ASX
ANNOUNCEMENT
11 FEBRUARY 2019

ABOUT BLACK DRAGON GOLD

Black Dragon Gold is the 100% owner of the Salave Gold Project, situated in the Asturias province of Northern Spain.

MINERAL RESOURCES

Measured & Indicated

8.21Mt @ 4.58g/t Au for 1.21 Moz

Inferred

3.12 Mt @ 3.47g/t Au for 0.35 Moz

BOARD & MANAGEMENT

Jo Battershill
Non-Executive Chairman

Paul Cronin
Managing Director & CEO

Alberto Lavandeira
Non-Executive Director

Richard Monti
Non-Executive Director

Jose Manuel Dominguez
General Manager Spain

Sean Duffy
CFO and Company Secretary

www.blackdragongold.com

BLACK DRAGON GOLD
ASX: BDG TSXV: BDG

POSITIVE PRELIMINARY ECONOMIC ASSESSMENT FOR SALAVE UNDERGROUND

February 11, 2019 - Black Dragon Gold Corp. (ASX/TSX-V: BDG) ("Black Dragon" or the "Company") is pleased to announce the positive results of the Preliminary Economic Assessment ("PEA") completed on its 100% owned Salave Gold Project ("Salave" or "Project") located in Asturias in northern Spain. The PEA is based on the recently completed Mineral Resource Estimate completed by CSA Global (See October 25, 2018 News Release). All figures are in United States Dollars unless otherwise stated.

Paul Cronin, Managing Director and CEO commented,

"The completion of the PEA is a major milestone on the path to development of the Salave Project and the metrics support our belief that Salave can potentially generate strong returns for shareholders. It forms the first step in our permitting process, presenting a new optimised process on a zero- discharge basis that minimises the visual and surface impact of the project.

The robust results of this PEA underline the potential economic viability of the current Salave resource to be mined over an initial 14 year mine life, and our successful drilling campaign last year indicates strong potential for growth in mine life at Salave.

This study concludes that Salave can produce over 1.1Moz (560 kt of concentrate averaging over 59 g/t Au), providing a number of marketing options for export and refining, minimising the need for additional plant and equipment, and hence reducing the Project's footprint. The relatively low upfront capex also opens alternative financing opportunities which will ensure that both shareholders and the local community benefit from the success of this Project."

KEY PEA OUTCOMES

- Pre-Tax NPV at 5% discount rate: ranges between US$ 239.2 and US$ 353.2 million with base case at US$ 296.2 million.
- After-Tax NPV: ranges between US$ 184.7 and US$ 273.9 million with base case at US$ 230.0 million
- Pre-Tax Internal Rate of Return ("IRR"): between 23% and 35 with base case at 28%
- After-Tax Payback: 3.8 years
- Pre-Production Capital Cost, including contingency: US$ 95.3 million
- Life of Mine ("LOM") Sustaining Capital Cost: US$19.3 million
- Estimated Average LOM Total Cash Cost: $675-783 / ounce (oz) Au
- Estimated Average LOM All-In Sustaining Costs ("AISC"): $699-807/oz

CAUTIONARY STATEMENT

- The PEA is a preliminary technical and economic study of the potential viability of the Salave Gold Project. It is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as Mineral Reserves. There can be no assurance, and there is no certainty, that the preliminary economic assessment contained therein will be realised. Further exploration and evaluation work and appropriate studies are required before Black Dragon will be in a position to estimate any Ore Reserves or to provide any assurance of an economic development case.
- The production target and forecast financial information referred to in this PEA are comprised of Measured and Indicated Mineral Resources (73%) and Inferred Mineral Resources (27%). The proportion of Inferred Mineral Resources is not determinative of the project viability and does not feature as a significant proportion early in the mine plan.
- There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Mineral Resources or that the production target itself will be realised.
- The PEA is based on the material assumptions outlined herein and in the report. These include assumptions about the availability of funding. While BDG considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the PEA will be achieved. To achieve the range of outcomes indicated in the PEA, among other things, funding of in the order of US$100 million will likely be required. Investors should note that there is no certainty that Black Dragon will be able to raise that amount of funding when needed.
- It is also likely that such funding may only be available on terms that may be dilutive to or otherwise affect the value of BDG's existing shares. It is also possible that BDG could pursue other 'value realisation' strategies such as a sale, partial sale or joint venture of the project. If it does, this could materially reduce BDG's proportionate ownership of the project. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the PEA.

NEXT STEPS

- Submission of the Project Description for the Environmental and Social Impact Assessment ("ESIA") in February 2019;
- Additional geophysics over the entire Investigation Permit at Salave – April 2019;
- Issuance of the ESIA Terms of Reference in June 2019;
- Soil Geochemistry testing on potential drill targets – June 2019;
- Pre-Feasibility Study – October 2019.

