

## BLACK DRAGON GOLD CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in Canadian dollars unless otherwise noted)

#### Background

This Management's Discussion and Analysis ("MD&A") of Black Dragon Gold Corp. ("Black Dragon Gold" or the "Company"), provides an analysis of the Company's financial results for the year ended December 31, 2024 and should be read in conjunction with the accompanying audited annual consolidated financial statements for the year ended December 31, 2024 and the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards). All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available for viewing on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). This MD&A is based on information available, and is dated, as at March 14, 2025.

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

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

Additional information related to the Company, including its Annual Information Form for the most recent fiscal year, is available for view on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

#### Company Overview

Black Dragon Gold Corp. was incorporated under the laws of the Province of British Columbia on August 20, 2007. The Company's head office address is Level 1, 10 Outram Street, West Perth, WA 6005. The registered and records office address is 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC V6C 3L2. On August 29, 2018 the Company listed on the Australian Securities Exchange ("ASX") by way of an initial public offering of CHESS Depository Interests ("CDI's"). The Company's common shares (the "Shares") were voluntarily delisted from the TSX Venture Exchange effective on February 28, 2019.

During 2024 (FY24) Black Dragon continued to progress and de-risk the permitting and development of the Salave Gold Project in Northern Spain in the province of Asturias.

- **Salave Environmental Impact Assessment:** In July 2021, Black Dragon via its Spanish subsidiary, Exploraciones Mineras del Cantábrico (EMC) submitted the Environmental Impact Assessment (EIA) to the Asturian Ministry of Mines. Following the submission of the EIA, Black Dragon has been working closely with Government of the Principality of Asturias in Spain to manage and work through the public consultation period. In Q1 2022, the Company was in receipt of the public comments collated via the EIA public consultative period and in May 2022, the Company submitted its final dossier containing its reply to all the EIA public comments. Following the consultation period, the Company has had constant dialogue in response to and following up additional queries and clarifications to the EIA and public comments. During 2023 and 2024 discussions continued to occur between the Company and key stakeholders including the recently elected Asturian Regional Government, led by Spain-based General Manager Jose Dominguez. Company representatives remain in constant communication with the Asturian Regional Government to progress EIA approvals and relevant zoning changes for Salave Gold that are critical to its development pathway.
- **Land re-zoning:** The Company's application for the re-zoning, from agricultural to industrial, of the land required for the planned surface infrastructure was accepted by the Tapia de Casariego Town Council municipality in April 2024. Seven months later the Municipality convened an extraordinary plenary session and rejected the application claiming prohibitive restrictions in the 2016 Urbanistic Plan. The Company's legal advisors dispute the grounds upon which the application was rejected and have subsequently challenged the decision before the High Court of Justice in Asturias. The outcome of this legal challenge will be known during 2025.

- **Application for Strategic Status:** On 17 December 2024, the Principality of Asturias adopted a new law on strategic investments, the Proyectos de Interés Estratégico Regional (“PIER”). This law was drafted with the specific intent of both de-bottlenecking and accelerating economically important projects within the Principality and the Salave Gold Project fulfills all of its investment, employment and environmental requirements. Appropriately, the Company applied to be considered for strategic status on 30 December 2024. The Company will collaborate with relevant agencies at Principality as the application is reviewed over the coming months. A final decision on the project’s qualification is expected during Q2 of 2025.
- **Investigation Permit Sallave Extended:** In Q1 2022, the Company successfully rolled over its Sallave Investigation Permit with the Government of the Principality of Asturias for a further 3 years. The Sallave Investigation Permit allows Black Dragon the rights to align the location of the mineral resources with the investigation area, thereby retaining the exploration rights over Black Dragon’s land package in a favourable geological setting outside of and contiguous to, the mining concessions that hosts the Salave Gold Deposit. During the current year, discussions have been ongoing with the Government in managing the partial transformation of the Sallave Investigation Permit into a mining concession adjacent to the current Mining Rights of the Salave Gold Project. This Permit allows the Company to conduct exploration in the adjacent area to the Salave Gold Project. The Investigation Permit IP Sallave has been extended for a further 3 years, to February 10, 2028.
- **Drilling Permit Received for Salave Gold Project:** During the first half of 2022, the Government of the Principality of Asturias issued Black Dragon’s 100% owned Spanish subsidiary, Exploraciones Mineras del Cantábrico with an 18-hole drilling permit for the Salave Gold Project. The drill hole locations were based on stringent environmental selection criteria to avoid conflicts with local landowners and to comply with the Government’s planning framework. This drilling campaign’s main focus will be to undertake infill drilling to improve the resource classification from inferred to indicated and from indicated to measured, for mine planning and for geotechnical & metallurgical core samples as part of a definitive feasibility study.

