



FINANCIAL REVIEW

Second Quarter Ended June 30, 2017



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2017

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2017. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

As at	June 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash	\$ 1,511,100	\$ 837,243
Amounts receivable	21,419	102,000
Prepaid expenses and deposits (Note 10)	52,429	36,875
Total current assets	1,584,948	976,118
Non-current assets		
Long-term deposits (Note 10)	61,000	61,000
Exploration bonds (Note 6)	427,358	408,593
Property and equipment (Note 5)	207,045	114,856
Exploration and evaluation assets (Note 6)	43,020	43,020
Total non-current assets	738,423	627,469
	\$ 2,323,371	\$ 1,603,587
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 241,752	\$ 206,110
Due to related parties (Note 10)	50,127	32,760
Total liabilities	291,879	238,870
Shareholders' equity		
Share capital (Note 7)	11,473,829	9,264,500
Other reserves (Note 7)	1,120,341	1,491,350
Accumulated other comprehensive loss	(173,664)	(173,664)
Deficit	(10,389,014)	(9,217,469)
Total shareholders' equity	2,031,492	1,364,717
	\$ 2,323,371	\$ 1,603,587

APPROVED ON BEHALF OF THE BOARD ON AUGUST 25, 2017:

"Simon Ridgway"
Simon Ridgway, Director

"Daniel James"
Daniel James, Director

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Exploration expenditures (Note 9)	\$ 379,654	\$ 183,013	\$ 898,032	\$ 336,658
General and administrative expenses				
Depreciation	13,529	4,990	22,196	10,207
Finance costs	-	1,522	-	20,176
Foreign exchange gain	(16,829)	(30,502)	(16,351)	(73,981)
Office and administration (Note 10)	26,024	19,613	46,464	46,677
Interest charges (Note 14)	-	17,995	-	34,645
Legal and accounting	33,652	43,508	36,207	56,519
Management fees (Note 10)	27,600	26,271	53,920	59,608
Salaries and benefits (Note 10)	29,399	39,121	56,453	63,549
Shareholder communications (Note 10)	26,000	2,914	46,386	21,985
Share-based payments (Note 8)	-	416,919	-	416,919
Transfer agent and regulatory fees (Note 10)	3,964	3,475	15,659	12,200
Travel and accommodation (Note 10)	3,708	4,075	14,004	11,459
	147,047	549,901	274,938	679,963
Loss before other items	(526,701)	(732,914)	(1,172,970)	(1,016,621)
Other items				
Interest and other income	761	-	1,425	-
Net loss for the period	\$ (525,940)	\$ (732,914)	\$ (1,171,545)	\$ (1,016,621)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on foreign exchange translation	-	(43,711)	-	(105,096)
Comprehensive loss for the period	\$ (525,940)	\$ (776,625)	\$ (1,171,545)	\$ (1,121,717)
Loss per share, basic and diluted	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.02)
Weighted average number of shares outstanding	85,014,175	54,383,190	82,291,095	53,130,442

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves			Accumulated other comprehensive loss	Deficit	Total shareholders' equity
			Warrants reserve	Share-based payment reserve	Equity portion of convertible debenture reserve			
Balance, December 31, 2015	51,877,695	\$ 6,037,899	\$ 191,193	\$ 533,038	\$ 842,680	\$ (47,203)	\$ (7,017,123)	\$ 540,484
Loss for the period	-	-	-	-	-	-	(1,016,621)	(1,016,621)
Shares issued for private placement	12,000,000	1,350,000	350,000	-	-	-	-	1,700,000
Share issuance costs	-	(10,958)	-	-	-	-	-	(10,958)
Warrants issued for finance fee	-	-	17,300	-	-	-	-	17,300
Share-based payments	-	-	-	416,919	-	-	-	416,919
Unrealized foreign exchange loss	-	-	-	-	-	(105,096)	-	(105,096)
Balance, June 30, 2016	63,877,695	7,376,941	558,493	949,957	842,680	(152,299)	(8,033,744)	1,542,028
Loss for the period	-	-	-	-	-	-	(1,183,725)	(1,183,725)
Shares issued for debenture conversion	2,166,667	842,680	-	-	(842,680)	-	-	-
Shares issued for services	300,000	46,875	-	-	-	-	-	46,875
Share issuance costs	-	(550)	-	-	-	-	-	(550)
Warrants exercised	6,256,240	981,454	-	-	-	-	-	981,454
Transfer of reserves on exercise of warrants	-	17,100	(17,100)	-	-	-	-	-
Unrealized foreign exchange loss	-	-	-	-	-	(21,365)	-	(21,365)
Balance, December 31, 2016	72,600,602	9,264,500	541,393	949,957	-	(173,664)	(9,217,469)	1,364,717
Loss for the period	-	-	-	-	-	-	(1,171,545)	(1,171,545)
Warrants exercised	12,413,573	1,838,320	-	-	-	-	-	1,838,320
Transfer of reserves on exercise of warrants	-	371,009	(371,009)	-	-	-	-	-
Balance, June 30, 2017	85,014,175	\$ 11,473,829	\$ 170,384	\$ 949,957	\$ -	\$ (173,664)	\$ (10,389,014)	\$ 2,031,492