PEA KEY ASSUMPTIONS AND INPUTS

- Assumed gold price: US$1,250/oz
- Exchange Rate of $1.15 / €
- Life of Mine: 14-years
- Main Underground Mining Method: Vertical Retreat & Sub-Level Stoping
- Minable Inventory: 9.19 Mt at 3.87 g/t Au post dilution
- Total Underground Dilution: 43%
- LOM Plant Throughput 9.19 Mt
- Access Ramp Gradient of 15% at a 5.0m x 5.5m profile
- Mineralised Zone Development at a 4.0m x 4.5m profile
- Average Mining and Processing throughput: 2,000 tonnes per day ("tpd")
- Flotation Plant Recoveries: 97%
- Average Annual Production (LOM): 79,200 oz Au in concentrate at an average grade of 59.7 g/t Au

- Plant construction timeframe of nine months with concurrent 18 month underground mine development.
- Mineralised development material to be processed after 12 months from commencement of plant construction.
- LOM recovered gold in concentrate production: 1,108,420 oz;
- Refining and Processing Charges: US$368/t concentrate or US$188/oz Au

Table 1 - PEA Summary Parameters

Input	Unit	
Physical Parameters		
Total Mineralised Material Tonnes Mined (LOM)	*Mt*	9.19
Average Annual Throughput (LOM)	*ktpa*	656.3
Head Grade	*Au g/t*	3.87
Gold Recovery to Concentrate	*%*	97%
Mine Life	*years*	14
Gold Grade of Concentrate	*Au g/t*	59.71
Total Concentrate Produced	*kt*	560.5
Total Ounces in Concentrate	*koz*	1,108.4
Average Annual Production (LOM)	*koz*	79.2
Cost Parameters		
Mining Costs	*US$/t*	40.68
Processing Costs	*US$/t*	14.00
General & Administrative	*US$/t*	2.71
Total Costs	*US$/t*	57.39
Pre-Production Capital Costs		
Mine Development & Infrastructure	*US$m*	29.7
Mining Equipment	*US$m*	11.2
Tailings	*US$m*	1.3
Process Plant	*US$m*	28.3
Owners Costs & EPCM	*US$m*	12.5
Contingency (15%)	*US$m*	12.4
Total Pre-Production Capital	*US$m*	95.3
Sustaining Capital	*US$m*	19.3
LOM Cash Costs	*US$/oz*	729.15
LOM AISC	*US$/oz*	752.80

MINERAL RESOURCE ESTIMATE

An updated NI 43-101 Mineral Resource Estimate, effective 22 October 2018 is included in this PEA and has been filed on SEDAR and the ASX market announcements platform (See October 25, 2018 News Release).

Table 2 – Mineral Resource Estimate (Effective 22 October 2018)

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:

1. Rounding may cause apparent discrepancies
2. Resource Estimate conducted by CSA Global of Perth Australia ("CSA") with an effective date of October 22, 2018. 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 NI 43-101. The Mineral Resource Estimate was also prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition ("2012 JORC Code").
3. The Mineral Resource Estimate was first announced on 25 October 2018. Black Dragon confirms that it is not aware of any new information or data that materially affects the information in the previous announcement and that all material assumptions and technical parameters underpinning the Mineral Resource Estimate continue to apply and have not materially changed.
4. A cut-off grade of 2 g/t Au has been applied when reporting the Mineral Resource Estimate.
5. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability but do have reasonable prospects for eventual economic extraction.
6. 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. It is uncertain if further exploration will result in upgrading them to an Indicated or Measured Resource category, although it is reasonably expected that the majority of the Inferred Resources could be upgraded to Indicated Mineral Resources with further exploration.
7. The Mineral Resource Estimate underpinning the production targets in this announcement was prepared by a Competent Person under the 2012 JORC Code.
8. The title of the report is "Salave Gold Project Mineral Resource Update for Black Dragon Gold Corp.", with an effective date of October 22, 2018, and it was authored by Ian Stockton, B.Sc (Geol)., MAusIMM, FAIG, Dmitry Pertel, MSc (Geol), MAIF, GAA, and Galen White, B.Sc, FAusIMM, FGS.

POTENTIALLY EXTRACTABLE PORTION OF MINERALISATION FOR MINE PLANNING

The mine plan supported by the PEA demonstrates that approximately 81.1% of the total 2018 updated Mineral Resource tonnage is amenable to underground extraction. For purposes of mine planning, the potentially extractable portion of the Mineral Resources are comprised of 9.19 million tonnes at a diluted grade of 3.87 g/t Au, containing just over 1.1 million ounces of gold. The mineralised material modelled to be mined in the PEA contains Mineral Resources classified in the Inferred category (28%) that are too speculative geologically to have economic considerations applied that would enable them to be categorised as Mineral Reserves. These Inferred Resources will require further exploration and definition to meet the criteria to be classified as Indicated or Measured Mineral Resources before being considered for conversion to Mineral Reserves at the next level of detailed economic study.

