BLACK SEA COPPER & GOLD CORP.
(formerly Alternative Earth Resources Inc.)
Management's Discussion and Analysis
For the year ended June 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 year ended June 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.

All dollar amounts referred to in this MD&A are expressed in US dollars except where indicated otherwise. The effective date of this Management Discussion and Analysis is October 24, 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

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, Canada. The head office is located at Suite 717, 1030 West Georgia Street, Vancouver, Canada. In September 2016, the Company acquired Black Sea Copper & Gold Corp., a private British Columbia company ("BSCG") and, concurrently, the company 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.

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.

OPERATIONS

In July 2016, the Company completed a share consolidation on the basis of two existing common shares for one post-consolidation common share. All common share and per common share amounts in this discussion have been retroactively restated to reflect the share consolidation.

On September 28, 2016, the Company completed the acquisition of BSCG in accordance with a share exchange agreement entered into with the former BSCG shareholders in August 2016. Concurrently, the company name was changed to Black Sea Copper & Gold Corp. and the Company closed a private placement for gross proceeds of Cdn$2,000,000. Immediately prior to closing the acquisition of BSCG, the Company completed a share consolidation on the basis of of 1.24 existing shares for one post-consolidation 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. In addition, the Company issued 2,050,000 replacement stock options, 2,010,000 replacement warrants and $237,500 of convertible debentures previously issued by BSCG. An aggregate of 6,400,000 common shares issued to certain BSCG shareholders are subject to restrictions on resale in accordance with TSXV regulations. The replacement options have exercise prices of Cdn$0.20 to Cdn$0.25 and expire on dates from November 2016 to August 2021. The replacement warrants all have an exercise price of Cdn$0.20 and expire in October and November 2019. The replacement convertible debentures are due August 29, 2017 and are convertible into units of the Company at Cdn$0.20 per unit, with each unit comprised of one common share and one-half of one warrant, with each warrant exercisable until August 29, 2019 at an exercise price of Cdn$0.20.

A total of 10,000,000 units 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 Cdn$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 Cdn$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 Cdn$76,750 on certain subscriptions. Each finder's warrant entitles the holder to acquire one common share at an exercise price of Cdn$0.35 for a period of one year, subject to acceleration on the same basis as the unit warrants. All securities issued pursuant to the private placement are subject to a four-month hold period.

The Company had previously looked to complete the acquisition of BSCG under an agreement entered into in October 2015. The transaction was not completed as a consequence of two petitions filed in the Supreme Court of British Columbia ("Court") by a shareholder. The Court found for the shareholder on both petitions and issued a number of restrictive orders. The Company appealed the decision and in May 2016, the British Columbia Court of Appeal rendered its decision setting aside the Court's findings and orders from both of the shareholder's petitions and awarding the Company court costs for the appeal and the petitions. In June 2016, the Company and the shareholder settled all matters in dispute between the parties. The shareholder sold all of its holding in the Company to third parties and the Company paid the shareholder Cdn$50,000 and waived certain costs awards made by the Court of Appeal in favour of the Company. Full details of the petitions and court findings can be found on SEDAR under the Company's profile.

SELECTED ANNUAL INFORMATION

		Year ended June 30, 2016		Year ended June 30, 2015		Year ended June 30, 2014
Net loss from continuing operations	$	(676,702)	$	(539,771)	$	(1,205,543)
Net income (loss) including discontinued operations		(712,902)		609,326		(2,129,589)
Net income (loss) per share (basic and diluted)						
- Continuing operations		(0.07)		(0.06)		(0.12)
- Total		(0.07)		0.06		(0.22)
Total assets		1,430,007		2,095,648		2,166,244

On January 11, 2013, the Company entered into an equity transfer agreement under which the Company transferred its 100% interest in NGP Blue Mountain Holdco LLC ("BM Holdco"), which in turn owned NGP Blue Mountain I LLC ("NGP I", the owner of the Blue Mountain geothermal power plant) to Blue Mountain Power, LLC, a company owned by EIG. The equity transfer agreement closed on March 28, 2013 and EIG accepted the transfer of ownership of BM Holdco in full satisfaction of the outstanding principal, accrued unpaid interest and any other cash or fee obligations owing by BM Holdco under its loan agreement with EIG. The closing of the equity transfer agreement on March 28, 2013 triggered the recognition of a gain of $80.8 million on the sale of the net liabilities of BM Holdco and its subsidiary NGP I.

This sale reduced the extent of the Company's geothermal operations dramatically. The Company continued to receive funds from providing operations, management, and administrative services for the Blue Mountain plant until January 31, 2014.

On August 27, 2014, the Company closed a Purchase and Sale Agreement ("PSA") with Ormat Nevada Inc. ("Ormat"), whereby Ormat purchased the Company's Crump Geyser (50% interest) and North Valley geothermal projects. This agreement also gave Ormat an option, exercisable over a four year period, to purchase certain Company leases from the New Truckhaven geothermal project.

The Company received $1,490,000 upon closing of the transaction, and included all revenues and expenses related to these projects in discontinued operations.