The Company will continue to maintain an open and responsive relationship with the Asturian Government. Subject to permitting success and funding the Company does intend to expand its Salave exploration programme to identify new zones of mineralization and undertake infill drilling.

## Overview of the Salave Project

Black Dragon Gold owns 100% of the Salave gold deposit through its wholly owned Spanish subsidiary, Exploraciones Mineras del Cantabrico S.L. (“EMC”). The Black Dragon Gold tenure includes five Mining Concessions and associated extensions covering 662 ha and an Investigation Permit covering another 2,655 ha (Table 1) and (Figure 2).

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

A Mining Concession entitles its holder to develop resources located within the concession area, except those already reserved by the State.

Under Spanish regulations, ownership of the land is independent of ownership of the mineral rights.

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

Concession/Investigation Permit name	Registration no.	Area (ha)	Date granted	Expiration date
Concessions				
Dos Amigos	24.371	41.99	10 Sep 1941	10 Oct 2045
Salave	25.380	67.98	10 Apr 1945	10 Oct 2045
Figueras	29.500	212.02	25 Jan 1977	25 Jan 2037
Demasia		92.55		
Ampliacion de Figueras	29.969	10.99	9 Nov 1988	9 Nov 2048
Demasia		68.85		
Segunda Ampliacion de Figueras	29.820	100.04	16 Sep 1981	16 Sep 2041
Demasia		67.55		
<b>TOTAL</b>		<b>661.97</b>		
Investigation Permit				
IP Sallave	<b>30.812</b>	<b>2,655</b>	<b>Apr 2022</b>	<b>10 Feb 2028</b>

### Overview of the Marlee Gold Project

During FY22, the Company acquired Australian mining explorer Marlee Gold Pty Ltd, 100% holder of Padbury Gold and Ivan Well projects, as part of its growth strategy. The deal includes the purchase of three permits with early-exploration discovering near surface gold. The acquisition marks Black Dragon's maiden entry into Western Australia and forms part of the Company's strategic growth plans, providing Black Dragon with a quality exploration portfolio to complement its flagship Salave gold project in northern Spain. In August exploration commenced at Padbury Gold Project located north-west of Meekatharra in Western Australia, targeting 520 soil samples across a 15km trend. The initiative was the first step in Stage One of a new exploration programme targeting gold anomalies on a trend of gold occurrences previously identified in prospecting and historic stream sediment sampling.

The drilling campaign was completed in Q3-23 and assay results yielded low-level anomalous gold and laboratory XRF analysis indicated the presence of multi-element anomalous silver, copper and sulphur.

Linkage between historic mineralization activity and extensive gold nugget occurrences at surface across the Padbury site are yet to be explained and as such the Company decided not to undertake any immediate further exploration activity.

During the current year, the Company successfully negotiated the 100% sale of its Padbury Gold assets located in the North Yilgarn Craton near Meekatharra to Parbo Resources. Tenements sold were Padbury Gold (E51/1942) and Padbury Gold Extension (E51/1969). Cash consideration of AUD\$150,000 (excluding GST) was received during the current year. The Company retains the 115km<sup>2</sup> Ivan Well tenement (E69/3818) further north-east towards Wiluna in the northern Goldfields, which still offers early-stage exploration potential for untested gold anomalism. The Company continues taking a responsible fiscal approach while looking at potential exploration activity for the Ivan Well (E69/3818) exploration license.

