



BLACK DRAGON GOLD

**BLACK DRAGON GOLD CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

**SIX MONTHS ENDED 30 JUNE 2023**

## **CORPORATE DIRECTORY**

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**

Paul Cronin  
*Non-Executive Chairman*

Gabriel Chiappini  
*Managing Director and Chief Executive Officer*

Alberto Lavandeira  
*Non-Executive Director*

### **COMPANY SECRETARY**

Gabriel Chiappini

### **CHIEF FINANCIAL OFFICER**

Amy Fink

### **Canadian Registered Office**

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

### **United Kingdom Office**

Ground Floor, Regent House, 65 Rodney Road, Cheltenham, Gloucestershire, GL50 1HX U.K. Phone: +44 0207 993 4077

### **Australian Registered Office**

Level 1, 10 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

### **SHARE REGISTRY**

#### **Canada**

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

#### **Australia**

Computershare Investor Services Pty Ltd Level 11,  
172 St Georges Terrace

Perth Western Australia, 6000

Telephone: 1300 787 272

Facsimile: (08) 9323 2033

Email: web.queries@computershare.com.au

### **STOCK EXCHANGE LISTING**

Australian Securities Exchange (Code: BDG)

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## Directors' Report

The directors of Black Dragon Gold Corporation ("Black Dragon" or "Company" submit herewith the financial report of Black Dragon and its subsidiaries (the Group) for the half-year ended June 30, 2023, please refer to the directors' report below:

The names of the directors of the Company during or since the end of the half-year are:

### Name

Mr Paul Cronin  
Mr Gabriel Chiappini  
Mr Alberto Lavandeira

The above named directors all held office during and since the end of the half-year end period.

## REVIEW OF OPERATIONS

During the period, the Company focused on progressing the Salave Gold Project in North-West Spain, in the Asturias region with the Company continuing to support the EIA permitting process with continual dialogue with Spanish stakeholders. The Company will continue providing support to progress the permitting process for Salave Gold.

During the period the Company also progressed the exploration program of Marlee Gold Pty Ltd ('Marlee Gold') comprising of Padbury Gold and Ivan Well projects, in Australia. During the period the company received Heritage Survey clearance on Padbury Gold paving the way for an exploration drilling program. In May 2023 the Company mobilised an RC drilling rig to drill 10 RC holes for a total of 1,000m. As at the date of this report the assay results from this drilling exploration programme are outstanding.

The Mineral Resource Estimate for Salave Gold was prepared by CSA Global and noted below:

Category	Salave Mineral Resource Estimate at a 2.0 g/t Au Cut-Off Grade		
	Tonnes	Au	
	Mt	g/t	koz
Measured	1.03	5.59	185
Indicated	7.18	4.43	1,023
<b>Measured &amp; Indicated</b>	<b>8.21</b>	<b>4.58</b>	<b>1,208</b>
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 is posted on the ASX & SEDAR and the Company's website..
- 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.
- Since the release of the Mineral Resource Estimate, the Company confirms that it is not aware of any new information or data that materially affects the Mineral Resource Estimate.

### **Corporate and Financial Position**

Consolidated net assets at the half year-end were \$953,795 against \$1,668,245 at the close of the prior year (December 31, 2022). Total cash held at the half year-end was \$1,143,393 against \$1,776,976 at the close of the prior year (December 31, 2022).

The auditor's independence declaration is included on page 6 of the half-year report.

Signed in accordance with a resolution of the board of directors.

On behalf of the Directors

*Gabriel Chiappini*

**Gabriel Chiappini**  
Managing Director  
Australia, Perth, 15 August 2023

**AUDITOR'S INDEPENDENCE DECLARATION**

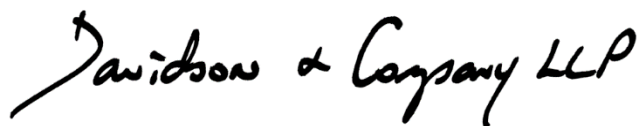
**Under Section 307C of the *Corporations Act 2001***

**To the Board of Directors of  
Black Dragon Gold Corp.**

I declare that, to the best of my knowledge and belief, during the half-year ended June 30, 2023 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

This declaration is in respect of Black Dragon Gold Corp. and the entities it controlled during the period.



