BLACK DRAGON GOLD

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2018

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2018 Highlights

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 existing 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.

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 results were released on September 24, 2018.

The previous NI 43-101 Mineral Resource Estimate ("MRE") for the Salave Project (Amended Technical Report with effective date of October 7, 2016) defined measured and indicated resources totalling 6.52Mt grading 4.51 g/t Au containing 944,000 ounces of gold using a 2.0 g/t cut-off grade. This MRE 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 mineralisation intersected in numerous drill-holes during previous diamond drilling programs.
- Provide information on the orientation of structures that potentially control the orientation of gold mineralisation 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 mobilised 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 MRE has been prepared by CSA Global and released on October 25, 2018. The updated MRE (Table 1) represents a 28% increase in Measured and Indicated Resource ounces, and a 228% increase in Inferred Resource ounces.

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 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 MRE. 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.

Recent Developments

The following are subsequent events to the most recent fiscal year end at December 31, 2018:
On February 11, 2019 the Company announced the 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".

Chief Executive Officer's & Chairman's Review

Your board continues to focus on developing the 100% owned the Salave project, one of the largest undeveloped gold projects in Europe. The Salave Gold Project is situated in the Asturias province of Northern Spain. The prior year was focussed on restructuring the Company and its board and management. During 2018, the Company announced that it had commenced a 2,200m exploration drilling program on the Salave Gold Deposit 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.

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

We continue to progress negotiations with the local authority and Spanish Government to finalise the remaining approvals which will allow Black Dragon to develop the Salave Gold Project.

Paul Cronin
Chief Executive Officer and Managing Director
30 April 2019

Jonathan Battershill
Chairman
30 April 2019

Tenement Portfolio

Black Dragon Gold owns 100% of the Salave gold deposit through its wholly owned Spanish subsidiary, 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 refer table 2 and figure 2.

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. CSA Global to the extent known, is not aware of all environmental liabilities to which the property is subject. To the extent known, CSA Global is not aware of the permits that must be acquired to conduct the work proposed for the property, and if the permits have been obtained; and to the extent known, CSA Global is not aware of any other significant factors and risks that may affect access, title, or the right or ability to perform work on the property.

Table 2: Black Dragon Gold 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		
Ampliación de Figueras	29.969	10.99	9 Nov 1988	9 Nov 2048
Demasia		68.85		
Segunda Ampliación 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	14 Nov 2021

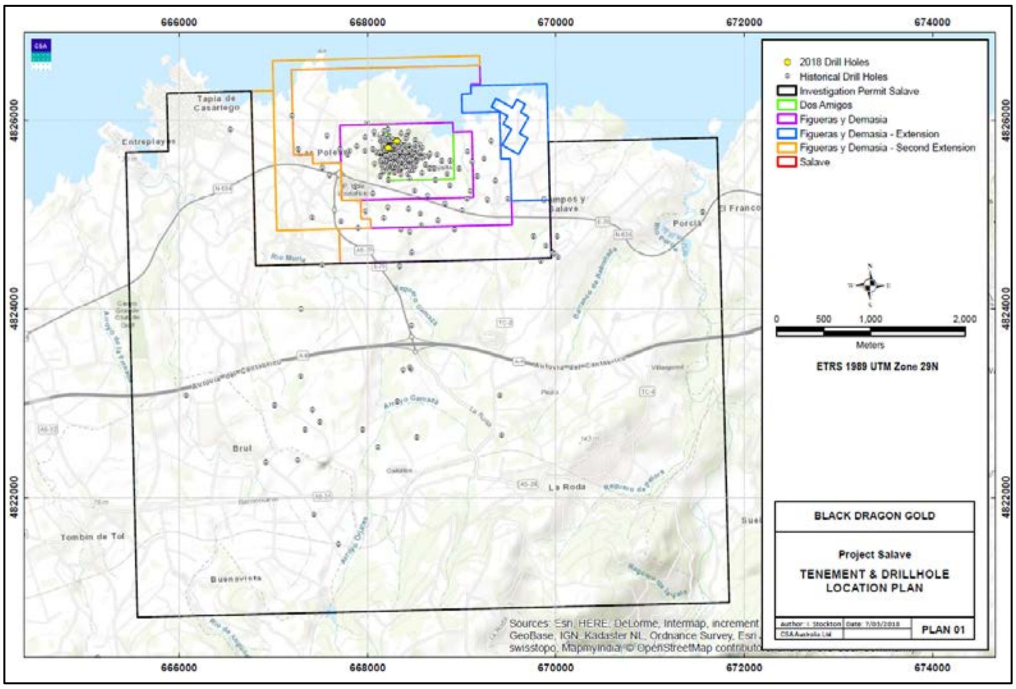

Figure 2: Tenement and drill-hole location plan

Competent Persons Statement

The Technical Information disclosed in this Annual Report has been reviewed and approved by Douglas Turnbull, P.Geo., a Qualified Person as defined under National Instrument 43-101 and a Competent Person for the purposes of JORC 2012. Mr Turnbull is a Professional Geologist and a member of the Engineers and Geoscientists of British Columbia. Mr Turnbull is a consultant to Black Dragon, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Turnbull consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

Key Performance Indicators

The near term and primary performance indicators for Black Dragon are related to its exploration activities and include:

(i) Efficiently managing the exploration programme and increasing the current mineralised footprint and Increasing Black Dragon's current JORC resource base

(ii) Advancing the permitting status on a pathway towards exploitation

(iii) Continued exploration on nearby prospects to define further drill targets with the intent of making additional mineral discoveries

(iv) Progressing the technical study elements for Salave, culminating in publishing a Pre-Feasibility study and making progress towards future Feasibility Studies.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are exposed it to a number of risks. These risks are reviewed by the Board and Management with appropriate processes put in place to monitor and mitigate the risks.

Key business risks affecting the Group are set out below.

- Exploration & Development

The Concessions and the Investigation Permit are at various stages of exploration and development. Potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration and development of these permits and concessions, or any other permits or concessions that may be acquired in the future, will result in the discovery of further mineral deposits.

Even if an apparently viable deposit is identified, such as the Mineral Resource at the Project, there is no guarantee that it can be economically exploited.

- Future funding needs

The Company has no operating revenue and is unlikely to generate any operating revenue unless and until production commences at the Project. The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of the Public Offer on August 29, 2018 should be adequate to fund its business development activities, exploration program and other Company objectives in the short term.

