BLACK DRAGON GOLD CORP.

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018 and should be read in conjunction with the accompanying audited annual consolidated financial statements for the year ended December 31, 2018 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. This MD&A is based on information available as at March 28, 2019.

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 and on SEDAR at 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 is 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 and Initial Public Offering ("Prospectus Offering") issuing 30,000,000 CHESS Depository Interests ("CDI's") for AUD$6,000,000 ($5,727,541) gross proceeds.

Management Changes

The Company previously identified and, on July 4, 2017, appointed a new board of directors to lead the Company through its next chapter. The incoming board of directors and management have significant experience in operating exploration and predevelopment mining projects, particularly in Europe. The new board of directors comprises:

- Jonathan Battershill as non-executive chairman;
- Paul Cronin as chief executive officer and managing director;
- Alberto Lavandeira as a non-executive director;
- Richard Monti as a non-executive director.

Biographies of the incoming board of directors are summarized below:

Jonathan Battershill, non-executive chairman:

- 20 years of international experience in mining, business development and finance;
- Mining industry experience includes senior operational and business development roles at WMC Resources Ltd. and mining-focused senior equity analyst roles at Hartleys, Citigroup and UBS.

- Mr Battershill is currently the Principal of JJB Advisory Limited, a private consulting firm based in the UK and also serves as a Non-Executive Director of ASX listed Silver Mines Limited.

Paul Cronin, CEO and managing director:

- Resource-focused fund manager and investment banker, with considerable experience in relation to financing resource projects;
- Previously CEO and director of Australian Securities Exchange-listed Anatolia Ltd., and prior to that, vice-president at RMB Resources, the resources financing business of Johannesburg Stock Exchange-listed FirstRand Ltd.
- Mr. Cronin is also a non-executive director of ASX listed Adriatic Metals plc and TSX listed Global Atomic Corporation.

Alberto Lavandeira, non-executive director:

- Qualified mining engineer with 38 years' experience operating and developing mining projects;
- Currently CEO and director of Spanish copper producer Atalaya Mining;
- Previously CEO and chief operating officer of Rio Narcea Gold Mines (1995 to 2007), which undertook exploration drilling at Salave during 2004 to 2005 and developed three mines from exploration to production, including El Valle in the same region as Salave, Aguablanca near Seville and Tasiast in Mauritania.

Richard Monti, non-executive director:

- Broad experience from 30 years working in the technical, commercial, marketing and financial fields in the exploration and mining industries;
- 45 board years of experience across 11 ASX- and Toronto Stock Exchange-listed companies;
- Currently a director of Pacifico Minerals Ltd and ASX listed Zinc of Ireland NL.

To further strengthen the team and in line with the new focus of the company, on October 23, 2017 the Company announced the appointment of Jose Manuel Dominguez Diez as General Manager of the Company's wholly owned subsidiary Exploraciones Mineras del Cantabrico SL ("EMC"). Mr. Dominguez was formerly the General Manager of Imerys in both Spain and Italy following a long career with Rio Tinto in various managerial and technical roles in Spain. Mr. Dominguez is a Mining Engineer of the School of Mines in Oviedo with over 30 years of experience in open pit and underground operations, mine design and permitting, and holds an M.B.A from the renowned Centre d'Etudes Supérieures Européennes de Management in Madrid.

Mr. Dominguez will be responsible for implementing the strategic objectives defined by the Board, and to take overall management of EMC's activities in Asturias, including the permitting of the Salave Project.

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. This mineral resource estimate identified sub-vertical structures which require further understanding and definition. The 2018 drilling program 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 Salave Lower Zone 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;

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

Notes:

- *Classification of the MRE was completed based on the guidelines presented by Canadian Institute for Mining (CIM -May 2014), adopted for Technical reports which adhere to the regulations defined in Canadian National Instrument 43-101 (NI 43-101).*
- *The mineral resource estimate was conducted by CSA Global of Perth Australia, with an effective date of October 22, 2018 and will be supported by a Technical Report to be filed within 45 days of the October 25 news release.*
- *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.

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^2 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 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 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.

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.

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.