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

Concession Name	Licence Number	Square Kms	Date Granted	Expiration Date
Ivan Well	E69/3818	115	1 March 2022	28 February 2027

Douglas Turnbull, P.Geo., is the Company's Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the technical disclosure in this MD&A. For further information regarding the Salave Project please see the technical report titled "NI 43-101 Technical Report – Salave Gold Project Mineral Resource Update for Black Dragon Gold Corp." with an effective date of October 31, 2018, a copy of which is available under the Company's profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### FY 2024 Highlights

The Company continues to focus on developing the 100% owned Salave project, one of the largest undeveloped gold projects in Europe. The Salave Gold Project is situated in the Asturias province of Northern Spain. As previously disclosed, during 2018, Black Dragon Gold reported an updated Measured Mineral Resource of 1.03 million tonnes grading 5.59 g/t Au, containing 0.19 million ounces of gold; an Indicated Mineral Resource of 7.18 million tonnes grading 4.43 g/t Au, containing 1.02 million ounces of gold, plus Inferred Resources totalling 3.12 million tonnes grading 3.47 g/t Au, containing 348,000 ounces of gold (See Table

1, page 5 in accompanying Audited Annual Consolidated Financial Statements for the year ended December 31, 2024). During 2020, the Company's 100% owned Spanish subsidiary EMC officially received the Terms of Reference ("ToR") from several administrative bodies involved in the EIA process.

The Company's focus and priority has been centred on finalizing and submitting the EIA. In Q1-22, the Company was in receipt of the public comments collated via the EIA public consultative period and in May-22, the Company submitted its final dossier containing its reply to all the EIA public comments. During FY23 and FY24 discussions continued to occur between the Company and key stakeholders including the recently elected Asturian Regional Government, led by Spain-based General Manager Jose Dominguez. Company representatives remain in constant communication with the Asturian Regional Government to progress EIA approvals and relevant zoning changes for Salave Gold that are critical to its development pathway.

As a result there was minimal exploration activity undertaken which resulted in a reduced exploration expenditure outflow. Subject to permitting success and funding the Company does intend to expand its exploration programme to identify new zones of mineralization.

The Company's application for the re-zoning, from agricultural to industrial, of the land required for the planned surface infrastructure was accepted by the Tapia de Casariego Town Council municipality in April 2024. Seven months later the Municipality convened an extraordinary plenary session and rejected the application claiming prohibitive restrictions in the 2016 Urbanistic Plan. The Company's legal advisors dispute the grounds upon which the application was rejected and have subsequently challenged the decision before the High Court of Justice in Asturias. The outcome of this legal challenge will be known during 2025.

Whilst separate to the Project's main EIA, which was filed with the Principality in July 2021, this re-zoning application is considered as a condition to the issuance of the EIA.

On 17 December 2024, the Principality of Asturias adopted a new law on strategic investments, the Proyectos de Interés Estratégico Regional ("PIER"). This law was drafted with the specific intent of both de-bottlenecking and accelerating economically important projects within the Principality and the Salave Gold Project fulfills all of its investment, employment and environmental requirements. Appropriately, the Company applied to be considered for strategic status on 30 December 2024. The Company will collaborate with relevant agencies at Principality as the application is reviewed over the coming months. A final decision on the project's qualification is expected during Q2 of 2025.

In Q1 2022, the Company successfully rolled over its Sallave Investigation Permit with the Government of the Principality of Asturias for a further 3 years. The Sallave Investigation Permit allows Black Dragon the rights to align the location of the mineral resources with the investigation area, thereby retaining the exploration rights over Black Dragon's land package in a favourable geological setting outside of and contiguous to, the mining concessions that hosts the Salave Gold Deposit. During the current year, discussions have been ongoing with the Government in managing the partial transformation of the Sallave Investigation Permit into a mining concession adjacent to the current Mining Rights of the Salave Gold Project. This Permit allows the Company to conduct exploration in the adjacent area to the Salave Gold Project. The Investigation Permit IP Sallave has been extended for a further 3 years, to February 10, 2028.

During FY23 the Company progressed the exploration program of Marlee Gold comprising of Padbury Gold and Ivan Well projects, in Australia. During 1H-23 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. The drilling campaign was completed in Q3-23 and assay results yielded low-level anomalous gold and laboratory XRF analysis indicated the presence of multi-element anomalous silver, copper and sulphur.

Linkage between historic mineralization activity and extensive gold nugget occurrences at surface across the Padbury site are yet to be explained and as such the Company decided not to undertake any immediate further exploration activity.

During the current year (FY24), the Company successfully negotiated the 100% sale of its Padbury Gold assets located in the North Yilgarn Craton near Meekatharra to Parbo Resources. Tenements sold were Padbury Gold (E51/1942) and Padbury Gold Extension (E51/1969). Cash consideration of AUD\$150,000 (excluding GST) was received during the current year. The Company retains the 115km<sup>2</sup> Ivan Well tenement (E69/3818) further north-east towards Wiluna in the northern Goldfields, which still offers early-stage exploration potential for untested gold anomalism. The Company continues taking a responsible fiscal approach while looking at potential exploration activity for the Ivan Well (E69/3818) exploration license.