- Spain in-country risks

The Project is located in Spain. As such, the Company is subject to governmental, political, economic, and other uncertainties, including, but not limited to, expropriation of property, changes in mining policies or the personnel administering them. The Company's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Company's operations in Spain, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions.

The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's exploration, development and production activities in Spain could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company.

The Company may in the future acquire mineral properties and operations outside of Spain and Canada, which expansion may present challenges and risks that the Company has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of the Company.

- Operational risks

The future exploration and development activities of the Company may be affected by a range of factors, including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

Further to the above, the future development of mining operations at the Project (or any future projects that the Company may acquire an interest in) is dependent on a number of factors and avoiding various risks, including, but not limited to mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, risk of access to the required level of funding and contracting risk from third parties providing essential services.

In addition, the construction of any proposed development may exceed the expected timeframe or cost for a variety of reasons out of the Company's control. Any delays to project development could adversely affect the Company's operations and financial results and may require the Company to raise further funds to complete the project development and commence operations.

- Environmental risk

The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Spain. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

- Commodity & Currency Exchange prices

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. The prices of gold, and other minerals fluctuate widely and are affected by numerous factors beyond the control of the Company, such as industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. Future serious price declines in the market values of gold, and other minerals could cause the development of, and eventually the commercial production from, the Company's projects and the Company's other properties to be rendered uneconomic.

Jonathan Battershill
Chairman
30 April 2019

Directors and Key Management

Jonathan Battershill – Non-Executive Chairman

Mr. Battershill graduated with a Bachelor of Engineering (Geology) degree (Hons) from the Camborne School of Mines, United Kingdom in 1995. His career spans over 20 years in mining, business development and finance both in Australia and internationally. His industry experience includes senior operational and business development roles with WMC Resources Limited as well as significant stockbroking experience at Hartleys, Citigroup and UBS both in Sydney and London. Mr. Battershill was consistently voted one of the leading mining analysts in Australia between 2009 and 2015 by global institutional investors and, until mid-2017, was the Global Mining Strategist (Executive Director) with the UBS investment bank in London.

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

Paul Cronin – Chief Executive Officer and Managing Director

Paul Cronin is a unique resource finance specialist, with significant experience in equity, debt and mergers and acquisitions within the sector. As CEO of ASX listed Anatolia Energy, Mr. Cronin oversaw two successful and oversubscribed capital raisings, steering the company to be one of the best performing uranium stocks globally during his time with the company, and prior to its sale at a significant premium to its market capitalisation. Prior to Anatolia, Mr. Cronin was Vice President at the highly regarded resource fund, RMB Resources where he originated, structured and managed several debt and equity investments on behalf of the fund. Mr. Cronin has a B.Com and an MBA. Mr. Cronin has 10 years of commodity trading and structuring experience and 6 years of equity trading and fund management experience. His direct exposure to the junior resource sector as both a fund manager and CEO gives him an invaluable insight into the inner workings of capital markets serving that industry.

Mr. Cronin is also Non-Executive Direct of ASX listed Adriatic Metals plc and Non-Executive Director of TSX listed Global Atomic Corporation.

Richard Monti – Non-Executive Director

Richard Monti has had a 30-year career in the international mineral resource industry resulting in broad knowledge and resulting strategic planning capabilities. First-hand working knowledge of all aspects of the industry from project generation through exploration, resource, feasibility, construction, operations, finance, marketing and divestment. He has worked in diverse countries and has had exposure to most commodities including nickel, iron ore, coal, industrial minerals, potash, gold and base metals. He has had 45 director-years' experience on thirteen ASX and TSX listed companies covering exploration and mining activities.

His directorships roles include four as Chairman and sitting on numerous sub-committees. Mr. Monti was a principal of Ventnor Capital from 2005 to 2010, a corporate advisory business supplying advice across the commercial and corporate spectrum to junior- and mid-size companies.

Mr. Monti is currently Chairman of ASX listed Zinc of Ireland NL.

Alberto Lavandeira – Non-Executive Director

Alberto Lavandeira has over 38 years' experience operating and developing mining projects. Former Chief Executive Officer, President and COO of Rio Narcea Gold Mines (1995-2007), which built three mines including Aguablanca. Director of Samref Overseas S.A (2007-2014) – involved in the development of the Mutanda Copper-Cobalt Mine in the DRC.

Mr. Lavandeira is currently Chief Executive Officer and Managing Director of AIM and TSX listed Atalaya Mining plc.

Additional Key Management Personnel

Sean Duffy – Chief Financial Officer and Company Secretary

Sean Duffy has more than 20 years of international finance experience in the mining industry, previously with Asian Mineral Resources where he served as CFO for the TSXV-listed nickel mining company. Previously, Mr. Duffy was at Anglo Asian Mining Plc where he served as CFO and Company Secretary of the AIM-listed gold mining company and has held senior finance roles at BHP Billiton's global operations, where he oversaw the corporate integration of the company's US$9bn acquisition of Western Mining Corporation, and as Finance Director of BHP Billiton Indonesia, where he was responsible for all aspects of finance and admin, IT, procurement and logistics.

José Manuel Domínguez –General Manager in Spain

José Manuel Domínguez is a mining engineer with more than 30 years of experience across various projects in Spain, Portugal and Italy, including as a general manager for Luzenac Europe (part of the Rio Tinto Group) from 1999 to 2006, a general manager for Rio Tinto Minerals Spain (part of the Rio Tinto Group) from 2006 to 2011 and a general manager of Imerys Talc Ital (part of the Imerys Group) from 2014 to 2016.

Company Directory

Black Dragon Gold Corp. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on August 20, 2007 and is classified as a junior mining issuer with the Australian Securities Exchange ("ASX") and the TSX Venture Exchange ("TSX-V").