**DAVIDSON & COMPANY LLP**  
Chartered Professional Accountants

Date: August 15, 2023



## INDEPENDENT AUDITOR'S REVIEW ENGAGEMENT REPORT

To the Board of Directors of  
Black Dragon Gold Corp.

We have reviewed the accompanying half-year financial report of Black Dragon Gold Corp., which comprises the condensed consolidated interim statement of financial position at June 30, 2023, the condensed consolidated interim statement of loss and comprehensive loss, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in shareholders' equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### ***Directors' Responsibility for the Half-Year Financial Report***

The directors of Black Dragon Gold Corp. are responsible for the preparation and fair presentation of the half-year report that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of Black Dragon Gold Corp., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Black Dragon Gold Corp. as attached to the director's declaration, has not changed as at the time of this auditor's review report.

### ***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Black Dragon Gold Corp. is not in accordance with International Accounting Standard 34: *Interim Financial Reporting*.



*Emphasis of Matter*

Without qualifying our conclusion, we draw attention to Note 1 in the condensed consolidated interim financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Black Dragon Gold Corp.'s ability to continue as a going concern.

*Davidson & Company LLP*

Vancouver, Canada

Chartered Professional Accountants

August 15, 2023



**BLACK DRAGON GOLD CORP.**

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars) (Unaudited)

As at

	Notes	June 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,143,393	\$ 1,776,976
Receivables	3	<u>134,357</u>	<u>197,639</u>
		<u>1,277,750</u>	<u>1,974,615</u>
<b>Non Current</b>			
Deposits		<u>2,142</u>	<u>-</u>
<b>Total assets</b>		<u>\$ 1,279,892</u>	<u>\$ 1,974,615</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	5,7	\$ 314,427	\$ 161,287
Unlisted options liability	10	<u>11,670</u>	<u>145,083</u>
<b>Total liabilities</b>		<u>326,097</u>	<u>306,370</u>
<b>Shareholders' equity</b>			
Share capital	6	27,292,949	27,292,949
Warrants	6	4,724,574	4,724,574
Reserves	6	6,128,174	6,057,261
Foreign currency reserve		(1,697)	(572)
Deficit		<u>(37,190,205)</u>	<u>(36,405,967)</u>
<b>Total shareholders' equity</b>		<u>953,795</u>	<u>1,668,245</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ 1,279,892</u>	<u>\$ 1,974,615</u>

**Nature of operations** and going concern (Note 1)

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 15, 2023 and are signed on its behalf by:

/s/ Paul Cronin  
Paul Cronin  
Chairman

/s/ Gabriel Chiappini  
Gabriel Chiappini  
Managing Director

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

**BLACK DRAGON GOLD CORP.**

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

	Notes	Six Months Ended June 30, 2023 \$	Six Months Ended June 30, 2022 \$
<b>EXPENSES</b>			
Consulting	7	161,899	120,741
Directors' fees	7	61,826	103,906
Filing fees		11,529	13,712
Foreign exchange loss		52,747	114,305
General and administrative		266,057	256,491
Exploration and evaluation costs		198,380	60,697
Professional fees		61,279	29,678
Rent		10,044	6,112
Shareholder communications		5,309	5,129
Share-based compensation	6,7	70,913	18,542
Transfer agent		1,877	6,922
Travel and related		18,072	35,849
Gain on fair value change of unlisted options liability	10	(133,413)	-
Interest income		<u>(2,281)</u>	<u>(206)</u>
<b>Loss before other items</b>		<u>(784,238)</u>	<u>(771,878)</u>
<b>Other comprehensive items</b>			
Items that may be subsequently reclassified to net income			
Foreign Currency Translation		<u>(1,125)</u>	<u>-</u>
<b>Comprehensive loss for the period</b>		<u>(785,363)</u>	<u>(771,878)</u>
<b>Basic and diluted loss per common share</b>		\$ (0.00)	\$ (0.00)
		Number	Number
<b>Weighted average number of common shares outstanding</b>		200,670,057	187,469,682

