

BLACK SEA COPPER & GOLD CORP.

(formerly Alternative Earth Resources Inc.)

Management's Discussion and Analysis

For the three months ended September 30, 2016

This Management Discussion and Analysis ("MD&A") is an overview of the activities of Black Sea Copper & Gold Corp. (formerly Alternative Earth Resources Inc.), (the "Company" or "Black Sea") and its subsidiaries (together, "the Group") for the three months ended September 30, 2016. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended June 30, 2016 and its unaudited interim financial statements for the three months ended September 30, 2016.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise. Prior to July 1, 2016, the Company reported its annual and interim financial statements in US dollars. The effective date of this Management Discussion and Analysis is November 28, 2016. This MD&A contains statements that constitute "forward-looking statements" and other cautionary notices (refer to "Forward Looking Statements and Estimates" on page 7).

DESCRIPTION OF BUSINESS AND OPERATIONS

Black Sea was incorporated on April 13, 1995 under the laws of British Columbia and has its registered office at Suite 1000, 840 Howe Street, Vancouver, BC, Canada. The head office is located at Suite 717, 1030 West Georgia Street, Vancouver, BC, Canada. In September 2016, the Company acquired Black Sea Copper & Gold Corp., a private British Columbia company ("BSCG") and, concurrently, the Company's name was changed to Black Sea Copper & Gold Corp. The Company's common shares are traded on the TSX Venture Exchange ("TSXV") under the trading symbol BLS and on the OTCQB under the trading symbol BLSSF.

Black Sea is an exploration stage company engaged in the evaluation and exploration of mineral property interests in the Black Sea region of Eastern Europe. The Company is committed to building a robust portfolio of high quality copper and gold projects with the potential to become world-class mining assets.

On September 28, 2016, the Company completed the acquisition of BSCG (the "Acquisition"), a private company with mineral property interests in Eastern Europe, in accordance with a share exchange agreement which had been entered into with the former BSCG shareholders in August 2016. Concurrently, the Company closed a private placement for gross proceeds of \$2,000,000. Immediately prior to closing the Acquisition, the Company completed a share consolidation on the basis of 1.24 existing common shares for one post-consolidation common share. A total of 23,190,002 common shares of the Company were issued to former BSCG shareholders based on an exchange ratio of 1:1 as consideration. In addition, the Company issued 2,050,000 replacement stock options, 2,010,000 replacement warrants and \$237,500 principal amount of replaceable convertible debentures previously issued by BSCG.

A total of 10,000,000 units at \$0.20 per unit were issued under the private placement financing, with each unit comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.35 for a period of two years, subject to acceleration in the event that the Company's common shares have a closing price of \$0.60 for 10 consecutive trading days, in which case the Company may elect to accelerate the expiry date of the warrants by giving the holders 30 days' notice. In addition, the Company issued an aggregate of 383,250 finder's warrants and paid those finders a 7% cash fee totalling \$76,750 on certain subscriptions. Each finder's warrant entitles the holder to acquire one common share at an exercise price of \$0.35 for a period of one year, subject to acceleration on the same basis as the unit warrants.

MINERAL PROPERTIES

The company's primary interests in mineral properties comprise the following:

Alankoy, Turkey

The Alankoy Property is located in northwestern Turkey within the Biga Peninsula porphyry-epithermal copper-gold district. Several discoveries have been made in the region in the last 15 years, and various companies are currently active in the region. The Alankoy Property presents an opportunity to discover a new deposit within this

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productive district.

Pursuant to an agreement with Eurasian Minerals ("EMX"), the Company has the option to acquire 100% of the Alankoy Property by spending \$3,000,000 on exploration activities over 6 years. Additional terms include:

- Expend \$75,000 on exploration activities before the receipt of drill permits (the "Commencement Date");
- Conduct a minimum of 1,500 metres of exploration drilling by the first anniversary of the Commencement Date and \$200,000 on exploration activities by the second anniversary of the Commencement Date;
- Pay 500 troy ounces of gold (or cash equivalent) upon a development decision on the project.
- Increasing advanced mineral royalty payments ranging from the equivalent of 37.5 troy ounces of gold to 100 troy ounces of gold, annually until commercial production; and
- EMX retaining a production royalty of 3% for gold, silver, and other precious metals and 2% for all other minerals produced from the project.

