BLACK DRAGON GOLD CORP.
(formerly Astur Gold Corp.)
FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(Expressed in Canadian dollars unless otherwise noted)

Background

This Management's Discussion and Analysis of Black Dragon Gold Corp. (formerly Astur Gold Corp.) ("Black Dragon Gold" or the "Company") ("MD&A") provides analysis of the Company's financial results for the nine months ended September 30, 2016 and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2016 and the related notes thereto, prepared in accordance with International Accounting Standard No.34, Interim Financial Reporting. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015 and the related notes thereto. All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available for viewing on SEDAR at www.sedar.com. This MD&A is based on information available as at November 29, 2016.

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's unaudited condensed consolidated interim financial statements and MD&A, is complete and reliable.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.

Additional information related to the Company is available for view on the Company's website www.blackdragongold.com and on SEDAR at www.sedar.com.

Company Overview

Black Dragon Gold Corp. (formerly Astur Gold Corp.) (the "Company" or "Black Dragon Gold") was incorporated under the laws of the Province of British Columbia on August 20, 2007. The Company completed its Initial Public Offering ("IPO") in February 2008 and commenced trading on the TSX-V. On Listing the, the Company was classified as a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange (the "TSX-V"). In April 2010, the Company completed its Qualifying Transaction and was classified as a junior mining issuer with the TSX-V. The Company's head office address is Suite 545 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The registered and records office address is located at Suite 2080 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

Company Restructuring

On July 12, 2016, the Company entered into strategic agreements facilitated by Lionsbridge Pty Ltd. ("Lionsbridge") for the restructuring of the Company, the agreements closed and came into effect on October 11, 2016, the Company changed its name from Astur Gold Corp. to Black Dragon Gold Corp. and began trading on the TSX Venture Exchange under the symbol BDG.V.

Lionsbridge, RMB Australia Holdings Limited ("RMB") and the Company entered into an option agreement, facilitated by Lionsbridge, under which RMB has granted the Company the option (the "Option") to repay the secured debt facility owed by the Company to RMB (see Note 7) in consideration for a cash payment of US$3,000,000, a 2% net smelter returns royalty on the first 800,000 ounces of gold produced from the Company's Salave Project (the "NSR") and certain additional consideration to a maximum of U.S $6,000,000 if, over a three year period, the Company enters into any sale, merger or joint venture involving the Salave Project where the Salave Project is valued in excess of US$10,000,000, and reimbursement of certain expenses. The NSR may be repurchased by the Company at any time until the earlier of (a) receipt of primary environmental approvals for the Salave Project or (b) December 31, 2017 for a cash payment of US$3.0 million. If the Company wishes to repurchase the NSR before December 31, 2016, it may do so for a cash payment of US$2.0 million. Under the Option Agreement, RMB granted Lionsbridge the exclusive right until September 6, 2016 (the "Exclusivity Period"), as extended, to arrange the necessary financing to exercise the Option. The Option would terminate if it was not exercised on or before the expiry of the Exclusivity Period, as amended. Under the terms of the Option, RMB continued to contribute working capital to the Company during the Exclusivity Period. The Company exercised the Option and executed definitive agreements which on closing will transfer the relevant underlying, subsidiary level, security to the Company.

The Company has also entered into a services agreement (the "Services Agreement") with both Lionsbridge and Westech International Pty Ltd. ("Westech") under which Lionsbridge will provide the Company with corporate management services. Westech will be engaged by the Company to provide technical services from time to time for the development of the Company's business.

Under the terms of the Services Agreement, the management and Board of Directors of the Company was restructured. All management and the Board of Directors tendered their resignations and Brian Wesson, Clyde Wesson, and Mark Gelmon were appointed to the Board. Brian Wesson was also appointed as President and CEO, Mark Gelmon was appointed as Chief Financial Officer and Marion McGrath was appointed as Corporate Secretary. Mr. Turnbull has agreed to remain as a consultant to the Company. The Services Agreement was closed on October 11, 2016, after the approval of the shareholders of the Company, as of this date the Services Agreement was closed and definitive. After the meeting, Mark Gelmon tendered his resignation as a Board member of the Company and Stephan Kim and Christopher Towsey were appointed to the Board of Directors as independent directors. Mark Gelmon remains as Chief Financial Officer of the Company.

