

BLACK DRAGON GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

(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 three months ended September 30, 2022 and should be read in conjunction with the accompanying audited annual consolidated financial statements for the year ended December 31, 2021 and the related notes thereto and the unaudited Half Year Financial Statements to June 30, 2022. Those unaudited 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, and is dated, as at November 14, 2022.

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, including its Annual Information Form for the most recent fiscal year, is available for view 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 Australian Securities Exchange (the "ASX"). On February 28, 2019, the Company voluntarily delisted from the TSX Venture Exchange ("TSX-V") and continued to trade on the ASX. The Company's head office address is Ground Floor, Regent House, Rodney Road, Cheltenham, Gloucestershire, GL50 1HX, U.K. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2.

Overview of the Salave Project

Black Dragon Gold owns 100% of the Salave gold deposit through its wholly owned Spanish subsidiary, Exploraciones Mineras del Cantabrico S.L. ("EMC"). The Black Dragon Gold tenure includes five Mining Concessions and associated extensions covering 662 ha and an Investigation Permit covering another 2,765 ha (Table 1).

An Investigation Permit gives the holder the right to carry out, within the indicated perimeter and for a specific term (a maximum of three years), studies and work aimed at demonstrating and defining resources and the right, once defined, to be granted a permit for mining them. The term of an Investigation Permit may be renewed by the Regional Ministry of Economy and Employment for three years and, exceptionally, for successive periods.

A Mining Concession entitles its holder to develop resources located within the concession area, except those already reserved by the State. Under Spanish regulations, ownership of the land is independent of ownership of the mineral rights.

In July 2021, the Company via its 100% wholly owned Spanish subsidiary Exploraciones Mineras del Cantábrico ("EMC") has submitted the Environmental Impact Assessment ("EIA") to the Asturian Ministry of Mines. The EIA acknowledges the need for strong environmental and social responsibility. Furthermore, the Company has gone to great extents to ensure the EIA provides a framework to minimise or completely remove any negative impact the proposed Project will have on the environment and surrounding community.

During the prior year (2021), the Company's focus was on finalizing and submitting the EIA and as a result there was minimal exploration activity undertaken which resulted in a reduced exploration expenditure outflow. Subject to permitting success and funding the Company does intend to expand its exploration programme to identify new zones of mineralization.

Table 1: Black Dragon Gold's Concessions - Salave Gold Project, Spain

Concession/Investigation Permit name	Registration no.	Area (ha)	Date granted	Expiration date
Concessions				
Dos Amigos	24.371	41.99	10 Sep 1941	10 Oct 2045
Salave	25.380	67.98	10 Apr 1945	10 Oct 2045
Figueras	29.500	212.02	25 Jan 1977	25 Jan 2037
Demasia		92.55		
Ampliacion de Figueras	29.969	10.99	9 Nov 1988	9 Nov 2048
Demasia		68.85		
Segunda Ampliacion de Figueras	29.820	100.04	16 Sep 1981	16 Sep 2041
Demasia		67.55		
TOTAL		661.97		
Investigation Permit IP Sallave	30.812	2,765	18 Feb 2014	Rolled Over

Douglas Turnbull, P.Geol., 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. For further information regarding the Salave Project please see the technical report titled "NI 43-101 Technical Report – Salave Gold Project Mineral Resource Update for Black Dragon Gold Corp." with an effective date of October 31, 2018, a copy of which is available under the Company's profile at www.sedar.com.

Overview of the Marlee Gold Project

Recently the Company acquired Australian mining explorer Marlee Gold Pty Ltd, 100% holder of Padbury Gold and Ivan Well projects, as part of its growth strategy. The deal includes the purchase of three permits with early-exploration discovering near surface gold. The acquisition marks Black Dragon's maiden entry into Western Australia and forms part of the Company's strategic growth plans, providing Black Dragon with a quality exploration portfolio to complement its flagship Salave gold project in northern Spain. In August exploration commenced at Padbury Gold Project located north-west of Meekatharra in Western Australia, targeting 520 soil samples across a 15km trend. The initiative was the first step in Stage One of a new exploration programme targeting gold anomalies on a trend of gold occurrences previously identified in prospecting and historic stream sediment sampling.