Kalabak, Bulgaria

The Company holds a mineral license covering 191 km² in southeastern Bulgaria within a porphyry copper-gold belt in the southeastern sector of the Bulgarian Rhodope Mountains. The Eastern Rhodopes region has traditionally been viewed as an epithermal gold belt, however, recent exploration success in the belt by a number of companies suggests this is an emerging porphyry copper-gold camp.

Zlatusha, Bulgaria

The Zlatusha license was approved by the Bulgarian Council of Ministers in June, 2016. Black Sea is expecting issuance of the formal exploration permit from the Minister of Energy in the near future. The license area covers approximately 195 km² which lies within a porphyry-epithermal copper-gold belt located northwest of Sofia, in the Western Srednogorie segment of the Banat-Timok-Srednogorie magmatic arc.

EXPLORATION ACTIVITIES

Alankoy, Turkey

In October 2016, the Company announced exploration plans for the Alankoy copper-gold property in northwestern Turkey. Four distinct mineralized centers hosting anomalous concentrations of Au-Cu-Ag-Mo (soils and/or rock samples) will be the focus of the exploration program, which will comprise geological, geochemical and geophysical surveying to prioritize targets for drill testing.

The Company has defined the scope of the exploration program to include:

- Detailed property-scale geological mapping (1:5000 scale or better).
- Infill rock sampling for geochemical and alteration (PIMA) analyses to determine the extent and grade of surface mineralization, and to construct a higher resolution surface alteration map.
- Ground geophysics (IP resistivity and magnetics).

The Alankoy Property is underlain by a northeast trending zone of Oligocene andesite lavas and pyroclastic rocks, many of which are strongly clay and/or silica altered. These volcanic rocks are in unconformable or disconformable contact with east-west trending Triassic metavolcanic and metasedimentary (clastic) rocks intercalated with variably re-crystallized Triassic limestone. In the northwestern part of Alankoy an Oligocene granodiorite stock intrudes the host metamorphic and volcanic units, associated with well-developed skarn zones and quartz vein stockworks.

The property is characterized by porphyry and porphyry related high-sulphidation epithermal and skarn alteration associated with multi-element soil anomalies and anomalous surface rock geochemistry. The Alankoy property consists of multiple prospective regions including an advanced argillic lithocap target (1.5 by 1.5

kilometers) in the central and northeast portion of the property, a western skarn/replacement (garnet-pyroxene) zone with abundant Fe-oxides (1.0 by 1.0 kilometers) and an epithermal gold zone in the southwest (2.0 by 2.0 kilometers) which contains an active kaolinite mining operation.

Kalabak, Bulgaria

The Company commenced a systematic exploration program at the Kalabak property in October 2016. Exploration work will include geological mapping, geochemical sampling, ridge-top and grid soil sampling, and ground geophysics to advance this target to the drill testing phase.

The Kalabak license is underlain by Tertiary intermediate to felsic volcanic and intrusive rocks. Tertiary-age porphyry Cu-Au discoveries and project advancements are ongoing throughout the region in western Turkey, Greece, Macedonia and Serbia. All of these areas are underlain by Tertiary magmatic arc rocks similar to those in the Eastern Rhodopes. Approximately 50 kilometres north-northwest of the Kalabak target area, porphyry copper occurrences are hosted in the Tertiary Spahievo district within Bulgaria.

The Eastern Rhodopes metallogenic domain has evolved in recent decades from a base metal vein area to an epithermal gold camp. These styles of hydrothermal systems can be driven by porphyry-related root zones. Porphyry-style alteration and mineralization at Kalabak were identified by Black Sea geologists in July 2013. This target area contains outcropping quartz vein stockworks with centerline magnetite-pyrite-chalcopyrite, which cut secondary biotite altered quartz diorite porphyry intrusions. The porphyry occurrence lies adjacent to an open-ended, 600 metre by 200 metre quartz-sericite-pyrite alteration zone cut by structurally-controlled base metal bearing veins.

Zlatusha, Bulgaria

In November 2016, the Company completed a field exploration program at the Zlatusha copper-gold property in western Bulgaria. The Zlatusha license contains four primary and multiple secondary exploration targets defined by hydrothermal alteration, and/or anomalous copper and/or gold geochemistry, interpreted to be related to epithermal and porphyry environments within a potential porphyry system. Project exploration work completed to date includes detailed geological mapping and the collection of over 200 rock samples. A second phase of field exploration will focus on airborne and ground geophysics to further delineate targets for drill testing.