The Company's former President and CEO, Douglas Turnbull, states that "We appreciate the patience our shareholders have demonstrated and the support of our financial partner RMB for the past two years while we have tried to find the best possible solution to resolve the company's outstanding debt, secure an injection of capital to move the company forward. The new partnership with Lionsbridge is a major step in accomplishing these goals. Not only does Lionsbridge have significant mine financing expertise, they are also an experienced mine developer with a proven track record in permitting and building mines worldwide. I believe this agreement will provide the essential elements that will be required to advance the Company's Salave Gold Project in Spain".

Lionsbridge's Brian Wesson stated that "We wish to thank the outgoing Board of Directors; including the outgoing founding director Cary Pinkowski, and in particular Douglas Turnbull for his contribution as CEO to the Company over the past 24 months. Further, we thank RMB for their continued support of the Company. They have been and will continue to be an important strategic partner of the Company. We look forward to utilizing our resources and experience to unlock shareholder value by progressing the significant Salave project. We have developed a strategy for moving the Salave project forward focused on stakeholder engagement. We will keep the market informed as we progress."

Biographies of the Incoming Board of Directors, Officers and Service Providers

Mr. Brian Wesson has extensive experience spanning a career of over 30 years in the management, operation design and construction of natural resource operations globally. He qualified as an engineer in South Africa, gained an MBA in Australia, studied Economics at the University of South Africa and is a fellow of the Australasian Institute of Mining and Metallurgy and a fellow of the Australian Institute of Company Directors. Mr Wesson founded the Wesson Group of Companies, which Lionsbridge and Westech form part, with a view to utilising the Groups' experience in the ownership, management and development of natural resource companies and the intellectual property developed to unlock shareholder value.

Mr. Clyde Wesson holds bachelor degrees in both Law and Commerce (BCom, LLB) from Macquarie University. He is currently completing both a Masters of Law (LLM) from Melbourne University and the requirements that lead to admittance to practice as a solicitor in the Supreme Court of NSW. Clyde Wesson has extensive experience in corporate finance, structuring transactions and drafting, negotiating and executing commercial agreements. Further, Clyde has significant experience in the management of corporate entities. Clyde is a member of both the Australian Institute of Company Directors and the Law Society of NSW.

Mr. Christopher A J Towsey, MSc, BSc (Hons), Dip Ed, FAusIMM, CP(Geo), is currently Managing Director of a private geological consulting company. He is a former Director of Citigold Corporation Limited, Great Mines Ltd and the Queensland Resources Council. He has 40 years' experience as a mining & exploration geologist with particular expertise in the underground mining of narrow-vein gold deposits, ore reserve estimation, geochemistry and in copper and lead-zinc-silver mines. Mr Towsey holds Honours and Master's degrees in economic geology from the University of Sydney. He is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Chartered Professional (Geology), Chair of the AusIMM Health & Safety Society Committee and a Competent Person under the Australian JORC Code for the reporting of mineral resources and ore reserves. He has experience in 26 countries around the world.

Mr. S.E. Stephan Kim has over 10 years' experience in mining and natural resources industry as a practicing attorney. He has over 30 years' experience in private practice, serving as counsel to multinational corporations on transactions with Korean-based global companies, and investments in or acquisitions of Korean companies. Mr. Kim is admitted to the practice of law in New York and New Jersey (USA). He is a graduate of the Wharton School, University of Pennsylvania, with a BS in Economics and holds a JD from Georgetown University and an LLM in Taxation from New York University School of Law. Mr. Kim formerly headed KPMG's Korea Tax Division and served as KPMG's Asia Pacific Regional Tax Partner coordinating the KPMG Tax practices in 16 Asia-Pacific countries.

Mark Gelmon obtained his Bachelor of Arts degree at the University of British Columbia and subsequently attained his chartered accountant designation in 1995 and is a member of the Chartered Professional Accountants of B.C. Mr. Gelmon has provided his expertise to several TSX Venture Exchange listed companies in the capacity of director, chief financial officer and consultant. His background as a CPA, CA provides the Company with the necessary skills required for financial management, reporting operating results to the Board of Directors, liaison with financial institutions, and compliance with today's complex regulatory reporting requirements.