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

**BLACK DRAGON GOLD CORP.**Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars) (Unaudited)

	Six months Ended June 30, 2023	Six months Ended June 30, 2022
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	(784,238)	(771,878)
Items not affecting cash:		
Share-based compensation	70,913	18,542
Interest income	(2,281)	(206)
Gain on fair value change of unlisted options liability	(133,413)	-
Change in non-cash working capital items		
Increase / (decrease) in receivables	63,282	(40,533)
Increase / (decrease) in non-current asset	(2,142)	-
Increase / (decrease) in accounts payable and accrued liabilities	<u>153,140</u>	<u>(267,231)</u>
Net cash outflow used in operating activities	<u>(634,739)</u>	<u>(1,061,306)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits	-	1,240
Interest income	<u>2,281</u>	<u>206</u>
Net cash provided by investing activities	<u>2,281</u>	<u>1,446</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash, net	<u>-</u>	<u>1,521,934</u>
Net cash provided by financing activities	<u>-</u>	<u>1,521,934</u>
Effect of movement in exchange rates on cash held	(1,125)	-
<b>Change in cash and cash equivalents during the period</b>	<b>(633,583)</b>	<b>462,074</b>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>1,776,976</u></b>	<b><u>2,013,952</u></b>
<b>Cash and cash equivalents, end of period</b>	<b><u>1,143,393</u></b>	<b><u>2,476,026</u></b>
Cash paid during the period for interest	-	-
Cash paid during the period for taxes	-	-

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

**BLACK DRAGON GOLD CORP.**

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars) (Unaudited)

	Share Capital					
	Number	\$ Amount	\$ Warrants	\$ Reserves	\$ Deficit	\$ Total
<b>Balance December 31, 2021</b>	169,187,928	26,299,071	4,724,574	5,999,183	(35,303,169)	1,719,659
Shares issued for cash	30,053,556	1,521,934	-	-	-	1,521,934
Share-based compensation	-	-	-	18,542	-	18,542
Loss for the period	-	-	-	-	(771,878)	(771,878)
<b>Balance June 30, 2022</b>	<b>199,241,484</b>	<b>27,821,005</b>	<b>4,724,574</b>	<b>6,017,725</b>	<b>(36,075,047)</b>	<b>2,488,257</b>

	Share Capital						
	Number	\$ Amount	\$ Warrants	\$ Reserves	\$ Foreign currency translation reserve	\$ Deficit	\$ Total
<b>Balance December 31, 2022</b>	200,670,055	27,292,949	4,724,574	6,057,261	(572)	(36,405,967)	1,668,245
Share-based compensation	-	-	-	70,913	-	-	70,913
Foreign currency translation reserve	-	-	-	-	(1,125)	-	(1,125)
Loss for the period	-	-	-	-	-	(784,238)	(784,238)
<b>Balance June 30, 2023</b>	<b>200,670,055</b>	<b>27,292,949</b>	<b>4,724,574</b>	<b>6,128,174</b>	<b>(1,697)</b>	<b>(37,190,205)</b>	<b>953,795</b>

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

## **BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars) (Unaudited)  
Six Months Ended June 30, 2023

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### **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 Australian Securities Exchange (the “ASX”). The Company’s head office address is Ground Floor, Regent House, Rodney Road, Cheltenham, Gloucestershire, GL50 1HX, U.K. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2.

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The condensed consolidated interim financial statements for the six months ended June 30, 2023 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

These condensed consolidated interim financial statements for the six months ended June 30, 2023, are prepared in accordance with International Accounting Standards (“IAS 34”), Interim Financial Reporting. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company’s most recent annual audited consolidated financial statements. These condensed consolidated interim financial statements do not include all information and disclosures required in audited consolidated financial statements and should be read in conjunction with the Company’s December 31, 2022, audited consolidated financial statements.

### **3. RECEIVABLES**

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	June 30, 2023	December 31, 2022
Value-added tax receivable	\$ 99,318	\$ 167,254
GST receivable	18,506	13,852
Other receivable	<u>16,533</u>	<u>16,533</u>
Total	<u>\$ 134,357</u>	<u>\$ 197,639</u>

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**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars) (Unaudited)  
Six Months Ended June 30, 2023

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**4. EXPLORATION AND EVALUATION ASSETS**

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

**Salave Gold Property**

The Salave Project is comprised of 30-year-term mining concessions over the resource area in the province of Asturias, Spain.

A Preliminary Economic Assessment was released in 2019 and the Company submitted its final Environmental Impact Assessment for the property during 2022 and is awaiting a response from the Asturian Government.