Table 2: Black Dragon Gold's Concessions – Marlee Gold Project, Australia

Concession Name	Licence Number	Square Kms	Date Granted	Expiration Date
Padbury Gold	E51/1942	216	16 July 2020	15 July 2025
Padbury Gold Extension	E51/1969	167	12 July 2021	11 July 2026
Ivan Well	E69/3818	115	1 March 2022	28 February 2027

Selected Financial Data

Quarterly Results

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

	Three month period ended September 30, 2022	Three month period ended June 30, 2022	Three month period ended March 31, 2022	Three month period ended December 31, 2021
Total assets	\$ 2,294,778	\$ 2,622,198	\$ 3,200,935,	\$
Working capital (deficiency)	2,135,332	2,488,257	2,879,025	1,718,419
Shareholders' equity (deficiency)	2,135,332	2,488,257	2,880,265	1,719,659
Net (loss) income and comprehensive (loss) income	(470,462)	(406,186)	(365,692)	(512,605)
(Loss) income per share - basic	(0.002)	(0.002)	(0.002)	(0.004)
(Loss) income per share - diluted	(0.002)	(0.002)	(0.002)	(0.004)

	Three month period ended September 30, 2021	Three month period ended June 30, 2021	Three month period ended March 31, 2021	Three month period ended December 31, 2020
Total assets	\$ 947,369	\$ 1,495,487	\$ 1,900,030	\$ 2,146,627
Working capital (deficiency)	590,701	1,157,565	1,514,103	1,809,390
Shareholders' equity/(deficiency)	591,941	1,158,805	1,515,343	1,810,630
Net (loss) income and comprehensive (loss) income	(567,800)	(442,728)	(295,287)	(261,655)
(Loss) income per share - basic	(0.004)	(0.003)	(0.002)	(0.002)
(Loss) income per share - diluted	(0.004)	(0.003)	(0.002)	(0.002)

Results of Operations

Three Months Ended September 30, 2022

During the three months ended September 30, 2022 (the “period”), the Company recorded net loss of \$470,462 compared to a net loss of \$567,800 incurred during the period ended September 30, 2021 (the “comparative period”). The significant variances resulted from the following:

General and administration

During the current period, the Company incurred costs of \$112,647 compared to \$163,303 in the prior comparative period. The Company is striving to keep general and administrative costs low.

Consulting

During the current period, the Company incurred costs of \$24,772 compared to \$147,440 in the prior comparative period. This variance related mainly to additional activity associated with the company preparing and submitting its Environmental Impact Assessment last year.

General exploration

During the current period, the Company incurred costs of \$197,175 compared to \$118,315 in the prior comparative period. The costs in the current period include the exploration spend to date on the Marlee Gold Project acquired during the current period, and subsequent expenditure by the Company, totaling \$141,247. The remaining spend of \$55,928 is attributable to the Salave Gold Project. The costs were high in the comparative period due to work undertaken on the Salave Gold Project’s Environmental Impact Assessment. During the June 2022 quarter, the Company filed its response to the public comments on the EIA received during the public consultative period. The dossier was submitted by Black Dragon’s Spanish subsidiary, Exploraciones Mineras del Cantábrico and was filed with the Government of Asturias in Spain.

Cash Flows

Net cash used in operating activities during the three months ended September 30, 2022 was \$482,410 (2021 - \$584,201). The cash used in operating activities for the current period consists primarily of the operating loss of \$470,462.

There was no movement in financing activities for the current quarter (2021: Nil).

There was no material movement in investing activities for the current quarter (2021: no material movement).

Contractual Obligations

There are no debt, finance lease, operating lease, purchase obligations or other obligations currently contracted by the Company.