Marion McGrath has been actively engaged in the securities industry for 30 years. She has served as a director and officer of numerous public companies in a corporate administrative capacity. Ms. McGrath is the owner of iO Corporate Services Ltd., which company provides corporate and accounting services to various publicly-traded Canadian companies. Prior to organizing iO Corporate, Ms. McGrath was a senior paralegal with a Vancouver-based securities law firm.

Amelia Wesson is a key person of Lionsbridge, with 25 years of global experience in the management of natural resource projects both at the Board of Directors, Vice president, and "C" Suite and on site levels. Amelia's focus is on stakeholder engagement, social responsibility and administration. Amelia will bring these skills to the furtherance of the project and executive team. Amelia is a member of the Australian Institute of Company Directors.

Lionsbridge is dedicated to the creation of shareholder and investor wealth by providing clients with a holistic suite of corporate management, consultancy and financial solutions. Lionsbridge benefits from experience in both ownership and management of natural resources companies in global markets and across the entire natural resources sector.

Westech is a global resource engineering firm with the expertise and experience to offer our clients holistic technical solutions for natural resource projects encompassing the entire value chain from initial review to extraction and sale. Our depth of expertise allows us to offer our clients a plethora of engineering and technical solutions covering their needs over the entire life cycle from feasibility works to EPC and EPCM, project construction and improvement review and optimisation.

Further information on both Lionsbridge and Westech can be found at: www.lionsbridge.com.au and www.westech.com.au

Strategy to realize value

Over the past 12 months, Lionsbridge has undertaken a comprehensive review of the Company with a view to understanding the issues of the past and the potential to unlock shareholder value. Based on our review, it is evident to Lionsbridge that Black Dragon Gold holds significant value and that the challenges facing the Company can be resolved by the new management team and philosophy. The asset is rare in that it is well developed with a 45 year mining concession granted in a country that has good rule of law and a significant mining tradition. Further, the Salave project has had some 40 million euro spent on delineating the resource and progressing the project, resulting in approximately 70,000 metres of definitive drilling completed and extensive engineering.

Recently, there have been some significant developments for both the Company and the Salave project.

Notably, the Supreme Court of Spain handed down a decision confirming the decision of the Mining Department of Asturias in 2014 that the mining concessions of Salave Gold are all in good standing. The decision was made in response to an administrative challenge to the Mining Department's decision not to investigate a claim that the concessions were at risk. It is important to note that the Company currently holds mining concessions giving the Company the right to develop the resources located within the concessions. The Company is currently in the process of applying for the Administrative Mining Project Authorization (construction permission), supported by an Environmental Impact Declaration ('EID'). The EID is, in turn, supported by assessments by relevant government departments. The water authority assessment is the only negative assessment in the EID and therefore the final hurdle before achieving the Administrative Mining Project Authorization.

The Company has retained Herbert Smith Freehills ('HSF') in Madrid to assist us in the permitting process. HSF has a distinguished history of working closely and collaboratively with government departments and all stakeholders to ensure that all the requirements of the stakeholders are met with a view to creating a mutually beneficial relationship between the Company and the community it is forming part of. The Company aligns very closely with this philosophy and believes the project will benefit greatly from our team, HSF and stakeholders working together.

The Path to Production

The intrinsic value of Black Dragon is the Salave project and our focus is therefore firmly on bringing it to production in the near term by working closely and collaboratively with the relevant stakeholders.

The immediate focus of the Company will be threefold:
1. Re-engaging with Stakeholders;
2. Re-capitalising the Company; and
3. Completing the Feasibility Study in conjunction with project funding

Re-engaging with Stakeholders

Our first priority is to reengage with the Salave project's stakeholders, working closely with the local government, regulatory authorities, landholders and communities with a view to building a project that benefits all those involved and satisfies the environmental and public policy concerns of all parties. We intend to do what is necessary to de-escalate the relationships with the relevant stakeholders and re-engage with the interested parties with a clean slate, constructively and collaboratively. We will only progress the project with the support of the community in which we operate.