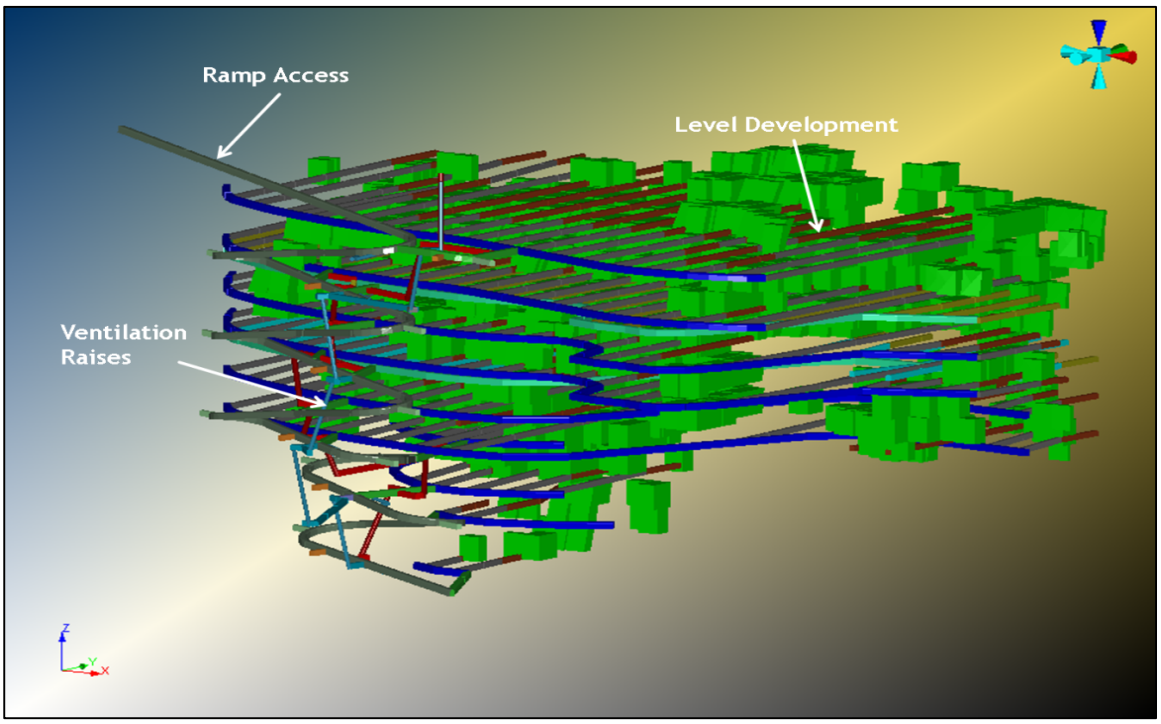
MINE PLAN

Given environmental and community considerations, the PEA has only evaluated underground mining operations. The primary mining method selected for detailed analysis in this study was the vertical retreat mining ("VRM"). Sub-level stoping was considered as a secondary method applicable to specific vertical thin geometries (<15m length). Rock and paste fill will be used as backfill to maximise mining recovery.

The mine design was based on basic economic assumptions to create mineable stope outlines. A value of 2 g/t was assumed as mine cut-off grade. Mining dilution and mineralised material loss factors were also applied to each mining shape to reflect the selected mining method.

The mine production rate targets a 0.70 Mtpa of RoM. A conceptual mine layout was designed including stopes and development as illustrated in Figure 1, with 60m levels and 3 x 20m sub-levels. The total mineralised material from stopes, drives and sill pillar recovery (50%) will total 9.2Mt at 3.87 g/t Au.

Figure 1.- Lateral view of the underground layout



A long term mine schedule was created integrating stopes and development as shown in Figures 2 and 3. Mineralised zones were sequenced to prioritise higher grades at lower operating costs.