Black Dragon Gold Corporation is incorporated in British Columbia, company incorporation number BC0800267
Black Dragon Gold Corporation is a Registered Foreign Company in Australia: ARBN 625522250

Directors
Jonathan Battershill (Non-Executive Chairman)
Paul Cronin (Chief Executive Officer and Managing Director)
Richard Monti (Non-Executive Director)
Alberto Lavandeira (Non-Executive Director)

Company Secretary
Sean Duffy

Canadian Registered Office

1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2. Email: info@blackdragongold.com

United Kingdom Office

Second Floor, Stamford House, Regent Street, Cheltenham, Gloucestershire, GL50 1HN U.K. Phone: +44 0207 993 4077

Australian Registered Office

Ground Floor, 24 Outram Street, West Perth, WA 6005.Australia Phone: + 61 8 6102 5055

Auditor

Davidson & Company LLP, Chartered Professional Accountants, 1200-609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C V7Y 1G6

Stock Exchange Listing
TSX Venture Exchange – TSX-V (Code: BDG)
Australian Securities Exchange (Code: BDG)

Australian Share Registry
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace, Perth WA 6000
T: 1300 787 272
F: (08) 9323 2033
E: web.queries@computershare.com.au

Canadian Share Registry
Computershare Investor Services Inc. 510 Burrard St, Vancouver, BC, V6C 3B

Website

www.blackdragongold.com

Directors' Report

The Directors present their annual report with the statutory financial statements of the Group for the year ended December 31, 2018.

This report should be read in conjunction with the Strategic Report on pages 3 to 9.

1. **Board of Directors and Officers of the company**

The names of the Directors who held office during the financial year and to the date of this report were:

Director Name	Position	Appointed
Jonathan Battershill	Non-Executive Chairman	10 July 2017
Paul Cronin	CEO and Managing Director	10 July 2017
Richard Monti	Non-Executive Director	10 July 2017
Alberto Lavandeira	Non-Executive Director	10 July 2017

The company secretary is Sean Duffy.

2. **Results**

The Group realised a loss after tax for the year of CAD$3,638,540 (2017 net income of CAD$4,578,701).

3. **Going Concern**

The Group incurred a loss of CAD$3,638,540 (31 December 2017: net income CAD$4,578,701) in the period however the Group also had a net asset position at the balance sheet date.

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 the financial statements.

The 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.

4. **Dividend**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: $nil).

5. **Directors' indemnity insurance**

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

6. **Auditor**

Davidson & Company LLP, Chartered Professional Accountants have been appointed as auditors of Black Dragon Gold Corp. and at the Company's Annual General Meeting Davidson & Company LLP, Chartered Professional Accountants will be proposed for re- appointment.

7. Financial risk management objectives

The Group's financial risk management objectives and policies and exposures to risk are outlined in Note 12 to the financial statements.

8. Rounding of amounts and presentational Currency

Amounts in the Directors Report and the accompanying financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise expressly stated. The Group financial statements are presented in Canadian Dollars ("CAD$") which is the Group's presentational currency.

On behalf of the Board

Jonathan Battershill
Chairman
30 April 2019

Corporate Governance Statement

The Board of Directors of Black Dragon Gold is responsible for establishing the corporate governance framework of the group having regard to the ASX Corporate Governance Council published guidelines. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has adopted a corporate governance manual, based upon ASX Corporate Governance Council's Principles and Recommendations – 4th Edition. The board considers the Corporate Governance Manual to be suitable for the Company, given the size, history and current strategy of the Company.

The Company's Corporate Governance Manual together with the Appendix 4G 'Key to Disclosures Corporate Governance Council Principles and Recommendations', have been approved by the Board and can be located on the Company's website at https://www.blackdragongold.com/downloads/corp-governance-files-/bdg-corporate-governance-manual-final-2020.pdf

Remuneration policy for Executives and Management

Given the size of the company, the Articles, and the board structure at 31 December 2018; the company had not established a separate Remuneration and Nominations Committee with relevant matters being considered by the full Board of the Company.

The Directors have responsibility for the appointment and performance assessment of the Chief Executive Officer and Chief Financial Officer, Company Secretary, other senior executives and terms and conditions including remuneration and approving the Company's remuneration and rewards framework. When considering the remuneration policy for the Company's Executives and Management the Board will consider performance and achievement in line with the Company's objectives and to ensure the interests of shareholders and stakeholders are enhanced. The Board will perform an annual review to ensure a strong link between performance and reward is made and will form part of the annual remuneration review.

Share options

The Company has adopted a company share option plan (Plan). The Plan forms what the Board considers to be an important element of the Company's total remuneration strategy for its officers and staff.

Remuneration policy for Non-Executive Directors

The Directors have responsibility to review, monitor and make recommendations to the Board regarding the orientation and education of directors which includes an annual review of the directors' compensation program.

The Company Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide. The remuneration of the Non- Executive Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The Non-Executive Directors each have service agreements that are reviewed annually by the Board.

Directors' remuneration (audited)
The Company paid the following remuneration to each Non-Executive Director:

2018	**Salary/Fee**	**Long term benefit**	**Total**
	CAD$	CAD$	CAD$
Jonathan Battershill	86,853	-	86,853
Richard Monti	52,255	-	52,255
Alberto Lavandeira	51,327	-	51,327
TOTAL	190,435	-	190,435

The annual Directors fees payable by the Company is as follows:

	Salary/Fee
	GBP£
Jonathan Battershill	50,000
Paul Cronin – (Executive Director)	150,000
Richard Monti	30,000
Alberto Lavandeira	30,000
Total	260,000

Related Party Note – Director Advisor Fees

The Company has entered into a consultancy agreement with Paul Cronin and Swellcap Limited (Cronin Agreement). Under the Cronin Agreement, Mr. Cronin is engaged by the Company to provide consultancy services to the Company as chief executive officer, commencing from the date the Company's closes a capital raising of C$8,500,000. On 4 July 2017, the Company filed a news release on the TSX-V disclosing that it had successfully closed a private placement to raise C$8,500,000. The total consultancy fee payable to Mr. Cronin for the consultancy services is £150,000 per annum plus a further £10,000 for Administration Services provided by other employees of Swellcap Limited. £20,000 is payable in respect of office facilities for use by the Company.

The Company will also reimburse Mr. Cronin for reasonable expenses necessarily incurred by him in the performance of the consultancy services. Mr. Cronin will report to the Board in relation to his engagement and the provision of the CEO consultancy services, which include managing the business of the Company, implementing strategy and managing operational functions of the Company in the role of CEO and as directed by the Board. Mr. Cronin may terminate the Cronin Agreement without cause by providing 3 months written notice to the Company. The Company may terminate the Cronin Agreement immediately with cause or by providing 6 months written notice without cause.