As part of the process of re-engaging with stakeholders we have identified various options for the process plant and mine that we believe will address the concerns of the stakeholders. Over the following weeks, we intend to further develop and expand on these options in conjunction with the relevant authorities and communities.

Re-capitalise the Company

As part of entering into the Services Agreement, incoming management raised seed working capital from our investors to ensure the Company was sufficiently capitalised to carry out the initial stages of the Company's refresh. To close the relevant agreements exercising the Option and complete the feasibility study, a second tranche of funds is being raised ('Second Tranche') by Lionsbridge. The Second Tranche will ensure the Company is sufficiently capitalised to reach project financing and complete all those items that require funding in the interim. The Second Tranche is expected to be finalized shortly.

Exercising the Option is a significant opportunity for the Company to resolve the balance sheet issues which have been restraining its ability to make progress on the ground in Spain. We are pleased to have received the support of RMBAH, who have provided significant support to the project over an extended period of time.

Complete the Feasibility Study

Significant work has been completed towards the production of a bankable feasibility study. We will prioritise, working closely with TetraTech, to collate and update the feasibility data base, produce reports still required and draft the final feasibility study for publishing as soon as practicable. We expect the feasibility study can be completed within 6 months.

Private Placements

During the nine months ended September 30, 2016, the Company, facilitated by Lionsbridge, completed a non-brokered private placement, raising gross proceeds of $514,129 through the issuance of 10,282,592 units at a price of $0.05 per unit. Each unit is comprised of one common share and one share purchase warrants. Each warrant entitles the holder to acquire one additional common share for a period of two years at a price of $0.07 per share. If, during this 24 month period, the closing price of the Company's common shares is at least $0.20 for a period of 20 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: (i) the 30th day after the date on which the news release or written notice is disseminated by the Company; and (ii) the original expiry date. The Company paid a finder's fee of $37,500 and incurred share issuance costs of $20,558 in conjunction with this private placement.

Subsequent to September 30, 2016, the Company announced that it intends to raise up to $6.5 million by way of a non-brokered private placement through the sale of up to 118,181,818 units at a price of $0.055 per unit. Each unit will consist of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of $0.11 cents per 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 $0.22 cents 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 these warrants and, in such case, these warrants will expire on the earlier of:

1. The 30th day after the date on which the news release or written notice is provided by the Company; and
2. The original expiry date.

A finder's fee may be payable in connection with this private placement.

This private placement is subject to acceptance for filing by the TSX Venture Exchange. Management reserves the right to oversubscribe the raise by 20% to raise an additional $1.3-million through the sale of up to an additional 2,363,636 units.

Salave Gold Property

The Current Permitting Situation

As discussed above, the Company has a mining concession in place which has been ruled by the judiciary as in good standing. The Company applied for an Administrative Authorisation for the Salave Project during the fourth quarter of fiscal 2014. The Company received a negative comment on the Environmental Impact Assessment ("Amended EIA") from the Commission for Environmental Affairs of the Principality of Asturias ("CAMA") for the Company's current development proposal for the Salave Gold Project ("Salave" or the "Project") in the Principality of Asturias ("the Principality") in northern Spain. The advice was from the federal water authority, with all other advices being positive. Although the advice from the federal water authority was not binding the relevant authority ruled the risk of granting the permit was too high, particularly in circumstances in which there were viable alternatives and, as a result, the Ministry of Economy and Employment of the Principality of Asturias (the "Ministry") issued a formal resolution, dated February 10, 2015, denying approval for the development proposal for Salave.

Legal Challenge

In April 2015, the Company filed an appeal before the Asturias Court of Justice challenging the decision to reject approval of a proposed underground mine operation for the Salave project. The appeal action challenges the negative ruling of the Ministry of Economy and Employment of the Principality of Asturias. As discussed above, new management is of the opinion that the path forward for the project is opening a dialogue with all stakeholders. We will seek to present an acceptable project for all stakeholders irrespective of the outcome of the appeal.

Property Overview

In April 2010, the Company completed the acquisition of a 100% interest in the Salave property through its wholly owned Spanish subsidiary. The Salave property is located in the province of Asturias in northern Spain, approximately 2km from the town of Tapia de Casariego. The Company owns 109,753 m^2 of freehold land covering the mineralised outcrops.