Figure 2. – Mining Schedule

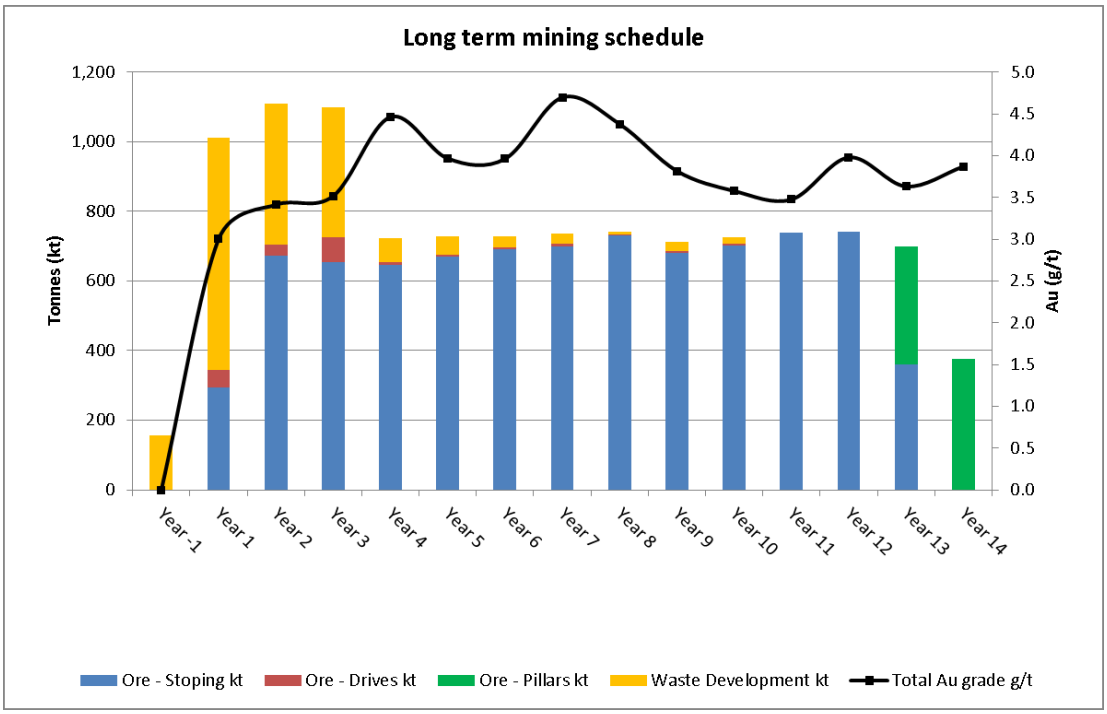
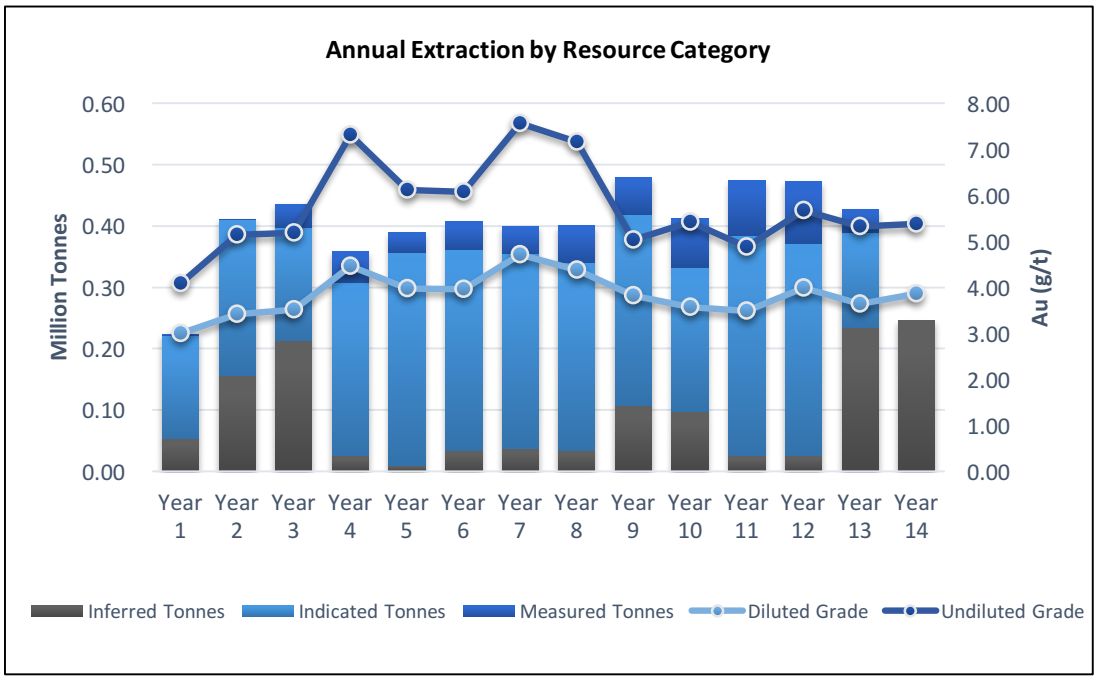


Figure 3. – Annual Extraction of Mineralised Material by Resource Category



MINERAL PROCESSING

In order to minimise potential social and environmental issues, processing of Salave mineralised material has been limited to crushing, grinding and flotation, with concentrates exported via local ports. Mine feed will be crushed on surface at a rate of 0.7 Mtpa, and then be processed via conventional SAG and ball milling followed by sulphide flotation and thickening.

The run-of-mine will feed a primary jaw crusher with a capacity of 400 t/h with a physical availability of 70% with design factor of 20%.

From an intermediate stockpile, the coarse material will feed the mill circuit which consists of a conventional SAG and ball mill configuration working in close circuit with the cyclones.

The flotation circuit consists of a number of cells of 300-400 m^3 capacity (9-10 cells of 40 m^3 each) with two conditioning tanks for pH stabilisation and reagents.

The final stage consists of tailings thickening to minimise the fresh water consumption, and to re-cycle process water. A 'paste' thickener will achieve a product of 70-75% of solids.

Based on flotation test work conducted to date, it is assumed that 97% of the gold head grade will be recovered in the flotation concentrate that will be thickened, filtered and bagged for shipping to customers.

INFRASTRUCTURE AND TAILINGS

Power to the project is available from Tapia, which is linked to the Asturias main distribution grid, and an existing network of power lines enter the property that are connected to the Spanish national transmission grid. Water for both domestic and plant usage can be sourced from wells, the Porcia River (2.5km east of the property) or the reticulated water supply that is currently in place near the plant location.