In the event the Company is the subject of a change of control transaction, Mr. Cronin is entitled to receive a transaction bonus equal to £150,000.

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Directors' Share options

In addition to the fees above, the Company has issued the following options to Directors.

Name of Director Non-Executive and Executive	Options granted	Total options vested as at 1 January 2018	Options vesting in the year	Total options vested as at 31 December 2018	Exercise price	Date of expiry
Jonathan Battershill	1,583,333	-	950,000	950,000	CAD$0.24	24/9/2027
Paul Cronin- Executive Director	2,633,333	-	1,580,000	1,580,000	CAD$0.24	24/9/2027
Richard Monti	666,666	-	400,000	400,000	CAD$0.24	24/9/2027
Alberto Lavandeira	1,100,000	-	660,000	660,000	CAD $0.24	24/9/2027

Directors' interests

The Directors' interests in shares and other securities in Black Dragon Gold are set out below:

Non-Executive Director	Number of ordinary Shares (CDI's) 31 December 2018	Number of options 31 December 2018
Jonathan Battershill	313,635	1,583,333
Paul Cronin – Executive Director	893,900	2,633,333
Richard Monti	458,333	666,666
Alberto Lavandeira	200,000	1,100,000

Directors Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable Canadian Company law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Canada governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Jonathan Battershill
Chairman
30 April 2019

BLACK DRAGON GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Black
Dragon Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Black Dragon Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of operations and comprehensive income (loss), cash flows and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $3,638,540 during the year ended December 31, 2018 and, as of that date, the Company's total deficit was $30,327,730. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 30, 2019

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current			
Cash and equivalents		$ 3,582,261	$ 1,753,221
Receivables	3	224,226	69,952
Prepaid expenses		422	9,154
		3,806,909	1,832,327
Equipment	4	-	685
Exploration and Evaluation	5	-	-
Deposits		1,240	1,240
		1,240	1,925
Total assets		$ 3,808,149	$ 1,834,252
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Accounts payable and accrued liabilities	6,11	$ 493,625	$ 773,800
Interest payable	8	43,426	28,057
Loan facility	7	-	-
		537,051	801,857
Convertible debenture	8	-	216,200
Total liabilities		537,051	1,018,057
Shareholders' equity			
Share capital	9	23,116,685	19,695,960
Warrants	9	4,724,574	3,164,574
Equity portion of convertible debenture	8	-	15,388
Reserves	9	5,757,569	4,629,463
Deficit		(30,327,730)	(26,689,190)
Total shareholders' equity		3,271,098	816,195
Total liabilities and shareholders' equity		$ 3,808,149	$ 1,834,252

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

These consolidated financial statements were approved for issue by the Board of Directors on 28th March, 2019 and are signed on its behalf by:

/s/ ***Paul Cronin***	/s/ ***Richard Monti***
Paul Cronin	Richard Monti
Director	Director

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

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)
YEARS ENDED

	Notes	December 31, 2018	December 31, 2017
EXPENSES			
Consulting		$ 135,206	$ 34,715
Depreciation	4	685	296
Directors' fees	11	190,435	139,282
Filing fees		13,310	39,306
Foreign exchange Loss		155,601	(275,189)
General and administrative	11	578,665	304,841
Exploration and evaluation costs		798,222	47,298
Management fees	11	381,029	1,073,979
Professional fees	11	117,246	339,861
Rent		-	42,612
Shareholder communication		7,773	69,484
Share-based compensation	9, 11	906,006	776,038
Transfer agent		29,443	14,133
Travel and related		48,127	144,038
Loss before other items		(3,361,748)	(2,750,694)
OTHER ITEMS			
Interest and accretion expense	7, 8	(18,546)	(575,229)
Interest income		11,765	-
Gain on settlement of RMB loan	7	-	7,901,372
Loss on settlement of accounts payable	9	-	(118,815)
Settlement of RMB royalty	7	(576,051)	-
Other income	10	306,040	122,067
		(276,792)	7,329,395
Income (loss) and comprehensive income (loss) for the year		$ (3,638,540)	$ 4,578,701
Basic earnings (loss) per common share	9	$ (0.04)	$ 0.09
Diluted earnings (loss) per common share	9	$ (0.04)	$ 0.09

BLACK DRAGON GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
YEARS ENDED

	December 31, 2018	December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ (3,638,540)	$ 4,578,701
Items not affecting cash:		
Depreciation	685	296
Interest and accretion expense	46,603	575,229
Share-based compensation	906,006	776,038
Gain on settlement of RMB loan	-	(7,901,372)
Interest received on GIC	(9,114)	-
Loss on settlement of accounts payable	-	118,815
Unrealized foreign exchange gain	-	(435,633)
Change in non-cash working capital items		
Decrease in receivables	(154,274)	(38,550)
Decrease (increase) in prepaid expenses	8,732	(8,549)
Increase (decrease) in accounts payable and accrued liabilities	(308,232)	(780,800)
Net cash used in operating activities	(3,148,134)	(3,115,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debenture	-	251,000
Interest received on GIC	9,114	-
Settlement of RMB loan	-	(4,493,966)
Shares and units issued for cash, net	4,968,060	8,948,428
Exercise of stock options	-	57,750
Net cash provided by financing activities	4,977,174	4,763,212
Change in cash and cash equivalents during the year	1,829,040	1,647,387
Cash and cash equivalents, beginning of year	1,753,221	105,834
Cash and cash equivalents, end of year	$ 3,582,261	$ 1,753,221

Supplemental disclosure with respect to cash flows (Note 10)

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

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

	Share Capital						
	Number	Amount	Warrants	Convertible debenture - Equity portion	Reserves	Deficit	Total
Balance, December 31, 2016	17,001,117	$ 13,165,615	$ -	$ -	$ 4,059,101	$ (31,267,891)	$ (14,043,175)
Shares issued for cash, net	55,961,558	5,565,702	2,675,622	-	-	-	8,241,324
Shares issued to finder's	3,856,011	410,586	-	-	-	-	410,586
Exercise of options	350,000	96,662	-	-	(38,912)	-	57,750
Debt settlements	1,694,055	457,395	-	-	-	-	457,395
Convertible debenture	-	-	-	15,388	-	-	15,388
Warrants issued with convertible debenture	-	-	166,764	-	-	-	166,764
Warrants issued to finder's	-	-	322,188	-	-	-	322,188
Share-based compensation	-	-	-	-	609,274	-	609,274
Income for the year	-	-	-	-	-	4,578,701	4,578,701
Balance, December 31, 2017	78,862,741	$ 19,695,960	$ 3,164,574	$ 15,388	$ 4,629,463	$ (26,689,190)	$ 816,195