The region boasts excellent infrastructure and industrial skilled labour due to a long history of coal mining that will help support future mine development. Salave is one of the largest undeveloped gold deposits in Western Europe.

The Salave property is subject to a pre-existing lease termination agreement which calls for five cash payments of US$5,000,000 each, with the first payment due when certain permits to construct and operate a mine are received, the second on commencement of commercial production and the remaining three payments based on certain production levels with the final payment due after 800,000 ounces have been produced. Pursuant to the lease termination amending agreement, at the option of the Company and subject to regulatory approval, any of these payments can be satisfied in whole by the issuance of common shares of the Company.

After 800,000 ounces of gold have been produced, the Salave property is also subject to a 5% net smelter return royalty ("NSR"), half of which can be purchased by the Company for a cash payment of US $5,000,000.

Feasibility Study

In June, 2013, the Company commenced a Feasibility Study ("FS") on Salave focusing on a lower tonnage, higher grade underground mining operation with substantially lower capital cost and expected lower operating cost than previously announced in the Preliminary Economic Assessment completed by Golder Associates Global Ibérica S.L.U., dated February 12, 2011.

The scope of the FS is based upon underground-only mining via open stope mining methods, bulk backfill with development muck and paste fill, and processing via conventional flotation to produce a gold-rich concentrate for shipment to an independent smelter. The exclusion of pressure oxidation, cyanidation, and carbon-in-leach circuits (as announced on December 7, 2012) are expected to substantially reduce initial capital costs required for the project. The shipment of concentrate results in no toxic chemicals being either used or liberated. The new management is focused on fast tracking the feasibility, to this end we have appointed TetraTech and are collating the relevant reports and resources.

Updated Mineral Resource Estimate for Salave

On February 6, 2014, the Company announced the completion of an updated mineral resource estimate for its 100% owned Salave gold project in Northern Spain based on the 67,508 meters of core and reverse circulation drilling (440 holes) completed to date. The resource estimate has an effective date of January 22, 2014 and was prepared by Mining Development Associates of Reno, Nevada (“MDA”) in accordance with National Instrument 43-101 ("NI 43-101") Standards for Disclosure of Mineral Properties. The report estimates Measured & Indicated resources of 6,522,000 tonnes averaging 4.51g/t Au for a total of 944,000 ounces of gold, composed of 514,000 tonnes averaging 5.87g/t Au for 97,000 ounces in the of a Measured category and 6,008,000 tonnes averaging 4.39g/t Au for 847,000 ounces in the Indicated category, with an additional 1,078,000 tonnes averaging 3.05g/t Au for 106,000 ounces of gold in the Inferred category. These resources were estimated using a 2.0g/t Au cut-off grade to capture mineralization that is potentially amenable to underground mining, sulfide concentration, and gold recovery using off-site processing. The deposit still remains open to the west and at depth for future expansion potential.

On October 17, 2016, the Company announced the completion of an updated technical report completed by MDA with an effective date of October 7, 2016. The updated technical report provides an update on the permitting status of the Salave project and restates the mineral resource estimate announced on February 6, 2014. The 2014 mineral resource estimate remains current and unchanged with an effective date of January 22, 2014. The 2016 technical report was filed with SEDAR on November 7, 2016 and is available at www.sedar.com.

Mineral resources that are not reserves do not have demonstrated economic viability. The quantity and grade of reported inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured resource category.

Summary of Quarterly Results

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

	Three month period ended September 30, 2016	Three month period ended June 30, 2016	Three month period ended March 31, 2016	Three month period ended December 31, 2015
Total assets	$ 199,304	$ 130,927	$ 113,725	$ 165,498
Working capital deficiency	(13,159,734)	(12,063,255)	(11,597,002)	(11,870,103)
Shareholders’ (deficiency)	(13,157,433)	(12,060,868)	(11,594,522)	(11,867,522)
Net (loss) income and comprehensive (loss) income	(1,552,636)	(466,346)	273,000	(934,243)
(Loss) income per share	(0.04)	(0.01)	0.00	(0.02)