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (525,940)	\$ (732,914)	\$ (1,171,545)	\$ (1,016,621)
Items not involving cash:				
Finance costs	-	1,522	-	20,176
Depreciation	13,529	4,990	22,196	10,207
Share-based payments	-	416,919	-	416,919
Convertible debenture accretion expense	-	17,995	-	34,645
	(512,411)	(291,488)	(1,149,349)	(534,674)
Changes in non-cash working capital balances:				
Amounts receivable	10,079	495	80,581	1,386
Prepaid expenses and deposits	3,997	(2,406)	(15,554)	10,469
Accounts payable and accrued liabilities	105,723	(50,747)	35,642	(109,203)
Due to related parties	8,345	(29,225)	17,367	23,607
	(384,267)	(373,371)	(1,031,313)	(608,415)
FINANCING ACTIVITIES				
Net proceeds from issuance of common shares	-	1,689,042	1,838,320	1,689,042
Proceeds from short-term debt	-	-	-	100,000
Repayment of short-term debt	-	(100,000)	-	(100,000)
	-	1,589,042	1,838,320	1,689,042
INVESTING ACTIVITIES				
Purchase of property and equipment	(47,726)	-	(114,385)	-
Refund of reclamation bonds	-	240,430	-	240,430
	(47,726)	240,430	(114,385)	240,430
Effect of changes in exchange rates on cash	(16,215)	(41,015)	(18,765)	(56,591)
Increase (decrease) in cash	(448,208)	1,415,086	673,857	1,264,466
Cash, beginning of period	1,959,308	64,662	837,243	215,282
Cash, end of period	\$ 1,511,100	\$ 1,479,748	\$ 1,511,100	\$ 1,479,748
Supplemental Cash Flow Information				
Warrants issued for finance fee	\$ -	\$ -	\$ -	\$ 17,300

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Medgold Resources Corp. (the "Company") is a public company incorporated and domiciled in British Columbia. The address of the Company's head office and principal place of business is 650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6. The Company is engaged in the acquisition and exploration of resource properties in Europe.

These condensed interim consolidated financial statements of the Company as at June 30, 2017 and for the period then ended include the Company and its subsidiaries (Note 2).

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At June 30, 2017, the Company had not yet achieved profitable operations, has accumulated losses of \$10,389,014 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim consolidated financial statements are presented in Canadian dollars ("CAD").

The preparation of condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 4.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiaries as at June 30, 2017 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
Medgold Istrazivanja d.o.o.	Serbia	100%	Exploration company
MedgoldMinas Unipessoal Lda.	Portugal	100%	Exploration company
MedCenterra Unipessoal Lda.	Portugal	100%	Exploration company

Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses on translation are included in profit and loss. As at January 1, 2017, the Company has determined that the functional currency of all its foreign subsidiaries is the Canadian dollar and changed functional currencies for certain subsidiaries from the British pound sterling and euro to the Canadian dollar effective January 1, 2017. The change in functional currencies arose due to the change in sources of recent and expected future financing as those subsidiaries have become entirely dependent upon the Company for operating funds. The change in functional currency has been applied prospectively.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The Company will be required to adopt the following standards and amendments issued by the IASB as described below.

IFRS 9 Financial Instruments

Issued by IASB July 2014

Effective for annual periods beginning January 1, 2018

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

IFRS 16 Leases

Issued by IASB January 2016

Effective for annual periods beginning January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

IFRS 16 Leases (continued)

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

Issued by IASB November 2016

Effective for annual periods beginning January 1, 2018

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments 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 profit or loss 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.

The key areas of judgment applied in the preparation of the condensed interim consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the economic environment in which the entities operate.
- b) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

In respect of costs incurred for its investment in exploration and evaluation assets, management has determined there are indicators of impairment. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

- c) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- d) Although the Company has taken steps to identify any decommissioning liabilities related to mineral properties in which it has an interest, there may be unidentified decommissioning liabilities present.
- e) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The key estimates applied in the preparation of the condensed interim consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- a) The Company may be subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business and on dispositions of mineral property or interests therein, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events, and interpretation of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.
- b) In estimating the fair value of share-based payments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2015	\$ 12,906	\$ 73,782	\$ 5,299	\$ 12,814	\$ 104,801
Additions	-	42,097	18,250	18,839	79,186
Disposals	-	(21,986)	-	-	(21,986)
Balance, December 31, 2016	12,906	93,893	23,549	31,653	162,001
Additions	-	108,207	2,439	3,739	114,385
Balance, June 30, 2017	\$ 12,906	\$ 202,100	\$ 25,988	\$ 35,392	\$ 276,386
Accumulated amortization					
Balance, December 31, 2015	\$ 5,850	\$ 14,054	\$ 2,775	\$ 4,511	\$ 27,190
Charge for period	1,800	16,803	1,325	3,490	23,418
Disposals	-	(3,463)	-	-	(3,463)
Balance, December 31, 2016	7,650	27,394	4,100	8,001	47,145
Charge for period	900	14,396	2,384	4,516	22,196
Balance, June 30, 2017	\$ 8,550	\$ 41,790	\$ 6,484	\$ 12,517	\$ 69,341
Carrying amounts					
At December 31, 2016	\$ 5,256	\$ 66,499	\$ 19,449	\$ 23,652	\$ 114,856
At June 30, 2017	\$ 4,3566	\$ 160,310	\$ 19,504	\$ 22,875	\$ 207,045

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2016 to June 30, 2017:

	Serbia	Portugal			Total
		Klondike Project	Marrancos Project	Caramulo	
Balance, December 31, 2015	\$ -	\$ 197,320	\$ -	\$ -	\$ 197,320
Acquisition costs	43,020	-	36,852	17,954	97,826
Write-down of acquisition costs	-	(197,320)	(36,852)	(17,954)	(252,126)
Balance, December 31, 2016	43,020	-	-	-	43,020
Balance, June 30, 2017	\$ 43,020	\$ -	\$ -	\$ -	\$ 43,020

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2016. Significant exploration and evaluation asset transactions that have occurred since December 31, 2016 are as follows:

Serbia

a) In 2016, the Company submitted applications for nine exploration licences in Serbia. As of June 30, 2017, six of these exploration licences have been granted. During the period ended June 30, 2017, the Company has registered interest, as the preliminary step before submitting a full application, for an additional twenty-plus licences.

b) Strategic Alliance

In 2016, in conjunction with an investment of \$1,500,000 in the Company by Fortuna Silver Mines Inc. ("Fortuna") by way of a private placement, the Company granted Fortuna the right to enter into an option agreement to earn up to a 70% interest in one of the geological target areas (a "Selected Property") identified by the Company's project generation and exploration work in Serbia.