Convertible Debentures

During April 2017, the Company issued convertible debentures totaling $251,000. The debentures bear interest at a rate of 15% per annum, payable at maturity. The debentures will mature and be repayable on or before April 18, 2019. The debentures are convertible into common shares in the Company at a conversion price of $0.165 per share until April 18, 2018, and $0.30 per share thereafter until April 18, 2019. For each $1,000 in principal amount of debentures, 6,060 common share purchase warrants. Each warrant entitles the holder to acquire one additional common share of the company at a price of $0.33 per common 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 $0.66 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 the 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 provided by the Company; and (ii) the original expiry date. In connection with the issuance of the debentures, the holder thereof will be granted a right to nominate a member for election to the Company's board of directors at any meeting of shareholders where directors are to be elected, provided such nominee is acceptable to regulatory authorities, for so long as the debentures are outstanding.

Pursuant to a service agreement dated July 11, 2016, and previously approved by the TSX Venture Exchange, Lionsbridge received a finder's fee of 190,151 shares valued at $25,671 in connection with the closing of the debentures.

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.

As at December 31, 2018, the Company has accrued interest payable of $43,426 (2017 - $28,057) 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.

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, 2018, four 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 along with the completion of equity financing in North America and the recent commencement of trade on the Australian Stock Exchange.

Selected Financial Data

Annual Results

	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Total assets	$ 3,808,149	$ 1,834,252	$ 143,038
Working capital (deficiency)	3,269,858	1,030,470	(14,045,396)
Shareholders' equity (deficiency)	3,271,098	816,195	(14,043,175)
Net (loss) income and comprehensive (loss) income	(3,638,540)	4,578,701	(2,846,715)
(Loss) income per share - basic	(0.04)	0.09	(0.07)
(Loss) income per share - diluted	(0.04)	0.09	(0.07)

Quarterly Results

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

		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		(981,125)		(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)

		Three month period ended December 31, 2017		Three month period ended September 30, 2017		Three month period ended June 30, 2017		Three month period ended March 31, 2017
Total assets	$	1,834,252	$	1,408,798	$	7,684,535	$	54,611
Working capital (deficiency)		1,030,470		(85,464)		(7,418,875)		(14,600,926)
Shareholders' equity/(deficiency)		816,195		(268,032)		(7,592,729)		(14,598,779)
Net (loss) income and comprehensive (loss) income		(819,465)		7,337,322		(1,253,278)		(685,878)
(Loss) income per share - basic		(0.00)		0.03		(0.02)		(0.01)
(Loss) income per share - diluted		(0.00)		0.03		(0.02)		(0.01)

Results of Operations

Year Ended December 31, 2018

During the year ended December 31, 2018 (the "current year"), the Company recorded net loss of $3,638,540 compared to a net income of $4,578,701 incurred during the year ended December 31, 2017 (the "comparative year"). The significant variances resulted from the following:

Settlement of RMB loan and royalty

During the current year, the Company recorded a cost of $576,051 for the RMB royalty settlement, offset by extraordinary income of $306,040 due to the reversal of a legacy Bank guarantee in Spain, with a $7,901,372 gain on the settlement of the RMB loan transaction occurring during the comparative year. Interest and accretion expense of $18,546 was incurred in 2018. (2017- $575,229).

Foreign exchange gain (loss)

During the current year, the Company incurred a $155,601 foreign exchange loss compared to a $275,189 foreign exchange gain incurred during the comparative year. This variance related mainly to the change in the US$: CAD$ foreign exchange rate as it affected US$-denominated liabilities and EUR: CAD$ foreign exchange rates.

Management fees

During the current year, the Company incurred $353,510 of management fees, compared to $1,073,979 during the comparative year. This variance related mainly to severance payments made to former management.

Directors' fees

During the current year, the Company incurred directors' fees expense totalling $190,435 compared to $139,282 incurred during the comparative year.

Exploration and evaluation costs

During the current year, the Company incurred general exploration expenses of $798,222 (2017 - $47,298) related to the Company's Salave Gold property.