A Tailings Management Facility ("TMF") will be constructed at surface for temporary storage of plant tailings. The paste and backfill of the mine will minimise the amount of tailings storage at surface, and various options for complete tailings disposal are being evaluated. The TMF design will involve water recovery in the processing plant and transportation to geo-membrane lined facility eliminating any risk for potential surface and ground water contamination.

Surface facilities to support the Salave Project will include an administration and engineering building, security, warehouse, fuel and explosive storage, fire protection, maintenance shops with a site design to accommodate for 50 full time staff.

CONFIDENCE AND ACCURACY

The PEA is a preliminary technical and economic study of the potential viability of the Salave Gold Project. It is based on low level technical and economic assessments that are not sufficient to support the estimation of Ore Reserves. Metallurgical recoveries have been based on test work data and costs have been estimated by independent consultants generally from budget quotations, factored estimates or cost data from similar operations/projects. Cost estimate accuracy for the PEA is in the order of ±35%.

CAPITAL COSTS AND SENSITIVITIES

Input (US$M)	Pre-Production	Sustaining	LOM
Development	29.7	15.7	45.3
Equipment & Infrastructure	11.2	3.6	14.8
Tailings	1.3	0.0	1.3
Process Plant	28.3	0.0	28.3
Owner Costs & EPCM	12.5	0.0	12.5
Contingency (15%)	12.4	0.0	12.4
Total Capex	**95.3**	**19.3**	**114.6**

Sensitivity Analysis						
Parameter	**After-Tax NPV (US$M)**			**% relative to the Base Case**		
	-20%	Base Case	+20%	-20%	Base Case	+20%
Gold price	95.8	230.0	361.0	-58%	0%	57%
Processing costs	244.5	230.0	163.4	6%	0%	-29%
Mining costs	296.1	230.0	192.3	29%	0%	-16%
Capex	245.3	230.0	214.6	7%	0%	-7%

Gold Price Sensitivities				
Macro Parameters	**Unit**	**-20%**	**Base Case**	**+20%**
Gold Price	US$/oz	1,000	1,250	1,500
Pre-Tax				
$NPV_{5\%}$	US$M	122.2	296.2	469.2
IRR	%	16%	28%	40%
Post-Tax				
$NPV_{5\%}$	US$M	95.8	230.0	361.0
IRR	%	14%	25%	36%
Payback	Years	6.3	3.8	2.6

PROJECT FUNDING

The Board of BDG believes there is a reasonable basis to assume the necessary funding for the Salave Gold Project will be obtained for the following reasons:

- The Company has been able to raise funding for its exploration over the past years in order to progress its project. In the last two years BDG has raised over $15.5 million via equity placements. These raises indicate a clear base of support from new and existing shareholders and third-party investors. The Company considers it will be able to raise funding for the next stage of the Project, which will advance the Project to the completion of a detailed Feasibility Study.
- The positive outcomes delivered by the PEA give confidence to the Board in the ability of the Company to fund the development capital through conventional debt and equity financing. A mix of debt and equity is the most likely funding model so 100% of the capital expenditure will not need to be borrowed. The Board has a strong financing track record in funding start up mining operations, and in their view, it is reasonably expected that when the project parameters in this PEA are met, that funding will be able to be arranged. Notwithstanding this, the normal

risks for the raising of capital will apply to the Company, such as the state of equity capital and debt markets, the results of the Feasibility Study and the price of gold.

- The Company believes that its funding opportunities will be improved at the completion of the Feasibility Study as a result of:
  (i) confidence in the possibility to increase the Mineral Resource Estimate that would serve to improve the mine life of the Project;
  (ii) confirmation of earlier metallurgical test work to support, optimise and potentially improve concentrate grades; and
  (iii) finalisation of further engineering studies to improve the accuracy of the assessed capital and operating costs
  (iv) offtake contracts for concentrates to improve revenue and treatment charge assumptions
- The funding models being considered will depend on the outcomes of the Feasibility Study, but as set out above will likely be conventional debt and equity financing, but may include convertible notes, gold streaming, prepayment of royalties and other options for projects of a similar nature.
- The raising of equity by the Company may be dilutive to existing shareholders, but that will depend on the price at which the then funding is completed. Where the market capitalisation of the Company is low as against the amount of equity that is required to be raised at the time, there is a high likelihood that shareholders will be substantially diluted. This is to be balanced against the reasonable expectation of the Company that as the Project becomes more advanced, the value of the Company is more likely to increase, resulting in the actual dilution to existing shareholders being less. The reality is that in this case, although the percentage holding of each shareholder will be reduced, the value of that holding will be assessed against a Company that is anticipated to have a higher market capitalisation at the time of the raising.