During the period ended June 30, 2017, the strategic alliance was amended whereby Fortuna now has the right to enter into separate option agreements to earn up to a 70% interest in two geological target areas, each a Selected Property, identified by the Company's generative work. Fortuna can earn a 51% stake in each Selected Property by spending US\$3,000,000 on each Selected Property over three years. Once Fortuna has earned 51%, it can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or can elect to earn an additional 19% interest in the Selected Property by spending an additional US\$5,000,000 in qualified expenditures and completing a Preliminary Economic Assessment on the Selected Property.

During the period ended June 30, 2017, Fortuna chose the Tlamino Project as a Selected Property and as such, entered into an option agreement with the Company to earn up to a 70% interest of that project.

The Company and Fortuna have one common director.

Portugal

a) Centerra Option Licences

In 2014, the Company entered into an agreement (the "Option Agreement") with Centerra Gold Corp. ("Centerra") whereby Centerra was granted an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licences (collectively called the Valongo Belt Property).

Under the Option Agreement, Centerra had the right to earn a 51% interest in the Valongo Belt Property by incurring expenditures on the Valongo Belt Property totaling US\$3,000,000 over three years, of which US\$500,000 was committed to be spent by Centerra. To keep the option in good standing, Centerra needed to incur US\$1,000,000 in the first year, a further US\$1,500,000 in the second year and a further US\$500,000 in the third year.

In 2015, the Ponte da Barca licence was relinquished and in 2016, the Balazar and Castelo de Paiva licences were relinquished. Also in 2016, the Option Agreement was amended to include the Company's Boticas-Chaves Project. During the period ended June 30, 2017, the Company decided to let the Lagares and Valongo licences lapse, and as a result, acquisition costs totaling \$197,320 were written off as of December 31, 2016.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal (continued)

a) Centerra Option Licences (continued)

During the period ended June 30, 2017, Centerra notified the Company that it had incurred a total of US\$3,000,000 in expenditures and therefore earned its 51% in the Valongo Belt Property and Boticas-Chaves Project. However, Centerra also advised that it was not interested in incurring further exploration expenditures pursuant to the Option Agreement and therefore wished to dispose of its 51% interest in the licences. Accordingly, the Company and Centerra signed an agreement on May 9, 2017 whereby the Option Agreement was terminated, Centerra relinquished its 51% interest in the licences in consideration of the sum of \$100,000 from the Company; and Centerra was granted a net smelter return royalty on any future production from the licences.

The Company has in place with the Portugal mining authority exploration bonds of \$140,724 (€95,000) on the Lagares, Valongo, Balazar and Castelo de Paiva licences, \$233,305 (€157,500) on the Boticas licence, and \$14,813 (€10,000) on the Chaves licence.

b) Caramulo Licence

In 2015, the Company submitted an application for the Caramulo exploration licence. During the period ended June 30, 2017, the Company decided that it will let the Caramulo licence lapse, and as a result, the acquisition cost of \$17,954 was written off as of December 31, 2016.

The Company has in place with the Portugal mining authority an exploration bond of \$16,294 (€11,000) on the Caramulo licence.

c) Marrancos Gold Project

In 2016, the Company entered into an option agreement to acquire up to a 100% interest in the Marrancos Project located in northern Portugal. The Company had the option from Lusorecursos SCPS ("Lusorecursos"), a private Portuguese company, to earn an initial 70% interest in the property by making a cash payment of €25,000 (paid in 2016) and incurring exploration expenditures of €150,000 on or before 12 months following the agreement date.

During the period ended June 30, 2017, the Company terminated the option agreement. Acquisition costs of \$36,852 were written off as of December 31, 2016.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

7. SHARE CAPITAL AND RESERVES

Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

During the period ended June 30, 2017, a total of 12,413,573 share purchase warrants were exercised for gross proceeds of \$1,838,320. The Company reallocated the fair value of 11,267,273 of these share purchase warrants previously recorded in the amount of \$371,009 from other equity reserve to share capital.

Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2016 to June 30, 2017 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	19,069,895	\$0.15
Issued on private placement	12,000,000	\$0.15
Issued for finance fee	500,000	\$0.09
Exercised during the year	(6,256,240)	\$0.16
Expired during the year	(330,927)	\$0.16
Balance, December 31, 2016	24,982,728	\$0.15
Exercised during the period	(12,413,573)	\$0.15
Expired during the period	(7,769,155)	\$0.19
Balance, June 30, 2017	4,800,000	\$0.15

Details of share purchase warrants outstanding as of June 30, 2017 are:

Expiry date	Number of warrants	Exercise price
September 20, 2017	1,900,000	\$0.15
October 12, 2017	2,900,000	\$0.15
	4,800,000	

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

8. SHARE-BASED PAYMENTS

Option Plan Details

The Company has in place a stock option plan (the "Plan"), which allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX Venture Exchange ("TSX-V"). Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V policies. The options are for a maximum term of ten years.

There was no stock option activity during the period ended June 30, 2017.

As at June 30, 2017, the following stock options were outstanding:

<u>Expiry date</u>	<u>Number of options</u>	<u>Exercise price</u>
February 23, 2024	3,455,000	\$0.15
February 12, 2025	225,000	\$0.15
June 28, 2026	2,550,000	\$0.15
	6,230,000	

The weighted average exercise price of options outstanding as of June 30, 2017 was \$0.15 (December 31, 2016: \$0.15) per option.

The weighted average remaining contractual life of the options outstanding at June 30, 2017 is 7.65 (December 31, 2016: 8.15) years.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Expenses Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions recognized as part of share-based compensation during the period ended June 30, 2017 (2016: \$416,919).