RESULTS OF OPERATIONS AND FINANCIAL SUMMARY

Results for the year ended June 30, 2016

Year ended	**June 30, 2016**	**June 30, 2015**
Revenue	$ -	$ -
Operating loss	(634,222)	(546,867)
Net loss from continuing operations	(676,702)	(539,771)
Net income (loss) from discontinued operations	(36,200)	1,149,097
Total net income (loss)	(712,902)	609,326
Net earnings (loss) per share - basic and diluted	(0.07)	0.06
Cash used in operating activities - continuing operations	(594,995)	(593,823)
Cash from investing activities - continuing operations	25,000	125,000
Cash from financing activities - continuing operations	39,302	19,854

The Company had a net loss of $712,902 for the year ended June 30, 2016 compared to net income of $609,326 in the prior fiscal year, for a variance of $1,322,228. The variance is attributed to the net gain from the sale of the Company's interest in the Crump and North Valley geothermal projects in fiscal 2015 and high legal costs in fiscal 2016 due to the petitions brought on by a former shareholder.

The Company received $53,800 from the recovery of a state bond and the sale of assets during the year ended June 30, 2016 compared to $125,000 received from investing activities during the year ended June 30, 2015, all of which pertained to the recovery of various state bonds.

Results of discontinued operations

Year ended	**June 30, 2016**	**June 30, 2015**
Revenue	$ -	$ -
Operating loss	-	-
Gain (loss) on disposal	(36,200)	1,149,097
Income (loss) from discontinued operations	(36,200)	1,149,097
Cash used in operating activities	-	-
Cash from investing activities	28,800	1,431,329
Cash used in financing activities	-	-

The sale of the Company's United States projects to Ormat as part of the PSA, are included in discontinued operations in fiscal 2015. During the year ended June 30, 2016, the Company disposed of its remaining assets in Nevada.

SUMMARY OF QUARTERLY RESULTS

Quarter ended		Revenue		Net income (loss) from continuing operations		Net (loss) profit per share from continuing operations (Basic and diluted)		Net income (loss) including discontinued operations		Net earnings (loss) per share (Basic and diluted)
June 30, 2016	$	-	$	(114,114)	$	(0.01)	$	(114,114)	$	(0.01)
March 31, 2016		-		(314,178)		(0.03)		(314,178)		(0.03)
December 31, 2015		-		(176,105)		(0.02)		(212,305)		(0.02)
September 30, 2015		-		(72,305)		(0.01)		(72,305)		(0.01)
June 30, 2015		-		(177,702)		(0.02)		(177,702)		(0.02)
March 31, 2015		-		(123,133)		(0.01)		(123,133)		(0.01)
December 31, 2014		-		(99,280)		(0.01)		(99,280)		(0.01)
September 30, 2014				(140,466)		(0.01)		1,009,441		0.10

Continuing operations:

Legal fees relating to shareholder litigation 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 liability insurance recovery. 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 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:

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 the assets included in the PSA.

CAPITAL RESOURCES AND LIQUIDITY

As at June 30, 2016, the Company had cash and cash equivalents of $1,331,115 and working capital of $1,287,040.

Subsequent to June 30, 2016, the Company closed a private placement for gross proceeds of Cdn$2,000,000 as discussed above. Following the completion of the acquisition and the financing, the Company had cash reserves of approximately $2.8 million.

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.

RESOURCE PROPERTY INTERESTS

As at June 30, 2016, the Company's resource property interests were comprised of the New Truckhaven project, located in Imperial Valley, southeast of Salton City, California. Certain geothermal leases were part of the Ormat PSA, and were subject to a 4-year option period. The remaining lease expired on March 26, 2015. The Company has terminated all leases relating to the New Truckhaven project.

Subsequent to June 30, 2016, the Company disposed of its interest in the New Truckhaven project through the sale of the shares of its subsidiary, NGP Truckhaven, LLC, to a non-related party.

Currently the primary project of BSCG is the Alankoy Property which is located in northwestern Turkey within the Biga Peninsula Porphyry-Epithermal Copper Gold District. Several mineral discoveries have been made in the region in the last 15 years, and various companies are currently active in the region. The Biga Peninsula is an emerging porphyry-epithermal gold-copper district, with excellent potential for additional discoveries.

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 meters 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 announces 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.

The Company has announced plans to commence an exploration program on the Alankoy Project in the next quarter 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 drill targets. Drill testing is expected to be conducted in the spring of 2017.

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).

TRANSACTIONS WITH RELATED PARTIES

(a) During the year ended June 30, 2016, the Company incurred $54,307 (2015 – $168,572) in salaries and benefits to Brian Fairbank, the Chief Executive Officer of the Company.

(b) During the year ended June 30, 2016, the Company incurred $51,519 (2015 - $12,780) in directors' fees to three directors of the Company.

(c) During the year ended June 30, 2016, the Company incurred $45,350 (2015 - $53,168) in consulting fees to a company controlled by Ed Low, the Chief Financial Officer of the Company.

(d) During the year ended June 30, 2016, the Company incurred $13,545 (2015 - $nil) in legal fees to a company where a director of the Company has significant influence.

(e) During the year ended June 30, 2016, the Company issued 463,710 (2015 – 201,613) common shares to officers and directors of the Company for proceeds of $39,302 (2015 - $19,854) pursuant to the exercise of stock options.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 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 these revised standards and is currently assessing the impact that these standards 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, restricted cash, amounts receivable, accounts payable and accrued liabilities. 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 year ended June 30, 2016 to which this MD&A relates.

OUTSTANDING SHARE DATA

The Company has authorized 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 June 30, 2016, the Company had 10,537,107 common shares outstanding. There were no options and warrants outstanding as at June 30, 2016.

At 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, 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 audited financial statements for the year ended June 30, 2016, previously published management discussions and analyses, previously published financial statements and other information, is 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.