



BLACK DRAGON GOLD

NEWS RELEASE

Update to Shareholders

Vancouver, BC – January 11, 2017: Black Dragon Gold Corp. (TSX-V:BDG) (“Black Dragon” or the “Company”). Brian Wesson releases the following letter to update on corporate and financial matters as well as a strategy update to shareholders.

Dear Shareholders,

Further to my letter of September 19, 2016 (the “September Update”), the Company’s focus is to extract value for shareholders by moving Salave to production as quickly as possible. The immediate goals are:

1. Re-engaging with Stakeholders;
2. Recapitalising the Company; and
3. Completing the Feasibility Study.

Re-engaging with Stakeholders

We re-emphasise our commitment to operating the project with the support of our stakeholders. Since the September Update, we have progressed our strategy towards the next stage of permitting. In light of the fact that the mining concessions have been granted and in good stead, as confirmed by the Supreme Court of Spain in September 2016, management can focus on completing the Feasibility Study and engaging with stakeholders on the social and administrative feasibility of the project options. The Company’s focus is on presenting a final project for Administrative Mining Project Authorisation and feasibility that is the result of a transparent and collaborative process, independent of the legal process underway and, as such, we are and will work extensively with our in-country consultants, the regulatory authorities and stakeholders. We anticipate submitting applications for the remaining relevant permits and publication of the Feasibility Study prior to Q3, 2017.

We have reached out to the relevant authorities at all levels of the government. Spain has recently finalised the re-election of the federal government and are finalising appointments to the relevant departments. We continue to engage with the local and regional authorities to foster the necessary trust in the Company and management.

We are in the process of selecting a Board of Directors and management team for our Spanish subsidiary and operating company in Spain. It is critical that the project is operated as a Spanish and Asturias-based project with an extensive local presence, and we have taken great measures to identify candidates that have the necessary expertise and are sensitive to the needs of the local



communities. Our local Spanish team will be administering the project, handling the day to day operations and providing accessible and effective community relations. Black Dragon's technical team will join where required and provide assistance to the local management team with the support of the executive directors and management of Black Dragon.

The Company's executive directors, technical and corporate team expects to spend significant time connecting with the Spanish team and collectively engaging with the stakeholders in Asturias and Tapia in Q1 2017. The executive directors will continue to spend significant time in Spain on an ongoing basis, working with the authorities and stakeholders to ensure the project supports and ultimately becomes an integral part of the community.

We have set up a temporary website, www.fenixmineriaoro.es, from which the community can contact management and discuss any issues or concerns as and when they arise. We will update the website as we progress with consultations.

Recapitalising the Company

As previously announced, management has been reviewing the financing options with a view to balancing the Company's requirement to ensure it is sufficiently capitalised to be able to focus its resources on fast tracking to production and maximising the value to shareholders.

The Company's priority is repaying the reduced workout of the RMB debt to clear the burden on the balance sheet and re-focus on the project. The Company exercised the option agreement, as negotiated by Lionsbridge, in December 2016 and expects to close the definitive RMB agreements on or before 20 January 2017. The repayment of the RMB debt will facilitate the project financing which is expected in Q3-Q4 2017. Management is in discussion with potential project financiers to fast track this process.

Completing the Feasibility Study

As previously announced, there are considerable resources available for the Feasibility Study with the majority of the studies underlying reports completed. Furthermore, we have engaged TetraTech to complete the feasibility study. The TetraTech mandate is to work with the Company with input from our Spanish legal counsel, Herbert Smith Freehills, technical advisor Westech International, the relevant Spanish permitting authorities and stakeholders to finalise a final project design that addresses the concerns of all parties while maximising the value for shareholders. The completed reports will then form the basis of the study which is expected to be published in Q2-Q3 2017. Much of the technical work completed to date has been published by the following groups:



BLACK DRAGON GOLD

- a. Technical reports on the mineral resource base completed by Mining Development Associates , Golder Associates and Roscoe Postle and Associates Inc.
- b. Metallurgical test work carried out by Ausenco Ltd. and ALS Metallurgy Kamloops. The relevant reports determined that flotation kinetics are good and a high-grade concentrate can be produced removing any need for the use of cyanide, de-risking the permitting process.
- c. Extensive environmental reports published by the University of Oviedo, Spain based consultants Congeo and Amphos 21 and SRK, (UK).
- d. Reports covering design elements such as the mine planning, paste fill, plant layouts and costing by international and Spain based consulting groups.

