at \$222,100 exercisable for one year, all with the same terms as those attached to the unit warrants.

Issued - 2017 transactions

During March 2017, the Company issued 255,000 units at \$0.165 per unit for gross proceeds of \$42,075 in conjunction with the closing of two tranches of a non-brokered private placement. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of \$0.33 per share, expiring between March 28 and March 29, 2019. If, during the warrant term, the closing price of the Company's common shares is at least \$0.66 for a period of twenty 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 the 30th day after the date on which the news release or written notice is disseminated by the Company, and the original expiry date. The Company paid cash issuance costs of \$1,137.

On May 1, 2017, the Company issued 190,000 units at \$0.165 per unit for gross proceeds of \$31,350 in conjunction with the closing of a tranche of a non-brokered private placement. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of \$0.33 per share, until May 1, 2019. If, during the warrant term, the closing price of the Company's common shares is at least \$0.66 for a period of twenty 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 the 30th day after the date on which the news release or written notice is disseminated by the Company, and the original expiry date. The Company paid cash issuance costs of \$915.

On June 30, 2017, the Company issued 51,849,941 units at \$0.165 per unit for gross proceeds of \$8,555,240 in conjunction with the closing of a non-brokered private placement. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of \$0.33 per share, until June 30, 2019. A residual value of \$2,333,247 was allocated to the warrants and \$6,221,993 to the common shares.

BLACK DRAGON GOLD CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

7. SHARE CAPITAL AND RESERVES (continued)**Issued – 2017 transactions (continued)**

Finders' fees paid in conjunction with this private placement were comprised of cash payments totalling \$662,485, the issuance of 3,665,859 shares valued at \$384,915 and the issuance of 3,221,529 share purchase warrants valued at \$322,188, of which 554,863 warrants are exercisable for two years and of which 2,666,666 warrants are exercisable for four years, all with the same terms as those attached to the unit warrants.

On October 10, 2017, the Company received proceeds of \$57,750 in conjunction with the exercise of 350,000 stock options. In addition \$38,912 representing the fair value of the options on initial vesting was re-allocated from reserves to share capital.

On October 11, 2017, the Company issued 1,502,788 common shares and 191,266 units in conjunction with the settlement of \$323,988 of debt. The fair value of the 1,502,788 common shares and 191,266 units issued was \$457,395, or \$0.27 both per common share and per unit, resulting in a loss on settlement of \$133,407. Each unit is comprised of one common share and one share purchase warrant. Each warrant enables the holder to acquire one common share at an exercise price of \$0.60 per share, until October 11, 2019. There was no residual value allocated to the warrants of the units issued.

On October 25, 2017, the Company issued 3,666,666 units at \$0.27 per unit for proceeds totaling \$990,000, in conjunction with the closing of a non-brokered private placement. Each unit is comprised of one common share of the Company and one share purchase warrant. Each warrant enables the holder to acquire one common share at the price of \$0.60 per share until December 31, 2019. The Company paid cash issuance costs of \$5,700.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2017	65,636,353	0.34
Issued	15,000,000	0.32
Expired	<u>(4,740,864)</u>	0.24
Outstanding, December 31, 2018	75,895,489	\$ 0.34
Expired	(72,037,560)	0.33
Outstanding, September 30, 2019	<u>3,857,929</u>	<u>\$ 0.33</u>

BLACK DRAGON GOLD CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

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

As at September 30, 2019 the following incentive stock options are outstanding;

Expiry Date	Number of Options	Exercise Price
September 24, 2027	5,983,333	\$0.24
October 22, 2027	416,667	\$0.24
August 29, 2023	333,333	\$0.33
Total	6,733,333	\$0.24

During the nine months ended September 30, 2019, the Company recognized \$105,778 (2018 - \$830,118) of share-based compensation expense.

2018 transactions

On February 7, 2018, the Company granted 333,333 stock options to an officer of the Company exercisable at a price of \$0.33 per share. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) five years from the date each milestone is obtained, or ii) ten years from the date of grant being February 7, 2028. 100% will vest upon commencement of the trading of the company's shares on the Australian Stock Exchange and be exercisable at a price of \$0.33 per share. As at September 30, 2019 these options have vested.

On August 29, 2018 Finders fees and listing costs paid in conjunction with the Prospectus Offering were the issuance of 6,075,000 share options valued at \$222,100 exercisable for one year, at a share price of AUD\$0.33 (\$0.31), expiring on August 29, 2019. As at September 30, 2019 these options have expired.