**Marlee Gold Project**

During 2022, the Company acquired Australian mining explorer Marlee Gold Pty Ltd, 100% holder of Padbury Gold and Ivan Well projects.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2023	December 31, 2022
Accounts payables <sup>1</sup>	\$ 247,834	\$ 56,319
Accrued liabilities	<u>66,593</u>	<u>104,968</u>
Total	<u>\$ 314,427</u>	<u>\$ 161,287</u>

<sup>1</sup> As at 30 June 2023, there was \$35,333 amount owing to Directors and the Chief Financial Officer of the Company. Refer to Note 7.

**6. SHARE CAPITAL AND RESERVES**

*Authorized:*

Unlimited number of common shares without par value.

**Shares****Issued during the 6 months ended June 30, 2023**

There were no shares issued during the current period.

**Issued during the 6 months ended June 30, 2022**

On January 13, 2022, the Company issued 19,696,414 common shares at an issue price of AUD\$0.056 to raise \$999,644 (AUD\$1,102,999) under the Company's securities purchase plan. Share issuance costs of \$28,109 were paid in connection with the transaction, which were recognised in the 6 months ended 31 December 2022.

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
 (Expressed in Canadian dollars) (Unaudited)  
 Six Months Ended June 30, 2023

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

On January 24, 2022, the Company issued 10,357,142 common shares at an issue price of AUD\$0.056 to raise \$522,290 (AUD\$580,000). These common shares were subject to shareholder approval on January 10, 2022 as they were issued to directors Mr. Paul Cronin (\$450,250) (AUD\$500,000) and Mr. Alberto Lavandeira (\$72,040) (AUD\$80,000).

**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 June 30, 2023 and December 31, 2022 is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Outstanding, December 31, 2021</b>	<b>12,393,332</b>	<b>\$0.18</b>
Granted	32,544,627	AUD\$0.10
Expired	(1,500,000)	AUD\$0.10
<b>Outstanding, December 31, 2022 and June 30, 2023</b>	<b>43,437,959</b>	<b>\$0.12</b>

**Details of stock options granted during the 6 months ended June 30, 2022**

The Company issued 19,696,414 common shares at an issue price of AUD\$0.056 to raise AUD\$1,102,999 under the Company's securities purchase plan. As part of the issuance, the Company also issued on one unlisted option for every two common shares issued, ('1-for-2 basis'), for a total of 9,848,195 unlisted options with an exercise price of AUD\$0.10, expiring December 31, 2023. The options were issued on January 14, 2022.

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

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

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars) (Unaudited)  
Six Months Ended June 30, 2023

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

As at June 30, 2023 the following incentive stock options are outstanding;

Expiry Date	Number of Options	Exercise Price	Number of Options Exercisable
September 24, 2027	5,983,333	\$0.24	5,983,333
October 22, 2027	416,666	\$0.24	416,666
February 7, 2028	333,333	\$0.33	333,333
September 7, 2024	4,160,000	AUD\$0.096	4,160,000
December 31, 2023	31,544,627	AUD\$0.10	31,544,627
July 6, 2024	1,000,000	AUD\$0.098	1,000,000
<b>Total as at June 30, 2023</b>	<b>43,437,959</b>		<b>43,437,959</b>

During the six months ended June 30, 2023, the Company recognized \$Nil (2022 - \$Nil) of share-based compensation expense in relation to stock options.

**Performance Rights****Performance Rights granted during the 6 months ended June 30, 2023**

There were no performance rights granted during the current period.

**Performance Rights granted during the 6 months ended June 30, 2022**

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

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

Each milestone has a 3-year milestone conversion date.

The fair value of the performance rights will be recognized over the estimated vesting period. During the current period, the Company recognized \$28,202 of share-based compensation expense (6 months ended June 30, 2022: \$18,542).

The Company also has the following Performance Rights on issue, awarded during the year ended December 31, 2022. As part of EMC's General Manager's remuneration, during 2022, he was issued with an incentive plan comprising of 5,750,000 performance rights that convert into ordinary shares upon the award of a Declaración de Impacto Ambiental by the Government of the Principality of Asturias to the Company (through its subsidiary, EMC) in respect of the Company's Environmental Impact Assessment for the Salave Gold Project (the 'Milestone').



**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars) (Unaudited)  
Six Months Ended June 30, 2023

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

The number of performance rights which will vest on satisfaction of the Milestone will be as follows:

- 5,750,000 performance rights will vest if Milestone is achieved by December 31, 2022;
- 4,312,500 performance rights will vest if Milestone is achieved during the 6 months ended June 30, 2023;
- 2,875,000 performance rights will vest if Milestone is achieved during the 6 months ended December 31, 2023;
- 2,156,250 performance rights will vest if Milestone is achieved during 2024.