In the years prior to and including 2024, the Company has worked to increasing and creating shareholder value through the following initiatives:

#### Salave Gold Project

- Ensuring the Salave Gold permits were acquired free of any encumbrances with previous management having resolved

the Rand Merchant Bank debt

- In 2018, the Company expanded the Mineral Resource Estimate via a 2,200m drilling programme at the Salave Gold Deposit in Asturias, Spain. As a result, the Company reported a new Mineral Resource Estimate as disclosed in Table 2, Page 5 of the accompanying Audited Annual Consolidated Financial Statements for the year ended December 31, 2024)
- During 2019, the Company initiated engineering studies and economic analyses on its 100% owned Salave Gold based on the recently completed Mineral Resource Estimate.
- During 2019, the Company identified additional exploration targets within its permitted area. This was done via completion of a 760-line kilometre, high-resolution, airborne magnetic and radiometric, survey over the entire, 3,427 ha Salave Project. The survey succeeded in enhancing our understanding of the geology, and identifying additional exploration targets within the Company's investigative permit area.
- During 2020, the Company worked towards the final submission and approval of an Environmental Impact Assessment and continued to progress negotiations with the local authority and Spanish Government to finalise the remaining approvals to allow the Company to develop the Salave Gold project. The COVID-19 pandemic reduced the Company's activities with restrictions in Spain and more specifically Asturias, preventing the execution and completion of certain field studies and site visits required for the completion of the Company's Environmental and Social Impact Assessment.
- During 2021, the Company's focus was on finalizing and submitting the Environmental Impact Assessment.
- In Q1-22, the Company successfully rolled over its Sallave Investigation Permit with the Government of the Principality of Asturias for a further 3 years. The Sallave Investigation Permit allows Black Dragon the rights to align the location of the mineral resources with the investigation area, thereby retaining the exploration rights over Black Dragon's land package in a favourable geological setting outside of and contiguous to, the mining concessions that hosts the Salave Gold Deposit.
- Discussions are ongoing with the Government in managing the partial transformation of the Sallave Investigation Permit into a mining concession adjacent to the current Mining Rights of the Salave Gold Project. This Permit allows the Company to conduct exploration in the adjacent area to the Salave Gold Project.
- During 1H-22, the Government of the Principality of Asturias issued Black Dragon's 100% owned Spanish subsidiary, Exploraciones Mineras del Cantábrico with an 18-hole drilling permit for the Salave Gold Project. The drill hole locations were based on stringent environmental selection criteria to avoid conflicts with local landowners and to comply with the Government's planning framework. This drilling campaign's main focus will be to undertake infill drilling to improve the resource classification from inferred to indicated and from indicated to measured, for mine planning and for geotechnical & metallurgical core samples as part of a definitive feasibility study.
- During FY23 and FY24 discussions continued to occur between the Company and key stakeholders including the recently elected Asturian Regional Government, led by Span-based General Manager Jose Dominguez. Company representatives remain in constant communication with the Asturian Regional Government to progress EIA approvals and relevant zoning changes for Salave Gold that are critical to its development pathway. We understand a decision on the EIA will be made during CY25, until then we continue to maintain an open and responsive relationship with the Asturian Government.
- The Sallave Investigation Permit has been extended for a further 3 years (to 10 February 2028).
- Following an extended period of engagement and the Company's application for the re-zoning, from agricultural to industrial, of the land required for the planned surface infrastructure was accepted by the Tapia de Casariego Town Council municipality in April 2024. Seven months later the Municipality convened an extraordinary plenary session and rejected the application claiming prohibitive restrictions in the 2016 Urbanistic Plan. The Company's legal advisors dispute the grounds upon which the application was rejected and have subsequently challenged the decision before the High Court of Justice in Asturias. The outcome of this legal challenge will be known during 2025. The applicable requires consideration by both the Council's planning department and an environmental assessment (of any potential impact to the land created by its re-designation to industrial use) by the Principality of Asturias. Whilst separate to the Project's main EIA, which was filed with the Principality in July 2021, this re-zoning application is considered as a condition to the issuance of the EIA.