	Share Capital						
	Number	Amount	Warrants	Equity Portion of Convertible Debenture	Reserves	Deficit	Total
Balance, December 31, 2017	78,862,741	$ 19,695,960	$ 3,164,574	$ 15,388	$ 4,629,463	$ (26,689,190)	$ 816,195
Shares issued for cash	30,000,000	5,727,541	-	-	-	-	5,727,541
Finders' fees and capital costs- cash	-	(759,481)	-	-	-	-	(759,481)
Finders' fees – ASX CDI's (shares)	483,333	-	-	-	-	-	-
Finders' fees – ASX options	-	(222,100)	-	-	222,100	-	-
Shares issued for convertible debentures	1,515,151	219,377		-	-	-	219,377
Conversion of convertible debt	-	15,388		(15,388)	-	-	-
Residual value of warrants	-	(1,560,000)	1,560,000				-
Share-based compensation	-	-	-	-	906,006	-	906,006
Loss for the year	-	-	-	-	-	(3,638,540)	(3,638,540)
Balance, December 30, 2018	**110,861,225**	**$ 23,116,685**	**$ 4,724,574**	**$ -**	**$ 5,757,569**	**$ (30,327,730)**	**$ 3,271,098**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Black Dragon Gold Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on August 20, 2007, and is classified as a junior mining 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. Subsequent to year end, the Company voluntarily delisted from the TSX-V (Note 16).

These consolidated 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 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.

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 and all equity related issuances are presented on a post consolidation basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements for the year ended December 31, 2018 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").

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's consolidated financial statements are discussed below.

The Company's consolidated financial statements for the year ended December 31, 2018 have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Carrying amount and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to proceed with and complete development and upon future profitable production or proceeds from the disposition of the exploration and evaluation asset interests themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its exploration and evaluation asset interests or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

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. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 9.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Exploraciones Mineras del Cantabrico S.L. ("EMC"). EMC is a mining company in Asturias, Spain. All inter-company transactions and accounts have been eliminated upon consolidation.

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided annually over the estimated useful life using the following methods:

Office equipment	30% declining balance

Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and depreciated using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, the property is abandoned or management deems there to be an impairment in value, the property is written down to its net realizable value.

Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred. Exploration expenditures are the costs of exploring for mineral resources other than those occurring at existing operations and projects and comprise geological and geophysical studies, exploratory drilling, and sampling and resource development. Evaluation expenditures include the cost of conceptual and feasibility studies and evaluation of mineral resources at existing operations. When a decision is taken that a mining project is technically feasible and commercially viable, subsequent directly attributable expenditures are considered development expenditure and are capitalized within property, plant and equipment or mineral properties. If a property does not prove economically recoverable or technically feasible, all irrecoverable costs associated with the project, net of any previous impairment provisions, are written off.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date the carrying amounts of the Company's long-lived non-financial assets, which are comprised of property, plant and equipment, and exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in profit or loss for the year.
Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component. The Company accounted for its convertible debentures (Note 8) as compound financial instruments. The conversion feature is treated as an equity component and accounted for in compliance with IAS 32 and IAS 39 relating to initial recognition of compound financial instruments.

IAS 39 deals with the measurement of financial assets and liabilities. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of any derivative features embedded in the compound financial instrument other than the equity component is included in the liability component.

The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

The convertible debentures met the criteria to be accounted for as a compound instrument in accordance with IAS 32. As such, the Company has first determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the conversion feature has then been determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Decommissioning provisions

The Company recognizes the fair value of a liability for a decommissioning provision in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any decommissioning provisions as at December 31, 2018 and 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants, except where there is a related flow-through share premium, as detailed in the next paragraph. Any fair value attributed to the warrants is recorded as reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

Stock options and direct awards of stock granted to employees and other providing similar services are measured at fair value on the date of grant and is recognized as an expense with a corresponding increase in reserves as the options vest. Fair value is determined using the Black Scholes option pricing model taking into the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Options granted to non-employees are measured at their fair value of goods or series received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial position reporting date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Accounting Policies - Financial instruments

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below

IFRS 9, Financial instruments ("IFRS 9")

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial instruments: recognition and measurement ("IAS 39"). There was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9 on January 1, 2018.

Classification and measurement of financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 financial assets categories of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets and liabilities is set out as follows:
A financial asset is classified as measured at amortized cost, FVTPL or FVTOCI. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. Financial assets and liabilities are classified as follows:

	IAS 39 Classification	**IFRS 9 Classification**
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash	FVTPL	FVTPL
Trade and other payables	Other financial liabilities	Amortized cost

Impairment of financial assets

An ECL model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of accounts receivable.

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets on the transition date given the receivables are all current and the minimal historical level of default.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, FVTPL or fair value through other comprehensive income ("FVOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Exploration and evaluation assets

Management revisited the treatment of exploration costs and concluded that, in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, the change in accounting policy from capitalizing to expensing exploration and evaluation expenditures makes the financial statements more relevant to the economic decision-making needs of its users. The Company's policy is disclosed in note 2. The change in accounting policy and its retroactive application had no effect on the Company's financial statements for all periods presented or the opening balances for all accounts presented.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards and interpretations issued but not yet applied

As at the date of these financial statements, the following standards have not been applied in these financial statements:

(i) IFRS 16 – New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

(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.