As of June 30, 2017 there were no unrecognized compensation costs related to unvested share-based payment awards.

Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the periods ended June 30, 2017 and 2016.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

9. EXPLORATION EXPENDITURES

During the six month period ended June 30, 2017, the Company incurred the following exploration expenditures:

	Portugal				Serbia		Total
	Properties under option to Centerra	Caramulo	Marrancos	Other	Tlaminio	Other	
Assaying	\$ 1,989	\$ -	\$ -	\$ -	\$ 11,127	\$ 12,651	\$ 25,767
Field expenses	-	-	-	-	21,917	11,292	33,209
Geological and other consulting	51,628	23,355	18,922	47,672	92,449	109,919	343,945
Geophysics	-	-	-	-	71,497	-	71,497
Licenses, rights and taxes	14,458	-	-	-	22,572	59,236	96,266
Office and administration	17,936	1,052	3,232	4,488	25,116	43,972	95,796
Salaries and benefits	-	-	-	177,131	96,423	135,066	408,620
Travel	3,129	2,085	1,111	6,116	34,673	73,631	120,745
	89,140	26,492	23,265	235,407	375,774	445,767	1,195,845
Expense recoveries	(15,226)	-	-	-	(282,587)	-	(297,813)
Balance, end of period	\$ 73,914	\$ 26,492	\$ 23,265	\$ 235,407	\$ 93,187	\$ 445,767	\$ 898,032

During the six month period ended June 30, 2016, the Company incurred the following exploration expenditures:

	Portugal					Serbia	Other	Total
	Vila de Rei	Boticas-Chaves	Lagares	Ponte da Barca	Valongo			
Geological and other consulting	\$ 1,788	\$ 39,832	\$ 1,475	\$ 1,788	\$ 13,277	\$126,124	\$ 32,874	\$ 217,158
Licences, rights and taxes	-	-	-	-	-	5,281	7,159	12,440
Office and administration	894	5,980	221	596	1,993	12,363	1,833	23,880
Travel	298	16,435	609	-	5,478	45,950	14,410	83,180
Balance, end of period	\$ 2,980	\$ 62,247	\$ 2,305	\$ 2,384	\$ 20,748	\$189,718	\$ 56,276	\$ 336,658

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended June 30, 2017 and 2016 with related parties who consisted of directors, officers and the following companies with common directors:

<u>Related party</u>	<u>Nature of transactions</u>
Radius Gold Inc. ("Radius")	Exploration related charges and investment in the Company
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Focus Ventures Ltd. ("Focus")	Shared administrative salary charges
Mill Street Services Ltd. ("Mill Street")	Management services
Fortuna	Investment in the Company and mineral property option agreement

Balances and transactions with related parties not disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

- a) During the periods ended June 30, 2017 and 2016, the Company reimbursed Gold Group for the following costs:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
General and administrative expenses:				
Office and administration	\$ 24,350	\$ 20,903	\$ 43,205	\$ 43,708
Salaries and benefits	28,005	31,842	54,782	51,298
Shareholder communications	22	72	2,154	1,241
Transfer agent and regulatory fees	2,504	1,779	5,220	3,379
Travel and accommodation	2,634	5,522	10,441	12,906
	\$ 57,515	\$ 60,118	\$ 115,802	\$ 112,532

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the periods ended June 30, 2017 and 2016 include those for the Chief Financial Officer and the Corporate Secretary. .

- b) During the period ended June 30, 2017, the Company reimbursed Radius, a company with a common director, \$68,304 (2016: \$31,564) for the services of a geological consultant.
- c) During the period ended June 30, 2017, the Company reimbursed Focus, a company with common directors, \$Nil (2016: \$9,150) in shared salary and benefits costs for a director.
- d) Prepaid expenses and deposits as at June 30, 2017 include an amount paid to Gold Group of \$558 (December 31, 2016: \$1,122) for administrative expenses paid in advance on the Company's behalf,
- e) Long-term deposits as of June 30, 2017 consists of \$61,000 (December 31, 2016: \$61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- f) Amounts due to related parties as of June 30, 2017 consist of \$39,127 (December 31, 2016: \$18,792) owing to Gold Group and \$11,000 (December 31, 2016: \$13,968) owing to Radius. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amount for Radius is unsecured, interest-free and has no specific terms of repayment.
- g) Fortuna, a company with a common director, acquired 10,000,000 common shares of the Company by way of exercising 10,000,000 share purchase warrants at a cost of \$1,500,000.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended June 30, 2017 and 2016 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Management fees	\$ 27,600	\$ 26,271	\$ 55,048	\$ 59,608
Geological fees	33,900	31,905	67,573	59,411
Salaries and benefits	9,162	3,667	16,037	9,625
Value of stock option grants recorded as share-based payments	-	137,357	-	137,357
	\$ 70,662	\$ 199,200	\$ 138,658	\$ 266,001

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies, and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at June 30, 2017, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at June 30, 2017, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	June 30, 2017			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 21,969	\$ 5,213	\$ 13,992	\$ 192,816
Amounts receivable	-	-	2,953	9,784
Accounts payable and accrued liabilities	(14,164)	-	(160,913)	(11,623)
Net exposure	\$ 7,805	\$ 5,213	\$ (143,968)	\$ 190,977

	December 31, 2016			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 186,067	\$ 5,442	\$ 156,316	\$ 73,054
Amounts receivable	-	-	25,380	70,469
Accounts payable and accrued liabilities	(20,806)	-	(134,051)	(42,949)
Net exposure	\$ 165,261	\$ 5,442	\$ 47,645	\$ 100,574

Based on the above net exposures at June 30, 2017, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$6,000 (December 31, 2016: \$31,900) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at June 30, 2017, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At June 30, 2017, the Company had working capital of \$1,293,069 (December 31, 2016: \$737,248). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The condensed interim consolidated statements of financial position carrying amounts for cash, amounts receivable, accounts payable and accrued liabilities, and due to related parties approximate fair values due to their short-term nature.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are categorized in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the Company's financial assets measured at fair value on a recurring basis as of June 30, 2017 were calculated as follows:

	Balance at June 30, 2017	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 1,511,100	\$ 1,511,100	\$ -	\$ -

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(Exploration Stage Company)

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For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity. There were no changes in the Company's capital management approach during the period ended June 30, 2017.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. The Company expects its capital resources as of June 30, 2017 to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. The Company believes it will be able to raise additional debt or equity capital as required, but recognizes the uncertainty attached thereto.