#### Marlee Gold Project

- During FY22, the Company acquired Australian mining explorer Marlee Gold Pty Ltd, 100% holder of Padbury Gold and Ivan Well projects, as part of its growth strategy.
- During FY23 the Company also progressed the exploration program of Marlee Gold comprising of Padbury Gold and Ivan Well projects, in Australia.
- During the current year (FY24), the Company successfully negotiated the 100% sale of its Padbury Gold assets located in the North Yilgarn Craton near Meekatharra to Parbo Resources. Tenements sold were Padbury Gold (E51/1942) and Padbury Gold Extension (E51/1969). Cash consideration of AUD\$150,000 (excluding GST) was received during the current year.

The Company retains the 115km<sup>2</sup> Ivan Well tenement (E69/3818) further north-east towards Wiluna in the northern Goldfields, which still offers early-stage exploration potential for untested gold anomalism. The Company continues taking a responsible fiscal approach while looking at potential exploration activity for the Ivan Well (E69/3818) exploration license.

## 2024 transactions

On March 13, 2024, the Company announced the successful completion of a private placement, raising AUD\$1.2m (CAD\$1.1m) to fund a range of activities associated with de-risking and progressing the flagship Salave Gold Project. The Company issued 66,847,620 new fully paid shares at an offer price of AUD\$0.02 per New Share (the 'Placement'). Participants in the Placement received one (1) free attaching option for each one (1) New Share allocated, exercisable at AUD\$0.03 and expiring June 14, 2027 ('Attaching Option').

Settlement of the Placement was split into 2 tranches, with tranche 1 falling within the Company's available listing rule 7.1 placement capacity, with 25,097,620 tranche 1 shares, in the form of Chess Depositary interests in the Company, issued on March 22, 2024. Tranche 2 was subject to shareholder approval at the EGM held on June 6, 2024, and covered off on the director participation in the placement of 16,000,000 shares, in the form of Chess Depositary interests in the Company, 100% of the free attaching options and the balance of the shares from the placement not allotted in Tranche 1.

On November 1, 2024, the Company completed a private placement to certain high net worth Spanish investors, issuing 28,481,720 CDI's at AUD\$0.025 per CDI, raising CAD\$648,092. Participants in the Placement received one (1) free attaching option for each one (1) New Share allocated, exercisable at AUD\$0.03 and expiring June 14, 2027 ('Attaching Option').

Also during November 2024, 5,883,333 options with an exercise price of AUD\$0.03 and expiry date of June 14, 2027, were converted to fully paid shares, raising CAD\$161,974.

## 2024 share-based payment awards

On December 20, 2024, 20 million unlisted options were granted to Directors. The options have an exercise price of AUD\$0.07 and an expiry date of January 8, 2028. The options vested immediately upon grant and were valued at \$448,065 using the Black-Scholes option pricing model with the following assumptions:

Stock price	AUD\$0.045
Risk-free interest rate	3.92%
Expected volatility	100%
Expected life (years)	3
Expected dividend	nil

The following options expired during the current year:

- 4,160,000 options with an exercise price of AUD\$0.096, and expiry date of September 7, 2024
- 1,000,000 options with an exercise price of AUD\$0.098, and expiry date of July 6, 2024

On June 6, 2024, at a Special Meeting of Shareholders, two consultants of the Company were granted 250,000 Class A performance rights and 250,000 Class B performance rights, each. The performance rights convert into ordinary shares upon the achievement of the following share price milestone hurdles:

- 500,000 Class A performance rights convert to shares upon issuance of an environmental Impact Assessment in relation to the Company's Salave Gold Project; and
- 500,000 Class B performance rights convert to shares upon issuance of the Tapia Urban Planning & Modification Permit in relation to the Company's Salave Gold Project

Each milestone has a milestone conversion date of November 22, 2024. The performance rights expired, unvested. The share price on grant date has been used to calculate the fair value of the performance rights. The fair value is CAD\$18,199. During the current year, the Company recognized \$nil of share-based compensation expense, as the likelihood of vesting is less than probable.

On December 20, 2024 the same two consultants were granted a further 250,000 Class A performance rights and 250,000 Class B performance rights with the same milestone hurdles. Each milestone has a milestone conversion date of June 30, 2025. As at December 31, 2024 none of the performance rights have vested. The share price on grant date has been used to calculate the fair value of the performance rights. The fair value is CAD\$40,427. During the current year, the Company recognized \$nil of share-based compensation expense, as the likelihood of vesting is less than probable.