3. RECEIVABLES

	December 31 ,2018	December 31, 2017
Value-added tax receivable	$ 172,068	$ 38,719
GST receivable	52,158	29,183
Other	-	2,050
Total	$ 224,226	$ 69,952

(Expressed in Canadian dollars)

4. EQUIPMENT

	Office equipment	Total
Cost		
Balance, December 31, 2018, 2017 & 2016	$ 1,359	$ 1,359
Accumulated depreciation		
Balance, December 31, 2016	$ 378	$ 378
Depreciation for the year	296	296
Balance, December 31, 2017	$ 674	$ 674
Depreciation for the year	685	685
Balance, December 31, 2018	$ 1,359	$ 1,359
Carrying amounts		
As at December 31, 2017	**$ 685**	**$ 685**
As at December 31, 2018	**$ -**	**$ -**

5. EXPLORATION AND EVALUATION ASSETS

Salave Gold Property

The Salave Project is comprised of 30-year-term mining concessions over the resource area. The company applied for an administrative authorisation permit ("AAP") in 2015, which is similar to a construction permit. This was denied due to the Company not adequately addressing the concerns of the relevant stakeholders in relation to certain water issues. The Company subsequently brought administrative judicial proceedings against the relevant authorities claiming both the reversal of the decision and €8.59 million in damages. The legal proceedings essentially blocked the development process as it halted further consultation and negotiation. All judicial proceedings have now been dismissed.

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

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

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Salave Gold Property (continued)

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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payables	$ 237,976	$ 383,087
Accrued liabilities	180,855	275,943
Due to related parties (Note 11)	74,794	114,770
Total	$ 493,625	$ 773,800

7. LOAN FACILITY

	2018	2017
Loan facility borrowings, beginning of year	$ -	$ 10,498,919
Foreign exchange	-	(358,868)
Settlement	-	(10,140,051)
Loan facility borrowings, end of year	$ -	$ -

In June 2013, the Company, through their subsidiary, EMC, closed an agreement for a $10,000,000 loan facility ("Facility") to be provided by RMB Australia Holdings Limited ("RMB"), the lender. On August 8, 2013, the Facility was amended to convert all amounts owing and future borrowings from Canadian dollars to US dollars. Previously drawn Canadian dollar amounts were converted to their US dollar equivalents. The total value of the loan facility available to the Company was converted to US$10,000,000. During the year ended December 31, 2018, the Company recorded $nil (2017 - $540,011) in interest expense.

The repayment of principal and interest, originally due June 2016, was extended to July 6, 2017.

On July 6, 2017, the Company settled the RMB loan facility, including accrued interest, for cash consideration of $4,493,966 and the granting by the Company to RMB of a 2% net smelter return ("NSR") royalty on the first 800,000 ounces of gold production from the Salave property.

As a result, during the year ended December 31, 2017, the Company recorded a gain on settlement of debt totalling $7,901,372. On 4 October 2018 the Company entered into an agreement with RMB to buy out the 2% NSR on the first 800,000 ounces of production at a buy-out fee of $576k (US$447k).

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURE

During April 2017, the Company issued unsecured convertible debentures with a total principal amount of $251,000, bearing interest at the rate of 15% per annum. The debentures will mature and be repayable on or before April 18, 2019. The debentures are convertible into common shares of the company at a conversion price $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 were issued. 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 holders 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-V, Lionsbridge Capital Pty. Ltd., a company owned and controlled by Brian S. Wesson, former chief executive officer, B. Clyde Wesson, former chief operating officer, and Amelia Wesson, former vice-president, received a finder's fee of 190,151 common 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.

	Liability component		Equity Component
	Fair value	**Carrying Value**	**fair value**
Balance, December 31, 2016 and 2015	$ -	$ -	$ -
Issuance of convertible debentures	251,000	209,941	(15,388)
Accretion	-	6,259	-
Balance, December 31, 2017	**$ 251,000**	**$ 216,200**	**$ 15,388**
Accretion	-	3,177	-
Conversion of convertible debentures	(251,000)	(219,377)	(15,388)
Balance, December 31, 2018	$ -	$ -	$ -

9. SHARE CAPITAL AND RESERVES

Authorized:

Unlimited number of common shares without par value.

Issued - 2018 transactions

On May 1, 2018, the Company completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option and warrant (the "Share Consolidation"). Prior to the Share Consolidation, the Company had 236,588,374 Shares issued and outstanding. Following the Share Consolidation, the Company had 78,862,741 Shares issued and outstanding. The Share Consolidation has been presented throughout the consolidated financial statements retroactively.

On May 2, 2018, the Company issued 1,515,151 common shares on the full conversion of the $251,000 principal balance of the convertible debenture.

On August 22, 2018 the Company issued 30,000,000 CHESS Depository Interests ("CDI's") in conjunction with an Initial Public Offering ("Prospectus Offering") on the Australian Securities Exchange ("ASX") for gross proceeds of $5,727,541 (AUD$6,000,000). Each CDI unit is comprised of one common share and one option warrant for every 2 CDI units issued at a share price of AUD$0.33 ($0.31), expiring on August 22, 2019. A residual value of $1,560,000 was allocated to the warrants. The value attributed to the warrants was based on the residual method, which values the common shares at fair value, with the remaining amount of the proceeds being allocated to the warrants.

Finders fees and listing costs paid in conjunction with the Prospectus Offering were comprised of cash payments totaling $759,481, the issuance of 483,333 CDI's valued at $92,493 and the issuance of 6,075,000 share purchase options valued at $222,100 exercisable for one year, all with the same terms as those attached to the unit warrants.

Issued - 2017 transactions

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

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

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

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Issued – 2017 transactions (continued)

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

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

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

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

Warrants

A summary of the number of common shares reserved pursuant to the Company's warrants outstanding as at December 31, 2018 and 31 December 2017, is as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, December 31, 2016	4,740,864		0.24
Issued	60,895,489		0.36
Outstanding, December 31, 2017	65,636,353	$	0.34
Issued	15,000,000		0.32
Expired	(4,740,864)		0.24
Outstanding, December 31, 2018	75,895,489	$	0.34

(Expressed in Canadian dollars)

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

Warrants (continued)

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

Expiry date	Number	Exercise Price
March 28, 2019	133,333	0.24
March 29, 2019	121,666	0.24
April 18, 2019	1,521,143	0.30
May 1, 2019	190,000	0.33
June 30, 2019	52,404,752	0.50
October 11, 2019	191,266	0.78
December 31, 2019	3,666,666	1.00
June 29, 2021	2,666,666	2.50
August 29, 2019	15,000,000	0.64
Total	75,895,492	0.61

The fair value for share purchase warrants issued have been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	-	0.96%
Expected life (in years)	-	2.00
Expected volatility	-	219.89%
Expected dividend rate	-	0.00%
Fair value	-	$0.03

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.