13. SEGMENTED REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to precious metals exploration. Management of exploration programs is centralized in England. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations and assets are therefore segmented on a country basis.

Period ended June 30, 2017

	Canada	England	Spain	Portugal	Serbia	Consolidated
Exploration expenditures	\$ -	\$ -	\$ -	\$ 318,002	\$ 580,030	\$ 898,032
Interest and other income	1,425	-	-	-	-	1,425
Net income (loss)	(66,614)	(60,118)	(17,905)	(357,855)	(669,053)	(1,171,545)
Capital expenditures*	-	-	-	-	114,385	114,385

Period ended June 30, 2016

	Canada	England	Spain	Portugal	Serbia	Consolidated
Exploration expenditures	\$ -	\$ -	\$ -	\$ 213,904	\$ 122,754	\$ 336,658
Net loss	639,212	30,286	2,920	221,741	122,462	1,016,621

*Capital expenditures consists of additions of property and equipment

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For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

13. SEGMENTED REPORTING (continued)

As at June 30, 2017	Canada	England	Portugal	Serbia	Consolidated
Total current assets	\$ 1,295,410	\$ 22,762	\$ 27,902	\$ 238,874	\$ 1,584,948
Total non-current assets	63,394	3,938	451,945	219,146	738,423
Total assets	\$ 1,358,804	\$ 26,700	\$ 479,847	\$ 458,020	\$ 2,323,371
Total liabilities	\$ 105,179	\$ 14,164	\$ 160,913	\$ 11,623	\$ 291,879

As at December 31, 2016	Canada	England	Portugal	Serbia	Consolidated
Total current assets	\$ 440,621	\$ 186,067	\$ 199,211	\$ 150,219	\$ 976,118
Total non-current assets	96,110	5,873	441,344	84,142	627,469
Total assets	\$ 536,731	\$ 191,940	\$ 640,555	\$ 234,361	\$ 1,603,587
Total liabilities	\$ 39,341	\$ 20,806	\$ 134,051	\$ 44,672	\$ 238,870

14. CHANGE IN PRESENTATION

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.

15. EVENTS AFTER THE REPORTING DATE

Subsequent to June 30, 2017, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

- The Company received TSX-V approval to issue common shares of the Company with a total value of up to \$43,000 to Daniel James in part consideration for his ongoing services as the Company's President during 2017. A total of 97,727 shares with a deemed value of \$21,500 were issued July 27, 2017 for services rendered to June 30, 2017. The balance of the shares is to be issued in two quarterly installments.
- 200,000 share purchase warrants were exercised at a price of \$0.15 per share for proceeds of \$30,000.
- A total of 645,000 stock options with an exercise price of \$0.20 per share and exercisable for ten years were granted and a total of 750,000 stock options with an exercise price of \$0.15 per share were cancelled.



(the “Company”)

INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the Six Months Ended June 30, 2017

General

This interim Management’s Discussion and Analysis (“Interim MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2017. The following information, prepared as of August 25, 2017, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for six months ended June 30, 2017 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2016 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The June 30, 2017 condensed interim consolidated financial statements have not been reviewed by the Company’s auditors.

Additional information relevant to the Company’s activities can be found on SEDAR at (www.sedar.com).

Forward Looking Information

This Interim MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation (“Forward-looking Statements”). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this Interim MD&A include, without limitation, statements relating to:

- the Company’s planned exploration activities for its mineral properties;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company’s cash position and its ability to raise equity capital or access debt facilities; and
- maturities of the Company’s financial liabilities or other contractual commitments.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as “anticipates”, “believes”, “plans”, “estimates”, “expects”, “forecasts”, “scheduled”, “targets”, “possible”, “strategy”, “potential”, “intends”, “advance”, “goal”, “objective”, “projects”, “budget”, “calculates” or statements that events, “will”, “may”, “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;

- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters;
- local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions.

as well as those factors referred to in the “Risks and Uncertainties” section in this Interim MD&A.

Forward-looking Statements contained in this Interim MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company’s properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matter;
- permitting, exploration and development activities proceeding on a basis consistent with the Company’s current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates;
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels; and
- the accuracy of the Company’s current mineral resource estimates.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

The Company is a Vancouver based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. The Company is focusing on early- to mid-stage exploration projects in Europe in jurisdictions which are mining-friendly, with a strong mining code, and with excellent geological potential. The Company’s exploration activities are currently focused in Serbia.

Exploration Review

The Company is targeting gold (silver, lead and zinc) properties in the Oligo-Miocene igneous belt of Serbia. This belt of rocks runs NW-SE across much of the country, and is under-explored for gold and silver, despite an abundance of freely available geological data. Much of this information was generated by the Yugoslav government, predominantly through the 1960s and 1970s, through phases of national-scale geological mapping and systematic exploration for lead and zinc.

In mid-2016, the Company signed a strategic alliance with Fortuna Silver Mines Inc. (“Fortuna”), for the purposes of generating gold-silver exploration projects in Serbia. The Company has been granted several exploration licences, and is in the process of applying for more, following multiple phases of project generation work. The work led to the identification of the Tlamino Project, where some highly significant channel-chip results have been obtained, and also led Fortuna to option the Project in March 2017.