On December 20, 2024, Executive Chairman, Domonic Roberts was issued 5,000,000 performance rights that convert into ordinary shares upon the achievement of the following share price milestone hurdles:

- 2,500,000 Class A performance rights convert to shares upon issuance of an environmental Impact Assessment in relation to the Company's Salave Gold Project; and

- 2,500,000 Class B performance rights convert to shares upon issuance of the Tapia Urban Planning & Modification Permit in relation to the Company's Salave Gold Project

Each milestone has a June 30, 2025 milestone conversion date. As at December 31, 2024 none of the performance rights have vested. The share price on grant date has been used to calculate the fair value of the performance rights. The fair value is CAD\$202,136 and will be recognized over the estimated vesting period. During the current year, the Company recognized \$ nil of share-based compensation expense, as the likelihood of vesting is less than probable.

On December 20, 2024, General Manager, Jose Dominguez was issued 5,750,000 performance rights that convert into ordinary shares upon the achievement of the following share price milestone hurdles:

- 5,750,000 Class A performance rights convert to shares upon issuance of an environmental Impact Assessment in relation to the Company's Salave Gold Project

The milestone has a June 30, 2025 milestone conversion date. As at December 31, 2024 none of the performance rights have vested. The share price on grant date has been used to calculate the fair value of the performance rights. The fair value is CAD\$232,456 and will be recognized over the estimated vesting period. During the current year, the Company recognized \$ nil of share-based compensation expense, as the likelihood of vesting is less than probable.

During the current year, the following performance rights expired, unvested;

- Dominic Roberts' 5,000,000 performance rights, issued in 2023 and detailed below, expired on November 22, 2024.
- Jose Dominguez's 2,156,250 performance rights, which would 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') expired on December 31, 2024 unvested.

#### Annual Results

The following table sets forth selected financial information for the year ended December 31, 2024, and the previous two years.

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Total assets	\$ 1,512,870	\$ 537,587	\$ 1,974,615
Working capital (deficiency)	1,369,830	413,729	1,813,328
Shareholders' equity	(2,368,887)	415,860	1,668,245
Net (loss)	(4,031,646)	(1,501,196)	(1,102,798)
Comprehensive (loss)	(4,031,403)	(1,498,672)	(1,103,370)
(Loss) per share – basic (cents)	(1.62)	(0.75)	(0.56)
(Loss) per share – diluted (cents)	(1.62)	(0.75)	(0.56)

#### Quarterly Results

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

	Three month period ended December 31, 2024	Three month period ended September 30, 2024	Three month period ended June 30, 2024	Three month period ended March 31, 2024
Total assets	\$ 1,512,870	\$1,075,434	\$1,338,281	\$ 730,270
Working capital (deficiency)	1,369,830	993,271	1,199,965	636,133
Shareholders' equity (deficiency)	(2,368,887)	993,271	1,199,965	636,133
Net (loss) income	(3,438,125)	(210,846)	(161,921)	(220,754)
Comprehensive (loss) income	(3,443,268)	(207,619)	(159,650)	(220,866)
(Loss) income per share - basic	(0.014)	(0.003)	(0.000)	(0.001)
(Loss) income per share - diluted	(0.014)	(0.003)	(0.000)	(0.001)

	Three month period ended December 31, 2023	Three month period ended September 30,	Three month period ended June 30, 2023	Three month period ended March 31, 2023
Total assets	\$ 537,587	\$ 792,278	\$1,279,892	\$1,588,703
Working capital (deficiency)	413,729	617,718	953,795	1,285,567
Shareholders' equity (deficiency)	415,860	617,718	953,795	1,285,567
Net (loss) income	(361,597)	(353,080)	(404,322)	(382,197)
Comprehensive (loss) income	(378,358)	(336,076)	(402,686)	(381,552)
(Loss) income per share - basic	(0.002)	(0.002)	(0.002)	(0.002)
(Loss) income per share - diluted	(0.002)	(0.002)	(0.002)	(0.002)

## Results of Operations

### Year Ended December 31, 2024

During the year ended December 31, 2024 (the "current year"), the Company recorded net loss of \$4,031,646 compared to a net loss of \$1,501,196 during the year ended December 31, 2023 (the "comparative year"). The significant variances resulted from the following:

- General and Administrative expenses: During the current year, the Company incurred \$241,488 of general and administrative expenses compared to \$413,039 in the comparative year. The variance is largely due to a focus on cost cutting measures by management.
- Professional fees: during the current year, the Company incurred \$180,634 of professional fees, compared to \$90,876 during the comparative year. The increase is due to costs associated with the land re-zoning application submission for the Salave Project during 2024, and general consultants engaged to promote the project.
- Exploration and evaluation costs for the current year were \$141,632 (2023: \$357,221).
- Share-based compensation: during the current year, the Company incurred \$448,065 share-based payments expense (2023 – \$246,287).
- Loss on fair value change of option liability: \$2,573,774 loss on fair value change of derivative liability associated with unlisted options issued during the current year (2023: \$145,083 gain).

### Three Months Ended December 31, 2024

The Company incurred a comprehensive loss of \$3,443,268, (three months ended December 31, 2023: loss of \$378,358). The variance is largely related to a \$448,065 share based payments expense in relation to Director options granted, and the loss on fair value change of the listed option liability of \$2,573,774 in the current quarter. Please refer to Note 6 and Note 9 of the Black Dragon Gold Corporation Annual Report for more information.

## Cash Flows

Net cash used in operating activities during the year ended December 31, 2024 was \$963,995 (2023: \$1,270,659 outflow). The cash used in operating activities for the current year consists primarily of the operating loss and a change in non-cash working capital.

During the year ended December 31, 2024, financing activities provided net cash of \$1,805,896 (2023: \$nil), and a further \$161,974 was received from the exercise of options during the year (2023: \$nil).



### Contractual Obligations

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

### Financial Condition / Capital Resources

	December 31, 2024	December 31, 2023	December 31, 2022
Working capital (deficiency)	\$ 1,369,830	\$ 413,729	\$ 1,813,328
Cash	1,444,580	464,265	1,776,976
Total Assets	1,512,870	537,587	1,974,615
Total Liabilities	3,881,757	121,727	306,370

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's audited annual consolidated financial statements for the year ended December 31, 2024 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. 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 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 audited annual consolidated financial statements for the year ended December 31, 2024 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.

#### Exploration and evaluation commitments

Exploration and evaluation expenditure contractually committed to as at December 31, 2024 is as follows:

	2024	2023
Not later than 1 year	37,000	158,000
Later than 1 year but not later than 2 years	-	158,000
	37,000	316,000

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at December 31, 2024 and as of the date of this report.

### Contingencies

The Company has no contingencies as at the date of this MD&A.

### Proposed Transactions

The Company does not have any proposed transactions at the date of this report.

## Related Party Transactions

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

The following amounts were incurred with respect of key management personnel being the Chief Executive Officer, Directors, and the Chief Financial Officer of the Company:

	2024	2023
Management and consulting fees – Chief Executive Officer & Executive Chairman	\$215,876	\$196,338
Directors' fees	119,729	99,540
Management and consulting fees – Chief Financial Officer	70,481	70,051
Wages and salary	99,685	100,861
<b>Total short-term employee benefits</b>	<b>505,771</b>	<b>466,790</b>
<b>Total long-term employee benefits</b>	-	-
<b>Termination benefits</b>	-	-
<b>Share-based payments</b>	448,065	246,287
<b>TOTAL</b>	<b>\$953,836</b>	<b>\$713,077</b>

As at December 31, 2024, included in accounts payable and accrued liabilities for unpaid standard directors' fees is \$nil (2023 - \$12,650) that is due to directors, officers and companies controlled by directors or officers.

The Company has an agreement with Invictus Energy Ltd ('Invictus'), and entity related to Mr Gabriel Chiappini, whereby the Company rents one office and one car bay at a cost of AUD\$1,326 plus GST from Invictus per calendar month. The arrangement is for no fixed term and can be cancelled by either party by providing one months notice. Mr Chiappini is a Non-Executive Director and Company Secretary of Invictus.

## Critical Accounting Estimates

### Use of estimates

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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### Share-based payment transactions

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

The Company also makes estimates as to when performance conditions for stock options will be met. The determination of whether or not the achievement of performance milestones for stock options likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgement and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 6 of the financial statements.

### Income taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

*Changes in Accounting Policies* – there were no changes to Accounting Policies during FY24.

### Subsequent Events

On January 7, 2025, 1,083,333 unlisted options with an exercise price of AUD\$0.03 and expiry of June 14, 2027 were exercised.