PEA KEY RECOMMENDATIONS

CRS Ingenieria ("CRS"), in Madrid were the principal authors of the PEA and have made the following recommendations for further evaluation that may improve the economics of the project:

- The mineralisation style indicates that both vertical retreat mining (VRM) and room and pillar (RP) are applicable to Salave. For this study, a combination of VRM and SLS was selected, configured with 60m-height panels, however, CRS recommends assessing the benefits of RP for individual panels.
- The production rate of Salave used for the PEA was 0.70 Mtpa. While this production capacity is optimal under current assumptions of mining method and cut-off grade, CRS suggests the evaluation of alternative cut-off strategies that may lead to review the production rate.
- Evaluate mining methods by panel and create integrated layouts.
- Develop detailed geotechnical studies to estimate stope and room dimensions and modifying factors such as dilution and mineralised material loss.
- Develop a volume balance of waste and paste over the LoM sequence.
- Further investigate low grade materials by additional drilling to verify geological continuity.
- Sill pillars may be recovered if specific technical and economic studies demonstrate that economic extraction could reasonably be justified under realistic conditions. CRS recommends the completion of detailed geotechnical studies to confirm the viability of sill pillar recovery.
- Complete an economic study considering obtain free gold through panning before shipment the product.
- Develop a detailed market study to identify potential clients for the Salave gold concentrates.

QUALIFIED PERSONS AND COMPETENT PERSONS STATEMENT

The information in this announcement that relates to the PEA for the Salave Gold Project is based on and fairly represents information and supporting documentation prepared by CRS Ingenieria and CSA Global. Paulo Laymen of CRS Ingenieria supervised the preparation of the PEA, is independent of the Company and a qualified person as defined by National Instrument 43-101 and has reviewed and approved the technical disclosure reported herein. Dmitry Pertel and Belinda van Lente of CSA Global were responsible for the Mineral Resource Estimate and are independent of the Company and qualified persons as defined by National Instrument 43-101 and have reviewed and approved the technical disclosure reported herein.

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ABOUT BLACK DRAGON GOLD

Black Dragon Gold "BDG" is the 100% owner of one of the largest undeveloped gold projects in Europe, the Salave project. Salave is situated in the North of Spain in the province of Asturias. The Salave project has an updated combined Measured and Indicated Mineral Resource of 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.

A full technical report summarising the Mineral Resource estimate completed by CSA Global is available on the company's web site and posted on SEDAR. In addition to the current Mineral Resource, historical exploration work suggests there is the potential for additional mineralisation within Black Dragon's landholdings.

FORWARD LOOKING STATEMENTS

This news release contains forward-looking statements that are based on the Corporation's current expectations and estimates. Forward-looking statements are frequently characterised by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current planned exploration activities; changes in project parameters as plans to continue to be refined; possible variations in recovered material grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays or any inability in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Corporation disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

All figures are rounded to reflect the relative accuracy of the news release.

Appendix 1: Material Assumptions Used in Salave PEA

<table>
<tr><th>Item</th><th>Criteria</th><th>Commentary</th></tr>
<tr><td>1</td><td>Mineral Resource Estimate used for assessment of potential Production Target</td><td>• No Ore Reserves are estimated as part of the Preliminary Economic Assessment (PEA).
• For the purposes of this PEA, the Mineral Resource Estimate (MRE) as published in the ASX announcement dated 25 October 2018 has been used. This Estimate was prepared by CSA Global in accordance with the JORC Code, 2012 Edition.</td></tr>
<tr><td>2</td><td>Parties participating in the PEA and site visits</td><td>• The following parties have provided input to this PEA:
• CRS Ingenieria (CRS) were the principal authors of the PEA. Paulo Laymen of CRS Ingenieria supervised the preparation of the PEA and is the Independent Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the technical disclosure reported herein. Paulo Laymen made a site visit between 28 to 30 January 2019.
• CSA Global provided the MRE dated 25 October 2018. Dmitry Pertel and Belinda van Lente of CSA Global were responsible for the Mineral Resource Estimate and are Independent Qualified Persons as defined by National Instrument 43-101 and have reviewed and approved the technical disclosure reported herein. A site visit was made by Belinda van Lente from 19 to 21 February 2018.</td></tr>
<tr><td>3</td><td>Study status</td><td>• The type and level of study is a Preliminary Economic Assessment, otherwise known as a Scoping Study as defined in Section 38 of the JORC Code, 2012 Edition.
• The PEA has not been used to convert Mineral Resources to Ore Reserves. Modifying Factors based on information currently available have been applied to the PEA.</td></tr>
<tr><td>4</td><td>Cut-off parameters used in potential mine analysis</td><td>• The portion of the MRE above 2 g/t gold was evaluated in the PEA.
• Cut-off grades (COGs), expressed as grams per tonne of gold (g/t Au) were determined by dividing the estimated operating cost per tonne of ore treated by the revenue per gram of gold produced.
• The following inputs were used to estimate revenue per gram of gold produced:

<table>
<tr><th colspan="4">ECONOMIC ASSUMPTIONS AND MINE CUT-OFF GRADE</th></tr>
<tr><th>Item</th><th>Unit</th><th>VRM/SLS</th><th>RP</th></tr>
<tr><td>Gold price</td><td>US$/oz</td><td>1,250</td><td>1,250</td></tr>
<tr><td>Oxidation, TC/RC, selling costs, logistics</td><td>US$/oz</td><td>188</td><td>188</td></tr>
<tr><td>Net revenue</td><td>US$/t oz</td><td>1,063</td><td>1,063</td></tr>
<tr><td>Flotation recovery</td><td>%</td><td>97</td><td>97</td></tr>
<tr><td>Mining costs</td><td>US$/t</td><td>45</td><td>37</td></tr>
<tr><td>Processing costs</td><td>US$/t</td><td>14</td><td>14</td></tr>
<tr><td>G&A</td><td>US$/t</td><td>2.71</td><td>2.71</td></tr>
<tr><td>Mine cut-off grade</td><td>g/t</td><td>1.90</td><td>1.67</td></tr>
</table>