The Company’s exploration work in Portugal did not result in the identification of significant and large-scale mineralization, and in 2017, management decided that further expenditures are not warranted. Accordingly, the Company has closed down its Portugal operations, terminated its agreement with Lusorecursos for the Marrancos project, and relinquished all staff.

Serbia

The Company has been granted six exploration licences, each covering approximately 100 square kilometres, targeting gold-silver epithermal and gold-dominant porphyry systems associated with the Oligo-Miocene igneous belt in the central and southern parts of the country. Five of these licences are located on the borders of Macedonia and Bulgaria, in the very south of the country, and include the Donje Tlamino and Surlica-Dukat licences, which comprise the Tlamino Project optioned to Fortuna. The Company has registered interest, as the preliminary step before making a full application, for a further twenty-plus licences covering new targets generated through the strategic alliance with Fortuna.

Strategic Alliance with Fortuna

In June 2016, the Company completed a \$1.5 million private placement to Fortuna by way of the issuance of 10.0 million units at \$0.15 per unit. Each unit consists of one common share of the Company and one warrant entitling Fortuna to purchase one additional common share of the Company at \$0.15 for one year from closing.

The private placement is part of a broader strategic alliance between the Company and Fortuna to explore for precious metal deposits in Serbia. The Company was required to use a minimum of 80% of the financing proceeds on project-generating exploration in Serbia within 12 months, which the Company had completed by January 2017. In February 2017, Fortuna exercised all of its warrants, and the Company is obligated to spend a minimum of 80% of the exercise proceeds on further reconnaissance work in Serbia within 12 months following the date of the warrant exercise.

Pursuant to the strategic alliance, as amended in January 2017, Fortuna has the right to enter into an option agreement to earn up to a 70% interest in up to two of the geological target areas (each a “Selected Property”) identified by the Company’s project generation and exploration work in Serbia. To acquire an initial 51% interest in the Selected Property, Fortuna must spend a minimum of US\$3.0 million on the Selected Property by no later than the third anniversary of the date of the option agreement. Once it has earned 51%, Fortuna can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Selected Property by completing a preliminary economic assessment on the Selected Property and spending an additional US\$5.0 million in qualified expenditures within three years following the date of the election by Fortuna.

In March 2017, Fortuna identified the Tlamino Project (comprised of the Donje Tlamino and Surlica-Dukat licences) as its first Selected Property, and the Company and Fortuna signed an Option Agreement in connection therewith.

Project Generative Work

The Company’s field teams have been actively undertaking reconnaissance work on highly prospective ground in Serbia, including remote sensing and desktop GIS studies. In late 2016, the Company was granted five exploration licences as a block of five contiguous licences totalling 500 square kilometres in the southeast of the country, bordering Macedonia and Bulgaria. A sixth exploration licence was granted in March 2017. Further licence applications have been submitted to the Ministry of Mines in Serbia and the issuance of some of these licences is expected later in 2017.

The block of five contiguous licences is located in the Serbo-Macedonian Massif (“SMM”), a belt of crustal rocks that runs through Serbia along a north-south axis, extending southwards through Macedonia and Bulgaria and into Greece. In Serbia, the SMM is west of, but parallel to, the Carpatho-Balkanides, which includes the Timok Magmatic Complex (TMC), host to a number of copper-gold porphyry-epithermal deposits. The SMM is under-explored when compared to the TMC, having seen lead and zinc exploration work by the Yugoslav government in the 1960s and 70s, but far less exploration post-2000. The sixth licence is located in the Carpatho-Balkanides along the contact of the SMM. The five contiguous licences are located along the Macedonian and Bulgarian borders, approximately 40 kilometres southeast of the city of Vranje, in southeast Serbia. They cover areas of Palaeozoic metasediments, including calcareous schists and marbles, which have been intruded by a series of Oligo-Miocene porphyritic felsic igneous dykes, and locally covered with recent alluvial sediments. Contact zones between dykes and favourable country rock are responsible for many of the known base and precious metal showings within the licence areas. Fairly extensive exploration was completed by the Yugoslav government in the 1960s and 1970s for lead and zinc. Precious metals are often referenced in the historical and archival exploration documentation, but were not the focus of any exploration efforts, nor systematically documented. Today, it is recognized that these

mineralized systems are intermediate-sulphidation epithermal in nature, and management believes that their lack of historical precious metal exploration presents significant upside potential for the Company.

In 2016, the Company purchased an exploration dataset from Dundee Precious Metals which had in previous years conducted regional exploration campaigns over parts of these licence areas. The data include regional stream sediment sampling results and a number of fairly detailed soil sampling grids over historical showings and gold-anomalous stream sediment and rock chip results. The data are currently being reviewed and will be followed-up with a series of ground-truthing and quality-control exercises.

The sixth licence, called Kalna, is located on the Bulgarian border, approximately 50 kilometres northeast of the Tlamino Project and 20 kilometres south of the town of Pirot.

Throughout 2017, field crews have been undertaking licence-wide reconnaissance over the six granted licences, which includes stream sediment sampling programs, and rock-chip sampling. Teams have also been working in the government archives researching historical exploration over both granted licences and also areas pending issuance.

The Tlamino Gold Project

The Tlamino Gold Project is located in southern Serbia, and includes two historical showings: Liska and Barje. Both showings are associated with a regional east-west striking detachment fault, which in the vicinity of these showings has been overlain by conglomerates. Mineralization is located at the contact of the basement metamorphic rocks and the base of the conglomerate cover. Liska, located approximately 1.5 kilometres to the southwest of Barje, was drilled in the 1970s by Yugoslav state companies, and a lensoid-shaped mineralized volume of rock with 1-2 % combined Pb & Zn was found to strike NE towards Barje. The mineralization at Liska is located at the base of the conglomerate and parallel to the slope of the detachment fault. Liska was found to contain only anomalous concentrations of precious metals. At Barje, base metal contents are lower, but precious metals are found in much higher concentrations. The area between the two showings is overlain by a thin conglomerate cover likely in the range of 50 – 100 metre in thickness, and the Company considers the exploration potential under the conglomerate, between the two showings, to be excellent.