The project area is underlain by Upper Cretaceous andesite volcanic rocks, Cretaceous carbonate and clastic sedimentary rocks, which are intruded by diorite porphyry stocks and dikes. The geological setting of these highly prospective rocks is similar to the Cukaru Peki deposit, 65 kilometres to the northwest in eastern Serbia, and to the Chelopech mine, 45 kilometres to the east in Bulgaria's Panagyurishte trend.

Multiple porphyry-related alteration zones, characterized by intense quartz-sericite-pyrite alteration and associated biotite altered diorite porphyry, are present at Zlatusha. Outcrops of quartz vein stockwork with chalcopyrite mineralization cutting biotite altered diorite porphyry have also been identified on the property.

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RESULTS OF OPERATIONS AND FINANCIAL SUMMARY

Results For the three months ended September 30, 2016

		Sep. 30, 2016	Sep. 30, 2015
Revenue	\$	-	\$ -
Expenses		336,279	80,040
Net loss from continuing operations		(335,988)	(82,726)
Net income from discontinued operations		216,727	-
Total net loss		(119,261)	(82,726)
Net loss per share - basic and diluted		(0.01)	(0.01)
Cash used in operating activities - continuing operations		(88,839)	(76,512)
Cash from (used in) investing activities - continuing operations		(97,127)	24,730
Cash from financing activities - continuing operations		1,865,778	-

The Company had a net loss of \$119,261 for the three months ended September 30, 2016 (2015 - \$82,726). The Company incurred higher costs this fiscal quarter relating to the acquisition of BSCG, which included legal, regulatory and transfer agent fees, and also due to the stock-based compensation of \$195,500 recorded for a stock option grant.

The Company disposed of its interest in NGP Truckhaven LLC, owner of the New Truckhaven geothermal property, to a non-related third party during the quarter ended September 30, 2016. The Company recorded a gain on disposal due to the transfer of an asset retirement obligation, offset by the disposition of a bond held with the Imperial County Planning & Development Services department.

The Company incurred and assumed \$97,127 in costs relating to the BSCG acquisition.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue	Net loss from continuing operations	Net loss per share from continuing operations (Basic and diluted)	Net loss including discontinued operations	Net loss per share (Basic and diluted)
September 30, 2016	\$ -	\$ (335,988)	\$ (0.03)	\$ (119,261)	\$ (0.01)
June 30, 2016	-	(82,726)	(0.01)	(82,726)	(0.01)
March 31, 2016	-	(430,328)	(0.04)	(430,328)	(0.04)
December 31, 2015	-	(226,038)	(0.03)	(274,030)	(0.03)
September 30, 2015	-	(82,726)	(0.01)	(82,726)	(0.01)
June 30, 2015	-	(214,073)	(0.02)	(208,587)	(0.02)
March 31, 2015	-	(132,796)	(0.01)	(144,534)	(0.01)
December 31, 2014	-	(116,535)	(0.00)	(116,535)	(0.01)

Continuing operations

Costs associated with the BSCG acquisition and stock-based compensation due to an option grant increased expenses in the quarter ended September 30, 2016. Legal fees resulting from litigation with a shareholder

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increased the quarter loss for the quarters ended December 31, 2015 and March 31, 2016. Legal fees in the quarter ended June 30, 2016 were off-set by a liability insurance recovery as a result of the shareholder litigation. Consulting costs relating to various potential projects increased as did other expenses during the quarter ended June 30, 2015. The quarter ended March 31, 2015, included legal costs related to a potential Whistler project acquisition from Kiska Metals which was terminated and to higher salaries paid due to a severance pay-out. The quarters ended September 30, 2014 through to, and including, June 30, 2016, show the effects of various cost-cutting strategies.

Discontinued operations

In the quarter ended September 30, 2016, the Company disposal of its interest in NGP Truckhaven LLC for a net gain, due to the elimination of an asset retirement obligation. The quarter ended December 31, 2015 included a loss on disposal of property in Nevada. The quarter ended September 30, 2014 includes a \$1,213,094 gain on disposal of geothermal assets.

CAPITAL RESOURCES AND LIQUIDITY

Concurrently with the acquisition of BSCG, the Company closed a private placement for gross proceeds of \$2,000,000 upon issuance of 10,000,000 units at \$0.20 per unit. As at September 30, 2016, the Company had cash and cash equivalents of \$3,395,854 and working capital of \$3,010,441.

RISKS AND UNCERTAINTIES

Due to risks and uncertainties, including the risks and uncertainties identified below and elsewhere in this MD&A, actual events may differ materially from current expectations.