Exploration and Evaluation		December 31, 2018		December 31, 2017
Drilling costs	$	402,930	$	-
Assays and Sampling		80,545		-
Consultants - PEA		108,972		-
Consultants – Mineral Resource Estimate		114,936		-
Consultants – Geological and mapping database		51,440		47,298
Mining software		39,399		
	$	798,222	$	47,298

Professional fees

During the current year, the Company incurred professional fees expense of $117,246 (2017 - $339,861), mainly attributable to legal fees associated with the RMB debt settlement in 2017.

Share-based compensation

During the current year, the Company incurred share-based payments expense of $906,006 (2017 - $776,038), valued using the Black-Scholes option pricing model, as a result of granting 12,446,667 stock options with exercise prices of between $0.165 and $0.33 per share in 2017 and 2018

Three Months Ended December 31, 2018

The Company incurred a comprehensive loss of $981,125 (three months ended December 31, 2017 - $819,465) The loss is greater than the comparative period due mainly to increased Exploration costs in 2018 relating to the development of the Salave project in Spain. Additionally the company settled the RMB royalty deed in the three months ended 31 December 2018.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, 2018 was $3,146,144 (2017 - $3,115,825). 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, 2018, financing activities provided cash of $4,968,060 (2017 - $4,763,212) as a result of the Prospectus Offering for 30,000,000 CDI's on the ASX. During the year ended December 30, 2017, financing activities provided cash of $4,763,212 from net proceeds of $8,948,428 associated with private placements that closed during the year, proceeds of $57,750 on exercise of stock options, as well as $251,000 received on the issuance of convertible debentures, offset by the payment of $4,493,966 in conjunction with the settlement of the RMB loan facility.

Net cash provided by investing activities during the year ended December 31, 2018, was $Nil (2017 – $Nil). Due to Exploration and Evaluation expenditure in Spain.

Financial Condition / Capital Resources

		December 31, 2018		December 31, 2017		December 31, 2016
Working capital (deficiency)	$	3,269,858	$	1,030,470	$	(14,045,396)
Deficit		(30,327,730)		(26,689,190)		(31,267,891)

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, 2018 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, 2018 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, 2018 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:

		2018		2017
Management fees – current Chief Executive Officer	$	258,882	$	158,951
Management fees – former management		-		615,028
Severance – former management		-		300,000
Directors' fees – current directors		190,435		94,282
Directors' fees – former directors		-		45,000
Management fees – current Chief Financial Officer		122,147		-
Administrative fees – current Chief Executive Officer		52,178		-
Professional fees – former Chief Financial Officer		-		144,000
Severance – former Chief Financial Officer		-		36,000
Share-based compensation		840,142		585,114
	$	1,463,784	$	1,978,375

There is $74,794 (2017 - $114,770) in accounts payable and accrued liabilities at December 31, 2018 that is due to directors, officers and companies controlled by directors or officers or a former director or officer of the Company.

Investor Relations Activities

The Company maintains a website at www.blackdragongold.com. There are no investor relation agreements in effect as at December 31, 2018 and as of the date of this report.

Subsequent Events

On February 11, 2019 the Company announced the positive results of the Preliminary Economic Assessment ("PEA") completed on its 100% owned Salave Gold based on the recently completed Mineral Resource Estimate completed by CSA Global.

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".

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 30,483,333 CDI's on ASX)	110,861,225
Stock options (exercise prices ranging from $0.165 to $0.33, expiring between February 22, 2019 and October 22, 2027)	13,001,666
Warrants (exercise price of between $0.24 and $0.33 per share, expiring between March 28, 2019 and June 29, 2021)	75,895,492

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	$ 3,582,261	$ -	$ -	$ 3,582,261

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's cash 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 December 31, 2018, the Company had current assets of $3,806,909 to settle current liabilities of $537,051 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, 2018, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a change in foreign exchange gain or loss.

Accounting standards and interpretations issued but not yet applied

As at the date of this report, 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.

(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 Company does not expect the application of IFRIC 23 to have a significant impact on the Company's consolidated financial statements.

Management has assessed the impact of these new standards on the Company's accounting policies and financial statement presentation and applied the standards effective on or after January 1, 2018. 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.

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.