After identifying the project in the fall 2016, the Company completed a series of saw-cut surface channel samples over the outcrop at Barje, where approximately 70 metre x 25 metre of mineralized tectonic breccia is exposed on surface at the edge of the conglomerate cover. A total of 132 linear samples of 1 m in length by approximately 8 centimetres in width and 4 centimetres in depth, were collected from 7 channels, designed to test as large an areal extent of the outcrop as possible. Three channels were cut across the outcrop in an east-west direction, while 4 channels were cut across the outcrop in a general north-south direction. Gold assays ranged from 0.78 g/t Au to 132.5 g/t Au, with an average grade of 8.11 g/t Au and a median grade of 4.74 g/t Au. Silver concentrations ranged from 10.3 g/t Ag to 2110 g/t Ag, with an average grade of 210.6 g/t Ag and a median grade of 111.5 g/t Ag.

Applying a top-cut of 31.104 g/t Au (affects 4 / 132 samples) and 700 g/t Ag (affects 6 / 132 samples), the channel length-weighted assay averages are summarized as follows:

Channel	Orientation	Length (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)*	Pb (%)	Zn (%)
1	EW	30	6.64	137.1	8.60	0.33	0.13
2	EW	40	8.32	193.0	11.08	0.29	0.07
3	NS	11	5.55	189.3	8.25	0.20	0.03
4	NS	12	8.63	351.8	13.66	0.44	0.06
5	NS	18	5.71	207.1	8.67	0.54	0.18
6	EW	14.5	3.23	59.6	4.08	0.28	0.01
7	NS	7	7.05	82.0	8.22	0.61	0.02

*Gold equivalent (AuEq) calculated for gold and silver using a gold:silver price ratio of 70:1.

The channel samples described here represent the sampling of an outcrop face. The Company's current exploration model for Barje is premised on the interpretation that the outcrop face represents a faulted oblique cross-section through 'strata-bound' mineralization striking NE-SW, and located at the base of the conglomerate sequence, directly analogous to the mineralization at Liska. However, the Company does not yet have direct observational evidence to suggest its interpretation is correct. The reader is cautioned therefore that the true thickness of the mineralization described here is unknown, and further work will be required before the true thickness of mineralization can be determined.

A plan map showing the locations of the channel samples has been posted on the Company's website at <http://www.medgoldresources.com/>.

Following a detailed structural interpretation of the geology between the Barje and Liska prospects, the Company has completed an Induced Polarization / Resistivity (IP-Res) geophysical study which has identified a high chargeability anomaly which extends to the west of the Barje outcrop under cover for over 1 kilometre. Furthermore, recent saw-cut channel sampling from Barje, with the objective of extending channel samples previously reported, has yielded a best intersection of 44 m at 3.1 g/t Au, which, when composited with the results of the channel which it extends, gives an overall intersection of 84 metres at 5.6 g/t Au.

The objective of the 39 line-kilometre IP-Resistivity program was to analyse an area covering 4 square kilometres, focusing on the Barje-Liska prospects, for near-surface sulphide-rich mineralization. The program commenced at the Liska prospect, which has been historically drill-tested for Pb-Zn mineralization by the former Yugoslav government in the 1950s and 1970s, and results from both the drilling and IP-Res survey confirm a geological model for areally extensive and flat-lying mineralization.

At Barje, located 1.5 kilometres to the northeast of Liska, a large high-chargeability anomaly was identified. The anomaly measures approximately 1 kilometre east to west and approximately 400 metres north to south. The southern limit of the anomaly appears to track a large-scale regional detachment fault, which has been assumed to be a principal control on mineralization at both Barje and Liska, and its surface expression trends east-west. The anomaly continues northwards, which is considered to be the northerly extension of the same detachment fault, but beneath cover and steepening topography. Interestingly, the high-grade saw-cut channel sampling completed at the main Barje outcrop is located on the eastern flank of the chargeability anomaly. At this stage, it is unknown whether the chargeability anomaly is directly related to gold mineralization; however it is clear that the surface rocks exposed in the area of the chargeability anomaly consist of schists which display similar alteration and mineralization as seen in the schist stratigraphically overlying the mineralization at Barje.

Barje Channel Sampling Results

Following-on from channel sampling undertaken at the Barje outcrop early this year, and reported in a news release on January 9, 2017, a second phase of diamond saw-cut channels was completed and assayed. A total of 73 samples were collected, each of 1 metre in length, for a total of 73 metres of channeling. Sampling procedures were identical to those reported in the Company's January 9, 2017 news release. The objective of the work was to extend the channel lines further to the east and north of the exposure, where previous samples ended in high-grade assays.

A summary of the length-weighted results is shown in the table below and location maps can be seen on the Company's website by clicking [here](#).

Channel	From (m)	To (m)	Length	Au (ppm)	Ag (ppm)	As (ppm)	AuEq (g/t)*	Pb (ppm)	Zn (ppm)
CH_BAR_08	0.00	3.00	3.00	6.882	291.7	8593	11.048	3737	168
CH_BAR_09	0.00	4.00	4.00	0.814	2.8	5753	0.854	147	238
CH_BAR_10	0.00	22.00	22.00	4.349	59.7	8182	5.203	1274	177
CH_BAR_11	0.00	44.00	44.00	3.126	25.5	8313	3.489	738	141

*AuEq is calculated from Au & Ag using a price ratio of 70:1

The channel samples described here represent the sampling of an outcrop face. The Company's current exploration model for Barje is premised on the interpretation that the outcrop face represents a faulted oblique cross-section through 'strata-bound' mineralization. However, the Company does not yet have direct observational evidence to suggest its interpretation is correct. The reader is cautioned therefore that the true thickness of the mineralization described here is unknown, and further work will be required before the true thickness of mineralization can be determined.