A summary of the status of the Company's stock options as at December 31, 2018 and 2017 is as follows:

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2016	621,666	1.20
Granted	7,210,000	0.24
Exercised	(350,000)	0.18
Expired	(555,000)	1.17
Cancelled	(266,666)	0.18
Outstanding, December 31, 2017	6,660,000	0.25
Granted	6,408,333	0.32
Expired	(66,667)	1.20
Outstanding, December 31, 2018	13,001,666	0.28

A summary of the number of common shares reserved pursuant to the Company's options outstanding as at December 31, 2018 is as follows:

Expiry Date	Number of Options	Exercise Price
February 22, 2019	193,333	$0.165
September 24, 2027	5,983,333	$0.24
October 22, 2027	416,667	$0.24
August 29, 2023	333,333	$0.33
August 29, 2019	6,075,000	$0.31
Total	13,001,666	$0.28

During the year ended December 31, 2018, the Company recognized $906,006 (2017 - $776,038) of share-based compensation expense.

9. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

2018 transactions

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

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

2017 transactions

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

On September 25, 2017, the Company granted 5,983,333 stock options to directors of the Company. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) three years from the date each milestone is obtained, or ii) ten years from the date of grant being September 24, 2027. 40% will vest upon receipt of a drilling permit for the Salave Gold project; or if a previous permit is deemed to be still active, upon commencement of a drilling program, exercisable at a price of $0.24 per share. 20% will vest upon completion of an equity financing of minimum $1,000,000 in North America, exercisable at a price of $0.33 per share. 20% will vest upon commencement of trading of the Company's shares on the Australia Stock Exchange, exercisable at a price of $0.33 per share. 20% will vest upon completion of a Preliminary Economic Assessment Study or a Scoping Study on the Salave Gold Project, exercisable at a price of $0.45 per share. As at March 31, 2018, two of the above milestones have been achieved for the receipt of the drilling permit and successful equity financing.

On October 23, 2017, the Company granted 416,666 stock options to an employee of the Company exercisable at a price of $0.24 per share. These options vest upon achievement of certain performance conditions and expire at the earlier of: i) five years from the date each milestone is obtained, or ii) ten years from the date of grant being October 22, 2027. 40% will vest upon completion of 1,000m of drilling at the Salave Gold Project and 60% will vest upon completion of a Joint Ore Reserves Committee Report on exploration results, mineral resources and ore reserves or National Instrument 43-101 Preliminary Economic Assessment or Scoping Study on the Salave Gold Project. As at September 30, 2018, the milestone has been achieved for the completion of 1,000m drilling at the Salave Gold Project.

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

EPS and diluted EPS

Basic EPS is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potential dilutive common shares related to stock options, warrants, and convertible debentures issued by the Company.

		2018		2017
Net income (loss) attributable to common shareholders	$	(3,638,540)	$	4,578,701
Weighted average number of common shares - basic		90,812,051		46,569,062
Weighted average number of common shares - diluted		90,812,051		48,120,624
Basic earnings (loss) per common share - basic	$	(0.04)	$	0.09
Basic earnings (loss) per common share - diluted	$	(0.04)	$	0.09

The Company's stock options and convertible debentures had a dilutive effect during the year ended December 31, 2018.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the years ended December 31, 2018 and 2017, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

		2018		2017
Allocation of equity portion of convertible debt	$	15,388	$	-
Residual value of unit warrants	$	1,560,000	$	2,675,622
Fair value of finder's warrants	$	-	$	322,188
Fair value of warrants issued with convertible debentures	$	-	$	166,764
Shares issued for convertible debt	$	219,377	$	-
Options issued as finders fees	$	222,100	$	-
Shares issued as finders fees	$	92,493	$	-

Accounts payable of $306,040 (2017 - $122,067) was forgiven during the year. No cash was paid income taxes in all periods presented.

Cash and equivalents consist of $785,320 (2017 - $730,221) of cash and $2,796,941 (2017 - $1,023,000) in cash equivalents.

11. 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.

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel

The following amounts were incurred with respect to the President and Chief Executive Officer, a Director, the Chief Operating Officer and the Chief Financial Officer 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.

12. 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

12. 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 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 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 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.

13. CAPITAL MANAGEMENT

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

(Expressed in Canadian dollars)

14. SEGMENTED INFORMATION

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

	Deposits	Equipment	Total
December 31, 2018			
Canada	$ 1,240	$ -	$ 1,240
Spain	-	-	-
	$ 1,240	$ -	$ 1,925
December 31, 2017			
Canada	$ 1,240	$ 981	$ 2,221
Spain	-	-	-
	$ 1,240	$ 981	$ 2,221

15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2018	2017
Income (Loss) for the year	$ (3,638,540)	$ 4,578,701
Expected income tax recovery	$ (982,000)	$ 1,190,000
Change in statutory, foreign tax, foreign exchange rates and other	(79,000)	(853,000)
Share issuance costs	(205,000)	(174,000)
Permanent differences	245,000	145,000
Adjustment to prior year tax provision versus statutory tax returns	(309,000)	(572,000)
Change in unrecognized deductible temporary differences	1,330,000	264,000
Total income tax expense (recovery)	$ -	$ -

The significant components of the Company's temporary differences and tax losses that have not been recognized on the consolidated statements of financial position are as follows:

Temporary Differences	2018	Expiry Date Range	2017	Expiry Date Range
Exploration and evaluation assets	$ 19,723,000	No expiry date	$ 19,017,000	No expiry date
Share issue costs and other	1,387,000	2039 to 2042	705,000	2038 to 2041
Non-capital losses available for future period	15,372,000	2023 to no expiry	11,769,000	2023 to no expiry

Tax attributes are subject to review and potential adjustment by tax authorities.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2018:

On February 11, 2019 the Company announced the 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".

Annual Mineral Resources Statement

A summary of the Company's annual review of its Mineral Resources is in the Executive Director's Review above.