	Three month period ended September 30, 2015	Three month period ended June 30, 2015	Three month period ended March 31, 2015	Three month period ended December 31, 2014
Total assets	$ 205,206	$ 291,339	$ 271,278	$ 431,663
Working capital deficiency	(10,938,519)	(9,688,235)	(9,389,701)	(8,060,377)
Shareholders' (deficiency)	(10,937,279)	(9,686,995)	(9,388,461)	(8,048,334)
Net (loss) income and comprehensive (loss) income	(1,250,284)	(298,534)	(1,345,384)	(15,283,705)
(Loss) income per share	(0.03)	(0.01)	(0.04)	(0.42)

Results of Operations

Three Months Ended September 30, 2016

During the three months ended September 30, 2016 (the "current period"), the Company incurred a loss of $1,552,636 compared to a loss of 1,250,284 incurred during the three months ended September 30, 2015 (the "comparative period"). The significant variances resulted from the following:

Foreign exchange gain (loss)
During the current period, the Company incurred a $120,159 foreign exchange loss compared to a $763,763 foreign exchange loss incurred during the comparative period. This variance related mainly to the change in the US$:Cdn$ foreign exchange rate as it affected US$-denominated liabilities.

Management fees

During the current period, the Company incurred an additional $260,704 of management fees accrued to a company controlled by two of the Company's current directors. The fees were accrued by the directors to ensure the Company retained sufficient financial resources.

Travel and related costs

During the current period, the Company incurred travel and related costs totalling $267,361 compared to $2,050 incurred during the comparative period. This increase relates to travel costs associated with numerous meetings as a result of the change of management. Numerous meeting were held with previous management, with the Spanish government and with investors in North America, Europe and Australasia.

Change of Control obligations

During the current period, and in conjunction with change of control provisions within various management agreements, the Company recorded a charge of $460,524. The agreements provide for payment by the earlier of the completion of a significant financing six months.

Nine Months Ended September 30, 2016

The Company incurred a loss of $1,745,982 during the nine months ended September 30, 2016 (the 'current nine-month period") compared to a loss of $2,894,202 incurred during the nine months ended September 30, 2015 (the "comparative nine-month period"). The significant variances resulted from the following:

Foreign exchange gain (loss)

During the current nine-month period, the Company incurred a $614,151 foreign exchange gain compared to a $1,431,907 foreign exchange loss incurred during the comparative nine-month period. This variance related mainly to the change in the US$:Cdn$ foreign exchange rate as it affected US$-denominated liabilities.

Management fees

During the current nine-month period, the Company incurred an additional $260,704 of management fees accrued to a company controlled by two of the Company's current directors. The fees were accrued by the directors to ensure the Company retained sufficient financial resources.

Travel and related costs

During the current nine-month period, the Company incurred travel and related costs totalling $277,290 compared to $13,943 incurred during the comparative nine-month period. This increase relates to travel costs associated with numerous meetings that were held with previous management, with the Spanish government and with investors in North America, Europe and Australasia.

Change of Control obligations

During the current nine-month period, and in conjunction with change of control provisions within various management agreements, the Company recorded a charge of $460,524. The agreements provide for payment by the earlier of the completion of a significant financing six months.

Cash Flows

Net cash used in operating activities during the nine months ended September 30, 2016 was $695,326 (2015 - $300,446). The cash used in operating activities for the current period consists primarily of the operating loss and a change in non-cash working capital.

During the nine months ended September 30, 2016, financing activities provided cash of $280,099 (2015 - $241,823) from the loan facility agreement as well as $456,071 from net proceeds associated with the private placement that closed during the period. The Company paid $Nil (2015 – $Nil) in interest during the current nine-month period.

Net cash provided by investing activities during the nine months ended September 30, 2016, was $Nil (2015 – $12,634). The Company received $Nil (2015 – $12,634) from the sale of equipment during the comparative nine-month period.

Financial Condition / Capital Resources

	September 30, 2016	December 31, 2015	December 31, 2014
Working capital deficiency	$ (13,159,734)	$ (11,870,103)	$ (8,060,377)
Deficit	(30,167,158)	(28,421,176)	(24,596,731)

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

The Company has a U.S. dollar-denominated loan facility agreement (the "Facility") with RMB Australia Holdings Limited, which is currently being restructured. Further information on the Facility is available in Note 7 of the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2016.