• The following inputs were used to estimate operating cost per tonne of ore treated, for potential open pit and underground mines:
  ◦ Mining cost
  ◦ Processing cost
  ◦ General & administration costs</td></tr>
<tr><td>5</td><td>Mining factors or assumptions used in the PEA</td><td>• No conversion of the Mineral Resource to Ore Reserves.
• The primary mining method selected for detailed analysis in this study was the vertical retreat mining (VRM). Sublevel stoping (SLS) was considered as a secondary method applicable to specific vertical thin geometries (<15m length).
• Rock and paste fill will be used as backfill to maximise mining recovery.
• Given the sub-horizontal geometry of some lenses of the deposit and the good rock mass quality, the room and pillar method are also considered suitable. However, it involves low mining recoveries due to the need of configuring pillars.
• The stope geometries were based on parameters suggested by preliminary geotechnical studies completed by EMC.</td></tr>
</table>

		• The mine design was based on basic economic assumptions to create mineable stope outlines. A value of 2 g/t was assumed as mine cut-off grade. • Planned dilution is automatically incorporated during the underground optimisation with Mineable Shape Optimizer (MSO) software. The overbreak factor of 0.50m was also considered during the underground optimisation. • The ore loss factor for VRM/SLS methods was assumed to be 5% due to the benefits of backfilling while for RP method this factor reached 25% as a result of the necessity of establishing pillars. The mine production rate targets a 0.70Mtpa of RoM. • A conceptual mine layout was designed including stopes and development. The total ore from stopes, drives and sill pillar recovery (50%) reached 9.2Mt at 3.87g/t Au. • Access ramp would be driven at maximum grade of 15% at a 5.0m by 5.5m profile. Mineralised zone development would be on a 4.0m by 4.5m profile. • Production in vertical retreat mining zones would be mined in a primary to secondary fashion, whereby primary stopes would be mined first, backfilled with paste, then secondary stopes would be mined and backfilled with paste. • Further geotechnical investigation and assessment will be completed as the study work progresses. • All Mineral Resource categories have been included in the mining study work. • Measured and Indicated Mineral Resources were prioritised in the possible production schedule used in the PEA ahead of scheduling Inferred Mineral Resources. • Infrastructure: The PEA considers the provision of all necessary infrastructure to facilitate the mining activities proposed including mining, processing, power, office and workshop infrastructure.

6	*Metallurgical factors or assumptions used in the PEA*	• There has been a significant amount of metallurgical testing conducted on samples from Salave project.
		• The MDA report states that considerable metallurgical testing of drill-core has been completed. The main purpose was to compare the testwork metallurgical grades and grades estimated from the database.
		• The first metallurgical tests that can be compared to drillhole assay data were from two large-scale metallurgical tests that were completed by Ammtec in 2005, compositing nearly three tonnes of drill-core in each of the two composites for upper and lower mineralised horizons. A pilot flotation plant was operated to consume the composites at a rate of about 150 kg per day which indicated higher grades than drillhole assays, which was explained by a presence of a coarse gold component.
		• Ammtec also completed 65 variability tests. Drill-core was selected, weighed, and composited into 65 samples for the tests. Each composite was based on a 7 kg sample, used to make the upper- and lower-horizon composites for the pilot plant testwork. The comparison of estimated and calculated grades returned acceptable results.
		• Composite samples for metallurgical testing were constructed from low-grade, average grade, and high-grade samples from both upper and lower zones of the deposit. The size of each test was generally around 2 kg. The metallurgical tests showed slightly higher grades than the estimated head grade by using the drillhole assays.
		• A report by Golder Associates describes results of various tests, including conventional cyanidation methods, biometallurgy technologies (bio-oxidation and bioleaching) and pressure oxidation technologies.
		• The metallurgical testwork demonstrated that:
		  ◦ Gold could be recovered successfully by flotation with reported recoveries ranging between 96.3% and 97.8%,
		  ◦ Bulk tests returned grades similar to the ones reported by core samples, which is sufficient for this study.

7	*Environmental*	• The environmental, social and permitting aspects of the project are currently being studied. The primary environmental restrictions identified are related to the special land planning protection areas in the coastal areas fort an open pit mine and are therefore not relevant to this study but the rehabilitation requirements associated with mining and environmental legislation have been considered. Water and waste management and solutions for waste disposal (including tailings),

		operational management and long-term aftercare have been identified as essential for closure and abandonment planning. • BDG has initiated discussions with the relevant authorities to begin consideration of permitting the mining project and asked for the elaboration of the administrative documentation necessary to obtain a positive ESIA declaration. • In the environment of the Salave deposit, there are natural areas with some form of protection: Natura 2000 Network (LIC and ZEPA), two Protected Natural Areas, Biosphere Reserve and IBA (Important Bird Areas).