On February 6, 2025, 750,000 unlisted options with an exercise price of AUD\$0.03 and expiry of June 14, 2027 were exercised.

Ms Arocha was appointed as Non-Executive Director on January 21, 2025

There were no material subsequent events to December 31, 2024.

### 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 (including CDI's on ASX)	303,716,061
Performance Rights (issued to Mr Chiappini, Chief Executive Officer, subject to the following milestones: <ul style="list-style-type: none"> <li>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;</li> <li>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</li> <li>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.</li> </ul> Each milestone has a 3-year milestone conversion date).	5,000,000
Performance Rights (issued to two consultants of the Company, subject to the following milestones <ul style="list-style-type: none"> <li>500,000 Class A performance rights convert to shares upon issuance of an environmental Impact Assessment in relation to the Company's Salave Gold Project; and</li> <li>500,000 Class B performance rights convert to shares upon issuance of the Tapia Urban Planning &amp; Modification Permit in relation to the Company's Salave Gold Project</li> </ul> Each milestone has a June 30, 2025 expiry date).	1,000,000
Performance Rights (issued to Executive Chairman, Domonic Roberts of the Company, subject to the following milestones <ul style="list-style-type: none"> <li>2,500,000 Class A performance rights convert to shares upon issuance of an environmental Impact Assessment in relation to the Company's Salave Gold Project; and</li> <li>2,500,000 Class B performance rights convert to shares upon issuance of the Tapia Urban Planning &amp; Modification Permit in relation to the Company's Salave Gold Project</li> </ul> Each milestone has a June 30, 2025 expiry date).	5,000,000

Performance Rights (issued to EMC's General Manager, subject to the following milestone 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'). 5,750,000

The milestone has a June 30, 2025 expiry date).

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Options:

<b>Expiry Date</b>	<b>Number of Options Outstanding</b>	<b>Exercise Price</b>	<b>Number of Options Exercisable</b>
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
June 14, 2027	59,130,954	\$0.03	59,130,954
January 8, 2028 <sup>1</sup>	20,000,000	\$0.07	20,000,000
<b>Total</b>	<b>85,864,286</b>		<b>85,864,286</b>

<sup>1</sup>Granted, not yet issued

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## 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;
- Level 3 - Inputs that are not based on observable market data.

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value using Level 1 inputs.

Other than the listed options liability, the Company does not carry any financial instruments at FVTPL.

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

2024	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$1,444,580	-	-	\$1,444,580
Listed options liability	-	\$3,743,054	-	\$3,743,054
2023	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$464,265	-	-	\$464,265

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 December 31, 2024, the Company had current assets of \$1,508,533 to settle current liabilities of \$138,703 (excluding the listed option liability of \$3,743,054) 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 accounts. The income earned on the bank accounts are subject to the movements in interest rates. The Company has cash balances and no-interest bearing debt, therefore, interest rate risk is nominal.

##### *b) Foreign currency risk*

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

Based on the Company's Euro, AUD, USD, and GBP denominated financial instruments at December 31, 2024, a 10% change in exchange rates between the Canadian dollar, Euro, AUD, USD, and GBP would result in a change of \$244,000 in foreign exchange gain or loss.

## 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.
- Financial risks include commodity prices, interest rates and the Canadian dollar, United States dollar, Australian dollar, Great British pound and the Euro exchange rate, all of which are beyond the Company's control.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

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

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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

### **Management's Report on Internal Control over Financial Reporting**

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

As at the end of the period covered by this Management's Discussion and Analysis, management of the Company, with the participation of the CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian National Instrument 52-109 ("NI 52-109"). The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the Company's CEO and CFO have concluded that, as December 31, 2024, the disclosure controls and procedures (as defined in NI 52-109) were effective to provide reasonable assurance that information required to be disclosed in the Company's annual and interim filings and other reports filed or submitted under applicable securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

### **Internal Control over Financial Reporting**

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

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

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent



limitations. Additionally, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

The Company uses the 2013 Internal Control – Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission as the basis for assessing its ICFR. Management performed an evaluation of the Company's ICFR and concluded that, as at December 31, 2024, ICFR was effective.

#### *Changes in Internal Controls*

There were no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the quarter ended December 31, 2024, and the year ended December 31, 2024.

#### *Limitations on Controls and Procedures*

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