Financial Condition / Capital Resources

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Working capital	\$ 2,135,332	\$ 2,488,257	\$ 2,880,265	\$ 1,719,659
Cash	2,112,827	2,476,026	3,083,636	2,013,952
Total Assets	2,294,778	2,622,198	3,200,935	2,120,831
Total Liabilities	159,446	133,941	320,670	401,172

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

The Company’s unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2022 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 unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2022 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

The Company presently does not have any capital expenditure commitments.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at September 30, 2022 and as of the date of this report.

Contingencies

The Company has no contingencies 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 the Company's current and former directors, Chief Financial Officers, and employees of the Company;

	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021
Management and consulting fees	\$ 173,942	\$ 65,088
Directors' fees	57,479	186,907
Wages and salaries	59,984	94,031
Share-based compensation	18,542	-
	<u>\$309,947</u>	<u>\$ 346,026</u>

Investor Relations Activities

The Company maintains a website at www.blackdragongold.com. There are no investor relation agreements in effect as at September 30, 2022 and as of the date of this report.

Subsequent Events

There were no subsequent events to report post September 30, 2022.

Outstanding Share Data

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

	Total Securities
Common shares (including 194,825,070 CDI's on ASX)	200,670,057
Stock options	44,937,959

Authorized:

Unlimited number of common shares without par value.

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors. The options convert into common shares on a 1-for-1 basis.

As at the date hereof the following incentive stock options are outstanding;

Expiry Date	Number of Options	Exercise Price	Number of Options Exercisable
September 24, 2027	5,983,333	\$0.24	5,983,333
October 22, 2027	416,666	\$0.24	416,666
February 7, 2028	333,333	\$0.33	333,333
September 18, 2022	1,500,000	\$0.10	1,500,000
September 7, 2024	4,160,000	AUD\$0.096	4,160,000
December 31, 2023	31,544,627	\$0.10	31,544,627
July 7, 2024	1,000,000	A\$0.098	1,000,000
Total	44,937,959		44,937,959

Financial Instruments, Other 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 approximated their fair value because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

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

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$2,112,827	\$ -	\$ -	\$2,112,827

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 September 30, 2022, the Company had current assets of \$2,276,994 to settle current liabilities of \$159,446 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand. Besides what was owed as at September 30, 2022, the Company does not have any contractual commitments as at September 30, 2022.

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 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 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, AUD, USD and GBP denominated financial instruments at September 30, 2022, a 10% change in exchange rates between the Canadian dollar and the Euro, AUD, USD and GBP would result in a change in foreign exchange gain or loss amounting to \$34,012.

The Company confirms that besides cash and cash equivalents it does not hold any other financial instruments nor does it hold any other instruments.

Accounting standards

- Basis of presentation

These unaudited condensed consolidated interim financial statements for the three months ended September 30, 2022 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, 2021 audited consolidated financial statements.

Changes in Accounting Policies – there were no changes to Accounting Policies during the reporting period to September 30, 2022.

Critical Accounting Estimates

Use of estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The Company also makes estimates as to when performance conditions for stock options will be met. The determination of whether or not the achievement of performance milestones for stock options likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management’s interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management’s assessment of the Company’s ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

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.

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.

Management's Report on Internal Control over Financial Reporting

Disclosure Controls and Procedures and Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at the end of the period covered by this Management's Discussion and Analysis, management of the Company, with the participation of the CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian National Instrument 52-109 ("NI 52-109"). The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the Company's CEO and CFO have concluded that, as September 30, 2022, the disclosure controls and procedures (as defined in NI 52-109) were effective to provide reasonable assurance that information required to be disclosed in the Company's annual and interim filings and other reports filed or submitted under applicable securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Management, with the participation of its CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Canada under NI 52-109. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with IFRS as issued by the IASB. The Company's internal control over financial reporting include policies and procedures that:

- maintain records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary for preparation of financial statements in accordance with IFRS as issued by IASB;
- provide reasonable assurance that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

The Company uses the 2013 Internal Control – Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission as the basis for assessing its ICFR. Management performed an evaluation of the Company's ICFR and concluded that, as at September 30, 2022, ICFR were designed and operating effectively so as to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Changes in Internal Controls

There were no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the three months ended September 30, 2022.