The Company's unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2016 have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2016 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at September 30, 2016 and as of the date of this report.

Related Party Transactions

The following amounts were incurred with respect to officers and directors and former officers and directors of the Company:

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Lionsbridge	$ 260,704	$ -
Change of control obligations	490,524	-
Doug Turnbull - Chief Executive Officer	45,000	45,000
Nick DeMare – Chief Financial Officer	15,000	22,500

There is $674,523 (December 31, 2015 - $257,831) in accounts payable and accrued liabilities at September 30, 2016 that is due to directors and officers, former directors and officers and to companies controlled by directors and officers and former directors and officers of the Company, subject to certain conditions.

Investor Relations Activities

The Company maintains a website at www.blackdragongold.com. There are no investor relation agreements in effect as at September 30, 2016 and as of the date of this report.

Outstanding Share Data

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

	Number of shares issued or issuable
Common shares	47,063,353
Stock options (exercise prices ranging from $0.40 to $0.85, expiring between June 2, 2017 and January 24, 2018)	1,865,000
Warrants (exercise price of $0.07 per share, expiring August 12, 2018)	10,282,592

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	$ 151,608	$ -	$ -	$ 151,608

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held at large financial institutions and it believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at September 30, 2016, the Company had current assets of $197,003 to settle current liabilities of $13,356,737 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In June 2013, the Company closed a loan facility agreement with RMB Australia Holdings Ltd. Borrowings made against this loan facility agreement are subject to interest at LIBOR plus 6% per annum. The LIBOR is derived from a filtered average of several world banks' interbank deposit rates for larger loans with maturities between overnight and one full year and is subject to change and therefore subject to interest rate risk. Based on the Company's loan facility balance at September 30, 2016, a 1% change in LIBOR would result in a $102,352 change in annual interest expense.

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 September 30, 2016, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a $41,117 change in foreign exchange gain or loss.

In August 2013, the Company's loan facility agreement with RMB Australia Holdings Ltd. was amended so that all borrowings and repayments will be made in US dollars. Based on the Company's US dollar loan facility balance at September 30, 2016, a 10% change in exchange rates between the Canadian dollar and the US dollar would result in an $898,000 change in foreign exchange gain or loss.

Accounting standards and interpretations issued but not yet applied

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

(i) IFRS 9 *Financial Instruments*: effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces multiple classification and measurement models in IAS 39 with a singular model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity’s business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value.

Management is currently assessing the impact of these new standards on the Company’s accounting policies and financial statement presentation.

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, legal, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

- Legal risks include the future outcome of the Company’s legal challenge before the Asturias Court of Justice challenging the decision to reject approval of a proposed underground mine operation for the Salave project. It is noted that the Company is the plaintiff in these proceedings and the outcome is not expected to stop the exploitation of the mining concessions.

- Financial risks include commodity prices, interest rates and the Canadian dollar, United States dollar and the Euro exchange rate, all of which are beyond the Company's control.

- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

There can be no assurance that future financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements or forward-looking information (collectively “forward-looking statements”) within the meaning of applicable securities legislation. We are hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “if” “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) that once the Company obtains a positive Environmental Impact Declaration ("EID") and the authorization of the project, it will be able to commence construction of the Salave gold mine, pending municipal permits; (iii) the market and future price of gold; (iv) the timing, cost and success of future exploration and development activities; (v) currency fluctuations; (vi) requirements for additional capital; and (vii) increases in mineral resource estimates (vii) possible outcomes of the Company's lawsuit against the Ministry of Economy and Employment of the Principality of Asturias.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things, the estimation of mineral resources, the realization of resource estimates, gold and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the availability of necessary financing and materials to continue to explore and develop the Salave Gold Property in the short and long-term, the progress of development and exploration activities, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined, risks relating to variations in ore reserves, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in the price of gold, silver and copper and the worldwide demand for and supply of such metals, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Salave Gold Property may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks.

Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements in this MD&A are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements contained in this MD&A.