As announced in the prior update to shareholders, the Salave project is the largest undeveloped Gold deposit in Europe with significant intrinsic value. Management's view on the project is supported by:

1. The 69,000 meters of mostly diamond drilling completed across the mining concessions demonstrating the geology to be consistent with other intrusive hosted/related multimillion ounce gold deposits such as Fort Knox, Pogo and Donlin Creek in Alaska and Telfer and Boddington in Western Australia.
2. The quality of the orebody and depth potential is demonstrated by intersections including Hole RN 70 which intersected two discrete zones of high grade mineralisation, 29.5 g/t Au over 18.15m at 252.2 meters depth and 37.7 g/t au over 21.65 m at 281.0 meters depth.
3. The exploration upside is demonstrated by drill intercepts on strike of the existing resources and the lack of drilling at depth despite the continuation of high gold grades at depth and down plunge of the known mineralisation. The mineralisation typically occurs as wide zones averaging 18 m thickness and generally dipping at 30 degrees with grade increasing at depth. Regional upside is underpinned by mining concessions that cover an area of 662 hectares and an Investigative Permit that cover an additional 2,765 hectares, comprising a significant land holding of 3,426.97 hectares in a highly prospective region.
4. The overall economic viability demonstrated in Golder's PEA report issued in 2011
5. The confirmation of a resource base amenable to underground mining as per Mining Development Associates NI 43-101 technical report (Oct. 7, 2016). The current mineral resource for Salave includes measured and indicated resources containing 944,000 ounces of gold (6.52 million Tonnes @ 4.51 g/t Au) calculated at a 2.0 g/t Au cutoff grade using a USD\$1,100/ounce gold price (See February 6, 2014 and October 17, 2016 News Releases).
6. The amount of land owned including 10 hectares of freehold land primarily over the Salave deposit and historical Roman open cut workings.

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BLACK DRAGON GOLD

The Technical Information disclosed in this news release has been reviewed and approved by Douglas Turnbull, P.Geo., a Qualified Person as defined under National Instrument 43-101.

Signed "Brian Wesson"
President and Chief Executive Officer
on behalf of the Board of Directors

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Black Dragon Gold "BDG" is the 100% owner of the largest undeveloped gold project in Europe, the Salave project. Salave is situated in the North of Spain in the province of Asturias. The Company is moving Salave to production supported by a strong management team and board of directors experienced in the design, construction and operation of mining projects worldwide. The Salave project has measured and indicated resources totalling 6.52 million Tonnes grading 4.51 g/t Au containing 944,000 ounces of gold at a 2.0 g/t cutoff grade and gold price of USD\$1,100/ounce. In addition to the current mineral resource, historical exploration work suggests there is the potential for additional mineralisation within Black Dragon's landholdings. The company considers Salave to be a near term development project.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release includes certain information that may be deemed "forward-looking information". Forward-looking information can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "plans" or similar terminology, or negative connotations thereof. All information in this release, other than information of historical facts, including, without limitation, expecting timing for commencement and completion of the feasibility study, timing for the submission of applications for and receipt of permits, timing for the completion of transactions with RMB as well as completion of related financing, availability of and timing for project financing, the estimation of mineral resources, the realization of mineral resource estimates, interpretation of prior exploration and potential exploration results, the timing and success of exploration activities generally, future production estimates and the timing of same and the timing and results of future resource estimates, are forward-looking information that involve various risks and uncertainties. Although the Company believes that the expectations expressed in such forward-looking information are based on reasonable assumptions, such expectations are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking information. Forward-looking information is based on a number of material factors and assumptions. Factors that could cause actual results to differ materially from the forward-looking information include changes in project parameters as plans continue to be refined, future metal prices, availability of capital and financing on acceptable terms, general economic, market or business conditions, uninsured risks, regulatory changes, availability of personnel, materials and equipment on a timely basis, accidents or equipment breakdowns, delays in receiving government approvals, the Company's ability to maintain the support of stakeholders necessary to develop the Salave project, unanticipated environmental impacts on operations and costs to remedy same, and other risks detailed herein and from time to time in the filings made by the Company with securities regulatory authorities in Canada. Readers are cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral exploration and development of mines is an inherently risky business. Accordingly, actual

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BLACK DRAGON GOLD

events may differ materially from those projected in the forward-looking information. For more information on the Company and the key assumptions, risks and challenges with respect to the forward looking information discussed herein, and about our business in general, investors should review the 2015 technical report on the Salave project and the Company's other continuous disclosure filings which are available at www.sedar.com. Readers are cautioned not to place undue reliance on forward-looking information. The Company does not undertake to update any forward looking information, except in accordance with applicable securities laws.