Limitations on Controls and Procedures

The Company's management, including the CEO and CFO, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, may not prevent or detect all misstatements because of inherent limitations. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

BLACK DRAGON GOLD CORP.

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

NINE MONTHS ENDED 30 SEPTEMBER 2022

These unaudited condensed consolidated interim financial statements of Black Dragon Gold Corp. for the nine months ended 30 September 2022 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.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

As at September 30, 2022 and December 31 2021

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents		\$ 2,112,827	\$ 2,013,952
Receivables	3	<u>164,167</u>	<u>105,639</u>
		<u>2,276,994</u>	<u>2,119,591</u>
Deposits		<u>-</u>	<u>1,240</u>
Non-current			
Other non-current assets		<u>17,784</u>	<u>-</u>
Total assets		<u>\$ 2,294,778</u>	<u>\$ 2,120,831</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	5,7	\$ 159,446	\$ 401,172
Total liabilities		<u>159,446</u>	<u>401,172</u>
Shareholders' equity			
Share capital	6	27,882,915	26,299,071
Warrants	6	4,724,574	4,724,574
Reserves	6	6,028,591	5,999,183
Deficit		<u>(36,500,748)</u>	<u>(35,303,169)</u>
Total shareholders' equity		<u>2,135,332</u>	<u>1,719,659</u>
Total liabilities and shareholders' equity		<u>\$2,294,778</u>	<u>\$2,120,831</u>

Nature and continuance of operations (Note 1)**Subsequent event** (Note 11)

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 14, 2022 and are signed on its behalf by:

/s/ Paul Cronin
Paul Cronin
Chairman

/s/ Gabriel Chiappini
Gabriel Chiappini
Managing Director

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

BLACK DRAGON GOLD CORP.

Unaudited Condensed Consolidated Interim Statements of Operations & Comprehensive Loss
(Expressed in Canadian dollars)

		Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	Notes	\$	\$	\$	\$
EXPENSES					
Consulting		24,772	147,440	145,513	251,843
Directors' fees		86,258	59,754	190,164	186,908
Filing fees		28,768	29,613	42,480	48,173
Foreign exchange loss		7,248	18,907	121,553	121,096
General and administrative		112,647	163,303	369,138	362,940
General exploration		197,175	118,315	257,872	272,558
Professional fees		14,660	16,211	44,338	52,242
Rent		-	-	6,112	10,778
Shareholder communications		2,622	8,746	7,751	14,233
Share-based compensation	6	-	-	18,542	-
Transfer agent		629	2,036	7,551	8,608
Travel and related		(2,643)	3,486	33,206	8,067
Loss before other items		<u>472,137</u>	<u>567,811</u>	<u>1,244,220</u>	<u>1,337,446</u>
OTHER ITEMS					
Gain on settlement of director's fees		-	-	-	34,799
Interest income		467	11	673	38
		<u>467</u>	<u>11</u>	<u>673</u>	<u>34,837</u>
Loss and Comprehensive loss for the period		<u>470,462</u>	<u>567,800</u>	<u>1,243,547</u>	<u>1,302,609</u>
Basic and diluted loss per common share		\$ (0.002)	\$ (0.004)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		200,576,889	135,639,152	197,709,959	135,059,953