None of the performance rights have vested by June 30, 2023, with the first two tranches expired.

During the current period, the Company recognized \$42,711 of share-based compensation expense in respect of the remaining 2,875,000 performance rights.

**7. RELATED PARTY TRANSACTIONS**

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

*Transactions with key management personnel*

The following amounts were incurred with respect to the Company's current and former directors, Chief Financial Officers, and employees of the Company;

	Six Months ended June 30, 2023	Six Months ended June 30, 2022
Management and consulting fees - Chief Executive Officer	\$ 110,305	\$ 23,777
Management and consulting fees - Chief Financial Officer	35,622	-
Directors' fees	61,826	103,906
Wages and salaries	49,306	54,502
Share-based compensation	70,913	18,542
	<u>\$ 327,971</u>	<u>\$ 200,727</u>

As at 30 June 2023, there was \$35,333 (2022: nil) amount owing to Directors and the Chief Financial Officer of the Company.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***Fair value*

The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars) (Unaudited)

Six Months Ended June 30, 2023

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs. The carrying value of deposits also approximates its fair value. Other than the unlisted options liability, the Company doesn't carry any financial instruments at FVTPL

*Fair value*

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

Assets	\$ Level 1	\$ Level 2	\$ Level 3	\$ Total
Cash and cash equivalents	\$ 1,143,393	-	-	\$ 1,143,393
Unlisted options liabilities	-	\$11,670	-	\$11,670

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

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's cash and cash equivalents are held at large financial institutions and it believes it has no significant credit risk. The Company's receivables are due from the Government of Canada, Government of Spain, and Government of Australia, and are therefore considered to have 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 June 30, 2023, the Company had current assets of \$1,277,750 to settle current liabilities of \$326,097 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand. The Company is exposed to liquidity risk.

*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, and exploration expenses in Australia by using Australian dollars held. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

**BLACK DRAGON GOLD CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars) (Unaudited)

Six Months Ended June 30, 2023

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

Based on the Company's Euro, AUD, USD, and GBP denominated financial instruments at June 30, 2023, a 10% change in exchange rates between the Canadian dollar, Euro, AUD, USD, and GBP would result in a change of \$93,298 in foreign exchange gain or loss.

**9. CAPITAL MANAGEMENT**

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

**10. UNLISTED OPTIONS LIABILITY**

As detailed in Note 6, the Company issued unlisted options with an exercise price in Australian dollars in prior years. As the functional currency of the Company is the Canadian dollar, the unlisted options issued as part of the financings completed during the years ended December 31, 2022 and 2021 are classified and accounted for as an unlisted options liability. The fair value of these unlisted options on issuance was \$548,029, valued using the Black-Scholes Pricing model with the following assumptions:

Risk-free interest rates	Between 0.64% and 0.81%
Expected life of unlisted options	1.96 years
Expected annualized volatility	Between 92.31% and 93.16%
Expected dividend	Nil

The change in fair value as at June 30, 2023 resulted in a gain of \$133,413 and is recognised in the condensed consolidated statement of loss and comprehensive loss for the half year ended June 30, 2023 (year ended December 31, 2022: \$402,946 gain). The fair value of the unlisted options was re-valued at period end using the Black-Scholes Pricing Model with the following assumptions:

Risk-free interest rates	4.18%
Expected life of unlisted options	6 months
Expected annualized volatility	79.16%
Expected dividend	Nil

**11. SEGMENT INFORMATION**

The Company primarily operates in one reportable operating segment, being the acquisition, exploration of exploration and evaluation assets located in Spain and Australia.

**BLACK DRAGON GOLD CORP.**  
Directors' Declaration

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In the opinion of the Directors:

- (a) The financial statements and notes set out on pages 9 to 19:
  - (i) Comply with Accounting Standards IAS 34 Interim Financial Reporting;
  - (ii) Give a true and fair view of the consolidated entity's financial position as at June 30, 2023 and of its performance for the six months ended on that date; and
  
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors

On behalf of the Directors

*Gabriel Chiappini*

**Gabriel Chiappini**  
Managing Director  
Perth, Australia, August 15, 2023