8	*Infrastructure*	• The project envisages the construction of the following infrastructure facilities including:
		  • Gatehouse for access control.
		  • Plant offices and control room.
		  • Changing rooms.
		  • Lunch room.
		  • Warehouse.
		  • Maintenance shop.
		  • Electromechanical workshop.
		  • Paste fill plant.
		  • Complete laboratory.
		  • Tailing storage facility
		• These facilities would be constructed during a one-and-a-half-year pre-production period. These facilities will be in an industrial area close to Salave and to the site that will allow the facilities to be integrated and covered.
		• Power is available at Tapia, which is linked to the Asturias power grid. There is an existing network of power lines that enters the property and is connected to the national network.
		• Water for domestic and industrial use will be sourced from the reticulated water supply to the nearby industrial estate.

9	*Capital and operating costs*	• The project is assumed to be 100% owned by BDG. • Capital Cost Estimate: Capex includes all costs incurred to develop and sustain the operation. The construction schedule is based on a one-and-a-half-year period. A contingency factor of 15% was applied to the initial capital cost. • An EPCM rate of 12% was applied. The accuracy of this estimate is ±30%. • Rehabilitation Cost Estimate: This estimate has been adjusted with the annual progress of the restoration of the affected area. The estimate accuracy is ±25%. • The total rehabilitation cost estimate amounts to US$M 4.4. • Operating Cost Estimate: Opex includes the costs to mine, process the mineralised ore to a gold concentrate and overheads. • The primary stoping cost of US$39/t was estimated and a pillar recovering cost of US$43/t was assumed. The average production development cost is US$2,000/m. Paste backfilling operating cost achieved US$3.50/t. • G&A is an average cost. G&A in the economic analysis is US$M 2/year except the first year.
10	*Revenue factors*	• For the purposes of the PEA, it has been assumed that gold concentrate will be sold to an end-user and the Company has had initial discussions with Smelters to determine applicable product marketing specifications. • A gold price of US$1,250/oz has been used for the PEA economic evaluation.
11	*Market assessment of gold price*	• There is a transparent, quoted market for the sale of gold doré however more market research and study will need to be addressed for the sale of high-sulphide gold concentrate. This would be addressed in greater detail at the Pre-Feasibility-Study level.
12	*Economic evaluation*	• An economic model was developed to estimate annual cash flows of the project. • Pre-tax estimates of project values were prepared as tax estimates involve many complex variables which can only be accurately calculated during detailed engineering phases. • The economic analysis has been run with no inflation and at a constant discount rate. • The economic analysis is based on the following assumptions: • All costs and revenues are reported in US dollars unless stated otherwise.

<table>
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Discount rate of 5%.
Nominal 2018 dollars.
Results are presented on 100% ownership operation.
Exchange rate of USD1.15/EUR.
Long term gold price of US$1,250/oz.
Final product: gold concentrate from flotation process.
Custom oxidation, TC/RC, selling costs and logistics cost of 15% of gold price (US$188/oz).

The project presents reasonable prospects of being economically viable with a positive pre-tax Net Present Value of US$M 297 (US$M 231 after-tax), a payback period of 3.8 years and an Internal Return Rate of 25%, as indicated in the table below:

<table>
<tr><th colspan="4">ECONOMIC RESULTS</th></tr>
<tr><th>Item</th><th>Unit</th><th>Pre-Tax</th><th>After-tax</th></tr>
<tr><td>Net Present Value</td><td>US$M</td><td>296.2</td><td>230.0</td></tr>
<tr><td>Payback Period</td><td>Years</td><td>3.63</td><td>3.84</td></tr>
<tr><td>IRR</td><td>%</td><td>28</td><td>25</td></tr>
</table>
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<tr><td>13</td><td>Other</td><td>

Government approvals are required to advance the project include:

Declaration of Impact Assessment (DIA)
Administrative Mining Project Authorisation
Land Use Authorisation and Urban Licence
Specific Construction Permits
Water Discharge Permits
Water Utilisation Permits
Authorisation of Hazardous Waste Permit
Specific Permit for Facilities on Regulated Coastline

There are reasonable grounds to expect that Government approvals will be received when required upon successful completion of a Feasibility Study.

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<tr><td>14</td><td>Classification of Ore Reserves</td><td>

Not applicable as no Ore Reserves at Preliminary Economic Assessment level.

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<tr><td>15</td><td>Ore Reserve audits or reviews</td><td>

Not applicable as no Ore Reserve Estimate made.

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<tr><td>16</td><td>Discussion of relative accuracy/confidence</td><td>

No Ore Reserve Estimate has been completed as a result of the Preliminary Economic Assessment.
Metallurgical recoveries have been based on test work data.
Costs have been estimated by independent consultants generally from budget quotations, factored estimates or cost data from similar operations/projects.
Cost estimate accuracy for the PEA is in the order of ±25%.

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