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

BLACK DRAGON GOLD CORP.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

Nine Months Ended

	Notes	Nine months Ended September 30, 2022 \$	Nine months Ended September 30, 2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(1,243,547)	(1,302,609)
Items not affecting cash:			
Share-based compensation	6	18,542	-
Interest income		(673)	(38)
Gain on settlement of debt		-	(34,799)
Shares issued for directors' services	6	-	85,342
Change in non-cash working capital items			
(Increase) in other non-current assets		(17,784)	-
(Increase) in receivables and		(58,530)	(45,042)
Increase / (decrease) in accounts payable and accrued liabilities		<u>(241,725)</u>	<u>54,230</u>
Net cash outflow used in operating activities		<u>(1,543,718)</u>	<u>(1,242,916)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits		<u>1,240</u>	-
Net cash provided by investing activities		<u>1,240</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued for cash	6	1,521,935	
Interest income		<u>673</u>	<u>38</u>
Net cash provided by financing activities		<u>1,522,608</u>	<u>38</u>
Effect of movement in exchange rates on cash held		<u>(45,940)</u>	<u>(1,422)</u>
Change in cash and cash equivalents during the period		<u>98,875</u>	<u>(1,244,300)</u>
Cash and cash equivalents, beginning of period		<u>2,013,852</u>	<u>2,097,420</u>
Cash and cash equivalents, end of period		<u>2,112,827</u>	<u>853,120</u>
Cash paid during the period for interest		-	-
Cash paid during the period for taxes		-	-

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

BLACK DRAGON GOLD CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

	Share Capital					
	Number	\$ Amount	\$ Warrants	\$ Reserves	\$ Deficit	\$ Total
Balance, December 31, 2020	134,353,612	24,661,799	4,724,574	5,909,006	(33,484,749)	1,810,630
Shares issued for Directors services	1,285,539	85,342	-	-	-	85,342
Foreign currency reserve					(1,422)	(1,422)
Income (loss) for the period	-	-	-	-	(1,302,609)	(1,302,609)
Balance, September 30, 2021	135,639,151	24,747,141	4,724,574	5,909,006	(34,788,780)	591,941

	Share Capital					
	Number	\$ Amount	\$ Warrants	\$ Reserves	\$ Deficit	\$ Total
Balance December 31, 2021	169,187,928	26,299,071	4,724,574	5,999,183	(35,303,169)	1,719,659
Shares issued for cash	30,053,556	1,521,934	-	-	-	1,521,934
Shares issued for acquisition	1,428,571	61,909	-	-	-	61,910
Options issued for acquisition	-	-	-	10,866	-	10,866
Share-based compensation	-	-	-	18,542	-	18,542
Foreign currency reserve					45,970	45,968
Loss for the period	-	-	-	-	(1,243,547)	(1,243,547)
Balance September 30, 2022	200,670,057	27,882,915	4,724,574	6,028,591	(36,500,748)	2,135,332

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

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

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. The Company’s head office address is Regent House, 65 Rodney Road, Cheltenham GL50 1HX 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 (“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, 2022, do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2022, are prepared in accordance with International Accounting Standards (“IAS 34”), Interim Financial Reporting. 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, 2021, audited consolidated financial statements.

3. RECEIVABLES

	September 30, 2022	December 31, 2021
Value-added tax receivable	\$ 137,222	\$ 96,326
GST receivable	10,411	9,313
Other receivable	<u>16,533</u>	<u>-</u>
Total	<u>\$ 164,166</u>	<u>\$ 105,639</u>

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

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

The Salave Project is comprised of 30-year-term mining concessions over the resource area. 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 recently completed Mineral Resource Estimate completed by CSA Global.

Although the Company has taken steps to verify title to its mineral property in which it has an interest, these procedures do not guarantee the Company’s title. Its property may be subject to prior agreements or transfers and title may be affected by undetected defects. Further, we make judgements for properties where concessions terms have expired, and a renewal application has been made and is awaiting approval. We use judgement as to whether the concession renewal application is probable to be received, but ultimately this is beyond our control. If a renewal application is not approved, we could lose rights to those concession.