The Company depends on raising additional capital to fund ongoing operations. 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. Failure to obtain such financing could result in a material adverse effect, delay or indefinite postponement of further exploration and development of our projects. Further, any additional financing by the Company may subject existing shareholders to substantial dilution.

Exploration-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, The Company aims at managing and reducing such risks as much as possible. Few exploration projects successfully achieve development stage, due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed.

The Company is at risk from changes in general economic conditions and financial markets, changes to favourable tax incentives, grants, loan guarantees and investment tax credits, changes in technology, and operational hazards in the Company's exploration, construction and development activities, uncertainties inherent in the resource development, the timing and availability of financing, governmental and other approvals, and other risk factors listed from time to time by the Company. The Company may have difficulty in attracting and retaining suitable employees. These factors may impact upon the Company's ability to finance its programs and to carry out operations.

TRANSACTIONS WITH RELATED PARTIES

- (a) During the three months ended September 30, 2016, the Company incurred \$18,000 (2015 – \$18,000) in salaries and benefits to the former Chief Executive Officer of the Company.
- (b) During the three months ended September 30, 2016, the Company incurred \$34,480 (2015 - \$3,750) in fees to directors of the Company, including fees to a director for dealing with the shareholder litigation.
- (c) During the three months ended September 30, 2016, the Company incurred \$16,331 (2015 - \$13,910) in consulting fees to a company controlled by the former Chief Financial Officer of the Company.

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- (d) During the three months ended September 30, 2016, the Company granted a total of 750,000 stock options with a fair value of \$127,500 to the directors of the Company.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

A number of new standards, and amendments to standards and interpretations, are not yet effective for the three months ended September 30, 2016, and have not been applied in preparing these consolidated financial statements:

New standard IFRS 9, "Financial Instruments"

The Company has not early adopted this revised standard and is currently assessing the impact that this standard will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments carried on the statement of financial position include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and convertible debentures. The fair value of the remaining instruments approximates their carrying value.

Cash equivalents include guaranteed investment certificates and term deposits where maturity at inception is less than ninety days or that may be liquidated at the Company's option without significant penalty. The amounts invested are in excess of amounts protected by the Canadian and US Government deposit insurance programs.

The Group does not have any hedging activities.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the three months ended September 30, 2016 to which this MD&A relates.

OUTSTANDING SHARE DATA

The Company has an authorized capital consisting of unlimited common shares without par value, 25,000,000 first preferred shares without par value, and 25,000,000 second preferred shares without par value.

At September 30, 2016, the Company had 43,727,109 common shares, 3,200,000 stock options and 12,393,250 warrants (consisting of 11,925,000 share purchase warrants and 468,250 finders' warrants) outstanding. No preferred shares were outstanding.

At November 28, 2016, the effective date of this MD&A, the Company has 43,741,275 common shares, 3,200,000 stock options, 11,925,000 share purchase warrants, and 454,084 finders' warrants outstanding. If all stock options and warrants were exercised, a total of 59,320,359 common shares would be issued and outstanding.

FORWARD LOOKING STATEMENTS AND ESTIMATES

Except for statements of fact related to the Company, certain statements made herein may constitute "Forward-Looking Statements". These include, but are not limited to, statements respecting anticipated business activities,

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planned expenditures, corporate strategies, and investigation and acquisition of new projects. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate," and other similar words, or statements that certain events or conditions "may" or "will" occur. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward looking statements are based on the beliefs, opinions and estimates of management at the date the statements are made, current expectations at that date - and these by their inherent nature entail various risks, uncertainties and other unknown factors. Consequently, there can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Some important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Risks and Uncertainties" contained immediately before this section. Therefore the reader is cautioned not to place undue reliance on forward-looking statements. Further, the Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, of future events, or otherwise except as may be required under applicable securities legislation.

OTHER INFORMATION

The Company's web site address is www.blacksea.ca. A copy of this management discussion and analysis, the unaudited financial statements for the three months ended September 30, 2016, previously published management discussions and analyses, previously published financial statements and other information are available on the Company's web site or on the SEDAR website at www.sedar.com.

APPROVAL

The Audit Committee of the Company has approved the disclosure contained in this management discussion.

DISCLAIMER

The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning Black Sea Copper & Gold Corp. (formerly Alternative Earth Resources Inc). This information should be considered with all of the disclosure documents of the Company. The information contained herein is not a substitute for a detailed investigation or an analysis of any issue related to the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented. Further, certain data included in this document may be historical in nature. Consequently, it may not have been verified by the Company's technical staff, and therefore it should not be relied upon.