2017 transactions

On February 23, 2017, the Company granted 810,000 stock options to directors, officers, and consultants of the Company. The options are exercisable for a period of two years at a price of \$0.165 per share. The options vested immediately upon grant.

On September 25, 2017, the Company granted 5,983,333 stock options to directors of the Company. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) three years from the date each milestone is obtained, or ii) ten years from the date of grant being September 24, 2027. 40% will vest upon receipt of a drilling permit for the Salave Gold project; or if a previous permit is deemed to be still active, upon commencement of a drilling program, exercisable at a price of \$0.24 per share. 20% will vest upon completion of an equity financing of minimum \$1,000,000 in North America, exercisable at a price of \$0.33 per share. 20% will vest upon commencement of trading of the Company's shares on the Australia Stock Exchange, exercisable at a price of \$0.33 per share. 20% will vest upon completion of a Preliminary Economic Assessment Study or a Scoping Study on the Salave Gold Project, exercisable at a price of \$0.45 per share. As at September 30, 2019, all of the above milestones have been achieved.

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(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

7. SHARE CAPITAL AND RESERVES (continued)**Stock options (continued)**

On October 23, 2017, the Company granted 416,666 stock options to an employee of the Company exercisable at a price of \$0.24 per share. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) five years from the date each milestone is obtained, or ii) ten years from the date of grant being October 22, 2027. 40% will vest upon completion of 1,000m of drilling at the Salave Gold Project and 60% will vest upon completion of a Joint Ore Reserves Committee Report on exploration results, mineral resources and ore reserves or National Instrument 43-101 Preliminary Economic Assessment or Scoping Study on the Salave Gold Project. As at September 30, 2019, all of the milestone have been achieved.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the nine months ended September 30, 2019 and 2018, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Fair value of unit warrants	\$ -	\$ 566,038
Fair value of finder's warrants	\$ -	\$ 222,100
Fair value of warrants issued with convertible debentures	\$ -	\$ -

9. RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel

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

	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Management fees – Chief Executive Officer	\$ 169,631	\$ 195,452
Directors' fees	137,061	142,769
Administrative fees – Chief Executive Officer	38,027	39,090
Administrative fees – Chief Financial Officer	88,320	92,546
Share-based compensation	105,778	830,118
	\$ 538,817	\$ 1,299,975

BLACK DRAGON GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

10. 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.

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	\$ 2,074,330	\$ -	\$ -	\$ 2,074,330

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, 2019, the Company had current assets of \$2,154,106 to settle current liabilities of \$410,294 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.

BLACK DRAGON GOLD CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*b) Foreign currency risk*

The Company's functional currency is the Canadian dollar. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Australian 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, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a change in foreign exchange gain or loss.

11. 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.

12. 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:

September 30, 2019				
Canada	\$	1,240	\$ -	\$ 1,240
Spain		<u>-</u>	<u>-</u>	<u>-</u>
	\$	<u>1,240</u>	\$ -	\$ <u>1,240</u>
December 31, 2018				
Canada	\$	1,240	\$ -	\$ 1,240
Spain		<u>-</u>	<u>-</u>	<u>-</u>
	\$	<u>1,240</u>	\$ -	\$ <u>1,240</u>

BLACK DRAGON GOLD CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited)

NINE MONTHS ENDED SEPTEMBER 30, 2019

12. SUBSEQUENT EVENTS

Subsequent to September 30, 2019, the Company announced that following Mr Gabriel Chiappini's appointment earlier in the year as the Company's Local Agent, he has now been appointed as Black Dragon's Company Secretary.

On September 26, 2019 the Company announced that it is realigning the executive and management roles of the Company to more effectively utilise the skills inherent in the management team of the Spanish subsidiary Exploraciones Mineras del Cantábrico ("EMC"). With the Mineral Resource Estimate and Preliminary Economic Assessment complete, management focus will shift to preparation of the EIA and community relations in Spain. Consequently, the role of the parent company executive has reduced, and the EMC management responsibility increased. The board of BDG has 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 2019. Paul Cronin will remain the senior executive at Black Dragon.

The Company held its 2019 Annual General Meeting ("AGM") on October 31, 2019 and all resolutions put to the AGM were carried.

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