MARLEE GOLD PROJECT

Recently the Company acquired Australian mining explorer Marlee Gold Pty Ltd, 100% holder of Padbury Gold and Ivan Well projects, as part of its growth strategy. The deal includes the purchase of three permits with early-exploration discovering near surface gold. The acquisition marks Black Dragon’s maiden entry into Western Australia and forms part of the Company’s strategic growth plans, providing Black Dragon with a quality exploration portfolio to complement its flagship Salave gold project in northern Spain. In August exploration commenced at Padbury Gold Project located north-west of Meekatharra in Western Australia, targeting 520 soil samples across a 15km trend. The initiative was the first step in Stage One of a new exploration programme targeting gold anomalies on a trend of gold occurrences previously identified in prospecting and historic stream sediment sampling.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
Accounts payables	\$ 37,264	\$ 137,601
Accrued liabilities	122,182	213,662
Due to related parties (Note 7)	-	49,909
Total	\$ 159,446	\$ 401,172

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

6. SHARE CAPITAL AND RESERVES*Authorized:*

Unlimited number of common shares without par value.

Shares**Issued during the 9 months ended September 30, 2022**

On November 14, 2021, the Company issued 19,696,414 Chess Depositary Interests (“CDIs”) at an issue price of AUD\$0.056 to raise AUD\$1,102,999 (CAD\$997,512) under the Company’s securities purchase plan. The CDIs were issued on January 13, 2022.

On January 24, 2022, the Company issued 10,357,142 CDIs at an issue price of AUD\$0.056 to raise AUD\$580,000 (CAD\$522,290) under the placement announced in November 2021. These CDIs were subject to shareholder approval at an EGM held on January 12, 2022 as they were issued to directors Mr. Paul Cronin (AUD\$500,000) (CAD\$452,100) and Mr. Alberto Lavandeira (AUD\$80,000) (CAD\$72,322).

On July 6, 2022, the Company as a consideration for Marlee Gold Pty issued its 1,428,571 shares valued at A\$70,000 to Padbury Gold and Ivan Well projects (Note 9).

Issued during the 9 months ended September 30, 2021

On May 3, 2021, the Company issued 1,285,539 shares valued at \$0.07 per share to settle outstanding director fees. The shares had a fair value of \$85,342, which resulted with a gain on debt settlement of \$34,799.

Warrants

A summary of the number of common shares reserved pursuant to the Company’s warrants outstanding as at September 30, 2022 and December 31, 2021, is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2020	2,666,666	\$0.33
Expired	(2,666,666)	\$0.33
Outstanding, December 31, 2021 and September 30, 2022	-	\$-

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.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

6. SHARE CAPITAL AND RESERVES (continued)

A summary of the status of the Company's stock options as at September 30, 2022 and December 31, 2021 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2020	8,233,332	\$0.22
Granted	4,160,000	AUD\$0.096
Outstanding, December 31, 2021	12,393,332	\$0.18
Granted	32,544,627	AUD\$0.096
Outstanding, September 30, 2022	44,937,959	\$0.12

Details of stock options granted during the 9 months ended September 30, 2022

As detailed above, on November 14, 2021, the Company issued 19,696,414 Chess Depositary Interests ("CDIs") at an issue price of AUD\$0.056 to raise AUD\$1,102,999 under the Company's securities purchase plan. The CDIs were issued on January 13, 2022. As part of the issuance, the Company also issued on a 1-for-2 basis a total of 9,848,195 unlisted options with an exercise price of \$0.10, expiring December 31, 2023. The options were issued on January 14, 2022.

On January 14, 2022, as part of the AUD\$1,850,000 financing (Note 6), the Company also issued on a 1-for-2 basis a total of 16,517,862 unlisted options with an exercise price of \$0.10, expiring December 31, 2023. The options were issued on January 14, 2022.

Also detailed above, on January 24, 2022, the Company also issued 10,357,142 CDIs at an issue price of AUD\$0.056 to raise AUD\$580,000 under the placement announced in November 2021. These CDIs were subject to shareholder approval at an EGM held on January 12, 2022 as they were issued to directors Mr. Paul Cronin (AUD\$500,000) and Mr. Alberto Lavandeira (AUD\$80,000). In accordance with the terms of the placement and the shareholder EGM, the Company also issued to the directors as approved by shareholders on a 1-for-2 basis a total of 5,178,570 unlisted options with an exercise price of \$0.10, expiring December 31, 2023.