As at 31 December 2018, the Company's Mineral Resource holdings was comprised of the following. The Company's sole project is the Salave Gold Project in Asturias, Spain:

Mineral Resource Estimate for the Salave Gold Deposit at a 2.0 g/t Au cut-off grade,

Resource Category	Tonnes (Mt)	Au grade (g/t)	Au contained metal (koz)
Measured	1.0	5.6	190
Indicated	7.2	4.4	1,020
Measured + Indicated	**8.2**	**4.6**	**1,210**
Inferred	3.1	3.5	350

Notes:

- *The Mineral Resource Estimate was carried out by Dmitry Pertel, MSc (Geol), MAIG, GAA of CSA Global, the independent Qualified Person as defined by National Instrument 43-101. A copy of the technical report "Salave Gold Project Mineral Resource Update for Black Dragon Gold Corp." is posted on the Company's website www.blackdragon gold.com*
- *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), and the JORC Code*
- *A cut-off grade of 2 g/t Au has been applied when reporting the Mineral Resource.*
- *All density values were interpolated, except CHL and SER domains where a single density value of 2.67 t/m^3 was used.*
- *Rows and columns may not add up exactly due to rounding.*
- *Mineral Resources that are not Mineral Reserves have not demonstrated economic viability.*
- *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 Company first reported the 2018 MRE in accordance with the JORC Code and ASX listing rule 5.8 in its ASX announcement of 25 October 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimate in the previous announcement continue to apply and have not materially changed.*

Changes to Mineral Resource Estimate from prior year

On 25 October 2018, Black Dragon Gold announced an increase in the Mineral Resource Estimate at its Salave Gold Deposit. The updated estimate, which has been prepared in accordance with JORC, follows 2,217 metres of core drilling completed in 2018 and based on a revised interpretation of the Salave Deposit. The updated combined Measured and Indicated Mineral Resource now totals 8.21 million tonnes grading 4.58 g/t Au, containing 1.21 million ounces of gold, plus inferred resources totalling 3.12 million tonnes grading 3.47 g/t Au, containing 348,000 ounces of gold. The new Mineral Resource estimate has yielded a small increase in average grade and for Salave represents a 28% increase from the 944,000 combined Measured and Indicated ounces defined in the Company's previous resource estimate at the same cut-off grade of 2.0 g/t Au, released in March 2014 and restated on 2 February 2017. Please refer to the table above for reference to the new Mineral Resource Estimate

The Company has ensured that the Mineral Resources quoted are subject to thorough governance arrangements and internal controls. The Mineral Resource estimates were prepared by independent specialist resource and mining consulting group CSA Global. The Company understands that CSA Global is an experienced consulting group which applies best practice in modelling and estimation methods. CSA has also undertaken reviews of the underlying information used to generate the resource estimation. In addition, the Company's management carries out regular reviews and audits of internal processes and external consultants that have been engaged by the Company.

The Annual Mineral Resources statement above is based on and fairly represents information and supporting documentation prepared by a competent person or persons. The Annual Mineral Resource statement as a whole has been reviewed and approved by Douglas Turnbull, P.Geo., a Qualified Person as defined under National Instrument 43-101 and a Competent Person for the purposes of JORC 2012. Mr Turnbull is a Professional Geologist and a member of the Engineers and Geoscientists of British Columbia. Mr Turnbull is a consultant to Black Dragon, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Turnbull consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

Use of Funds Statement

The Company was admitted to the official list of ASX on 27 August 2018 ("Admission"). As part of the Company's listing on ASX, it issued a replacement prospectus dated 23 July 2018 which disclosed the Company's intended use of funds in the 18 month period following Admission (that is, until 27 February 2020) ("Use of Funds"). The Company raised the maximum subscription ($6 million) under its ASX IPO.

For the period commencing on Admission and ending 31 December 2018, the Company's actual expenditure has been materially consistent with its business objectives as disclosed in the replacement prospectus. The Company's exploration expenditure was lower than forecast in the replacement prospectus as a result of ongoing delays in receiving the required government approvals. The risk of such delays was disclosed in the replacement prospectus.

Corporate governance statement

The Company's corporate governance statement for the year ended 31 December 2018 is available on the Company's website at https://www.blackdragongold.com/downloads/corp-governance-files-/bdg-corporate-governance-manual-final-2020.pdf.

ASX Additional Information

Shareholdings

The issued capital of the Company as at 30 April 2019 was 110,861,225 fully paid ordinary shares.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Distribution of Ordinary Shares

Range	Total holders	Shares	% Shares
1 - 1,000	11	3,596	0.00%
1,001 - 5,000	15	60,155	0.05%
5,001 - 10,000	84	814,791	0.73%
10,001 - 100,000	224	10,052,577	9.07%
100,001 Over	128	99,930,106	90.14%
Total	**462**	**110,861,225**	**100.00%**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Shares
Minimum $ 500.00 parcel at $ 0.0960 per share	5,209	26	63,751

Substantial shareholders as at 30 April 2019

As at 30 April 2019 there was 1 shareholder who held a substantial shareholding within the meaning of the Australian Corporations Act. A person has a substantial holding if the total votes that they or their associates have relevant interests in is five per cent of more of the total number of votes.

Name	Shares	% of issued capital
Oceanic Capital Pty Ltd	6,510,500	5.87 %

Unquoted Securities

Total Unquoted Options	21,074,999
Total number of holders of Unquoted Options	390

Significant Option Holders

Name	Number of Options
BPM Capital Limited	1,250,000

Total Unquoted Warrants expiring between 28 March 2019 and 29 June 2021	75,895,492

ASX Additional Information

Voting Rights

The Company is incorporated under the legal jurisdiction of British Columbia, Canada. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, Depositary Instruments called CHESS Depositary Interests (CDIs) are issued. Each CDI represents one underlying ordinary share in the Company (Share). The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited (CDN), a subsidiary of ASX, holds the legal title to the underlying Shares.

Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

If holders of CDls wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDls must allow CDI holders to attend any meeting of the holders of Shares unless relevant English law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

(i) instructing CDN, as the legal owner, to vote the Shares underlying their CDls in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or

(ii) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDls for the purposes of attending and voting at the general meeting; or

(iii) converting their CDls into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDls). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As holders of CDls will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDl they hold.

Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These voting rights exist only under the ASX Settlement Operating Rules, rather than under British Columbia Law. Since CDN is the legal holder of the applicable Shares and the holders of CDIs are not themselves the legal holder of their applicable Shares, the holders of CDls do not have any directly enforceable rights under the Company’s articles of association.

As holders of CDIs will not appear on our share register as the legal holders of shares of ordinary shares they will not be entitled to vote at our shareholder meetings unless one of the above steps is undertaken.