On July 6, 2022, as part of the purchase consideration for Marlee Gold Pty Ltd, the Company also issued 1,000,000 unlisted options with an exercise price of \$0.098, expiring July 5, 2024 to Padbury Gold and Ivan Well projects (Note 9).

Details of stock options granted during the 9 months ended September 30, 2021

On September 9, 2021, the Company granted 4,160,000 stock options to officers and directors of the Company. The options are exercisable for a period of three years at a price of AUD\$0.096 (\$0.09) per share. The options vested immediately upon grant and were valued at \$90,177 which is included in share-based compensation at December 31, 2021 and were valued using the Black-Scholes option pricing model with the following weighted average assumptions:

Stock price	AUD\$0.06
Risk-free interest rate	0.49%
Expected volatility	71.78%
Expected life (years)	3
Expected dividend	nil

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

6. SHARE CAPITAL AND RESERVES (continued)

As at September 30, 2022 the following incentive stock options are outstanding;

Expiry Date	Number of Options	Exercise Price	Number of Options Exercisable
September 24, 2027	5,983,333	\$0.24	5,983,333
October 22, 2027	416,666	\$0.24	416,666
February 7, 2028	333,333	\$0.33	333,333
September 18, 2022	1,500,000	\$0.10	1,500,000
September 7, 2024	4,160,000	AUD\$0.096	4,160,000
December 31, 2023	31,544,627	\$0.10	31,544,627
July 7, 2024	1,000,000	A\$0.098	1,000,000
Total	44,937,959		44,937,959

During the nine months ended September 30, 2022, the Company recognized \$18,542 (2021 - \$Nil) of share-based compensation expense in relation to stock options.

Performance Rights

As part of Gabriel Chiappini's Chief Executive Officer appointment in March 2022, he was issued with a long-term incentive plan comprising of the issue of 5,000,000 performance rights that convert into ordinary shares upon the achievement of the following share price milestone hurdles:

- 1,500,000 performance rights convert to shares upon the Company's volume weighted average price of shares on ASX over 20 consecutive dates on which the Company's fully paid ordinary shares are traded exceeding AUD\$0.10;
- 1,500,000 performance rights convert to shares upon the Company's volume weighted average price of shares on ASX over 20 consecutive dates on which the Company's fully paid ordinary shares are traded exceeding AUD\$0.15; and
- 2,000,000 performance rights convert to shares upon the Company's volume weighted average price of shares on ASX over 20 consecutive dates on which the Company's fully paid ordinary shares are traded exceeding AUD\$0.20.

Each milestone has a 3-year milestone conversion date.

The fair value of the performance rights will be recognized over the estimated vesting period. During the nine months ended September 30, 2022, the Company recognized \$18,542 of share-based compensation expense (2021: \$ Nil).

Performance Rights granted during the 9 months ended September 30, 2021

There were no performance rights granted in the nine months ended September 30, 2021.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

7. 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 and former directors, Chief Financial Officers, and employees of the Company;

	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021
Management and consulting fees	\$ 173,942	\$ 65,088
Directors' fees	57,479	186,907
Wages and salaries	59,984	94,031
Share-based compensation	18,542	-
	\$309,947	\$ 346,026

There is no amounts owed to related parties as at September 30, 2022 (Dec 31, 2021: \$49,909). Refer to Note 5.

8. 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 and cash equivalents are measured at fair value using Level 1 inputs. The carrying value of deposits also approximates its fair value.

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 cash equivalents	\$2,112,827	-	-	\$2,112,827

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2022, the Company had current assets of \$2,276,994 to settle current liabilities of \$159,446 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.

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, AUD, GBP and USD denominated financial instruments at September 30, 2022, a 10% change in exchange rates between the Canadian dollar and the Euro, AUD, GBP and USD would result in a change of \$34,012 in foreign exchange gain or loss.

9. Acquisition of Marlee Gold Pvt Ltd

July 6, 2022, the Company announced the acquisition of Marlee Gold Pty Ltd ('Marlee Gold'), 100% holder of Padbury Gold and Ivan Well projects, in Australia.

Consideration for the acquisition of Marlee Gold comprises:

- (i) Exclusivity Fee: A\$10,000 fee for exclusive due diligence to acquire Marlee Gold.
- (ii) Completion consideration:
 - a. A\$70,000 cash
 - b. 1,428,571 shares (initial consideration shares), being A\$70,000 worth of shares based on the 20-day volume weighted average price (VWAP) to the date of signing the agreement; and
 - c. 1 million unlisted options exercisable at A\$0.098 each and an expiry date of 24 months from the date of issue (initial consideration options).

The initial consideration shares and options have been issued on July 7, 2022.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

9. Acquisition of Marlee Gold Pvt Ltd (continued)

- (iii) Royalty: Net smelter royalty of 1.5%
- (iv) Deferred consideration:
 - a. A\$1m payable in cash or shares subject to Black Dragon announcing to ASX a mineral resource estimate (of at least) indicated category) for the Marlee Gold projects(s) in accordance with the JORC Code of an additional 500,000 ounces of gold at a grade of at least 2 grams per tonne.
 - b. A\$1m payable in cash or shares subject to Black Dragon announcing to ASX a mineral resource estimate (of at least indicated category) for the Marlee Gold project(s) in accordance with the JORC Code of an additional 500,000 ounces of gold at a grade of at least 2 grams per tonne.

The election to pay the deferred consideration in cash or shares is at the sole discretion of Black Dragon. Should Black Dragon elect to issue shares, the deemed issue price will be equal to the 20-day VWAP to the date of satisfaction of the relevant milestone.

In addition, within the Padbury Gold Project, Marlee Gold has an option to acquire an additional exploration block from Daniel Di Nunzio Block (P51/3158).

The option period expires on January 30, 2030 and allows Marlee Gold to explore on P51/3158 and purchase the prospecting license outright for A\$100,000 with A\$1 per ounce payable on resources (measured and indicated categories) and reserves, in accordance with JORC Code, if a threshold of > 250,000 ounces at greater than or equal to 2g/t gold.

The transaction is being accounted for as a business combination with the Company identified as the acquirer. The acquisition has been accounted for on a preliminary basis taking into account the information available at the time these consolidated financial statements were prepared. No value has been allocated to goodwill in the preliminary purchase allocation as all incremental values have been expensed to exploration and evaluation costs.

Below is the consideration and assets acquired valued at fair value.

Purchase consideration	CAD
Cash paid	62,174
Shares issued	61,909
Options issued	<u>10,866</u>
Total	134,949
Net Assets acquired	<u>134,072</u>
Excess consideration charged to general exploration cost	<u>877</u>

10. 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.

BLACK DRAGON GOLD CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

Nine Months Ended 30 September 2022

11. SEGMENT INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration of exploration and evaluation assets located in Spain. The Company presently has two exploration projects, “the Salave Gold Project” and the “Marlee Gold Project”. Geographic information is as follows:

Particulars	September 2022 quarter				Year to date September 2022			
	\$	\$	\$	\$	\$	\$	\$	\$
	Canada	Spain	Australia	Total	Canada	Spain	Australia	Total
Operating Expenses	(209,105)	(121,599)	(141,434)	(472,138)	(762,667)	(340,119)	(141,434)	(1,244,220)
Other Incomes	467	-	-	467	673	-	-	673
Income/(loss) before taxes	(208,638)	(121,599)	(141,434)	(471,671)	(761,995)	(340,119)	(141,434)	(1,243,548)
Net loss	(208,638)	(121,599)	(141,434)	(471,671)	(761,995)	(340,119)	(141,434)	(1,243,548)
Total Non-Current Assets	-	-	17,784	17,784	-	-	17,784	17,784
Total Assets	2,070,451	187,869	18,674	2,276,994	2,070,451	187,869	18,674	2,276,994
Total Liabilities	87,147	72,299	-	159,446	87,147	72,299	-	159,446

12. SUBSEQUENT EVENT

There were no subsequent events to report post September 30, 2022.