Adding results from Channel 02, from the first phase of sampling, to Channel 11, from the second phase, creates a contiguous channel interval of 84 metres at 5.6 g/t Au and 105.2 g/t Ag. This channel, in combination with the other parallel and conjugate channels, clearly demonstrates a consistently high-grade mineralized zone extensive over a

broad area. From a total of 205 samples, combining both phases of sampling, and applying a top-cut of 31 g/t Au (affects 4 samples) and 700 g/t Ag (affects 6 samples), the average grade is 5.6 g/t Au and 130 g/t Ag, and 198 samples (97%) returned assays greater than 1 g/t Au. The overall area sampled is approximately 100 metres by 30 metres. Mineralization appears open to the west, north, and east.

Further Work

During the late summer and fall of 2017, the Company plans to undertake further IP geophysics, extending the work completed earlier in the year to cover the expected extensions of the chargeability anomalies to the northwest of Barje and south of Liska. The Company has designed a proposed 2,000 metre diamond drilling program to commence following the receipt of land-holder permissions and the establishment of a semi-permanent camp at Tlamino.

Work will also be undertaken at the Karamanica prospect, located within the Tlamino Project, and approximately 8 kilometres to the northwest of Barje. This will involve reconnaissance rock chip sampling, geological mapping and grid-soil sampling.

Portuguese Projects

The Company has terminated all exploration work in Portugal, and has relinquished the entire staff. The Company is looking to transfer the active licences to third-party groups and is letting some licences expire. Once this is complete both Portuguese subsidiaries will either be sold or dissolved. The Board and Management of the Company decided earlier in 2017 that no significant mineralization was identified on the Company's licences, no further work was justified, and Company expenditures would be more wisely spent on our rapidly developing projects in Serbia.

Quality Assurance and Quality Control (QA-QC)

Channel sampling at Barje followed a standardized protocol to ensure representative and unbiased quantities of material from across each sample. Samples were delivered by Company personnel directly to the assay lab prep facilities in Bor, Serbia. Samples were analysed by ALS Chemex using analytical method codes Au-ICP21 and ME-MS61, with overlimits for gold and silver analysed by GRA21, and for Ag, Pb, and Zn by OG62. The Company routinely inserted appropriate multi-element geochemical standards and blanks into its sample stream at Barje, and additionally collected regular field duplicate samples.

Qualified Person

David Clark, M.Sc., P.Geo., a member of the Association of Professional Engineers and Geoscientists of British Columbia, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this Interim MD&A.

Quarterly Information

The following table provides information for the eight fiscal quarters ended June 30, 2017:

	June 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)	Sep. 30, 2016 (\$)	June 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)	Sep. 30, 2015 (\$)
Exploration expenditures (recovery)	379,654	518,378	(68,610)	595,109	183,013	153,645	150,630	150,852
General and administrative expenses	147,047	127,891	267,330	130,768	549,901	130,062	408,788	6,497
Net loss	525,940	645,605	458,556	725,169	732,914	283,707	518,155	156,781
Basic and diluted loss per share	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00

Exploration expenditures are higher for the two most recent quarters and the quarter ended September 30, 2016 as there were increased exploration activities in Serbia following the receipt of the Fortuna private placement funds in late June 2016. The quarter ended December 31, 2016 reflects a net recovery of exploration expenditures due to reimbursements from Centerra pursuant to the Centerra option agreement. The general and administrative expense for the quarter ended June 30, 2016 is higher than all other quarters presented due to a share-based payments charge of \$416,919 that relates to the issuance of stock options. The general and administrative expense for the quarter

ended December 31, 2015 was higher than most other quarters presented due to a foreign exchange loss of \$249,579 while general and administrative expenses for the quarter ended September 30, 2015 was significantly reduced due to foreign exchange gains of \$153,049.

Results of Operations

Quarter ended June 30, 2017

For the quarter ended June 30, 2017, the Company had a net loss of \$525,940 compared to a net loss of \$732,914 for the quarter ended June 30, 2016, a decrease of \$206,974. However, exploration costs of \$379,654 were incurred during the current quarter compared to \$183,013 during the comparative quarter, an increase of \$196,641.

General and administrative expenses totaled \$147,047 for the current quarter compared to \$549,901 for the comparative quarter, a decrease of \$402,854. The general and administrative expenses for the comparative quarter were significantly higher due to a share-based payments expense of \$416,919 relating to the granting of stock options during that period. There was no share-based payments expense for the current quarter. Other notable cost decreases in the current quarter were in interest charges, legal and accounting and salaries and benefits. There was no interest expense recorded in the current quarter whereas \$17,995 was incurred in the comparative quarter which related to a convertible note financing that was settled in 2016. The comparative period also required more legal services relating to mineral property agreements. The lower salaries and benefits cost is due to the Company's portion of shared personnel costs being reduced during the current period. A notable cost increase during the current quarter was in shareholder communications which was due to an increase in investor relations services.

Six months ended June 30, 2017

For the six month period ended June 30, 2017, the Company had a net loss of \$1,171,545 compared to a net loss of \$1,016,621 for the six month period ended June 30, 2016, an increase of \$154,924. Exploration costs for the current period were \$898,032 compared to \$336,658 for the comparative period, an increase of \$561,374.

General and administrative expenses totaled \$274,938 for the current period compared to \$679,963 for the comparative period, a decrease of \$405,025. As with the quarterly comparison, this decrease is primarily due to a share-based payment expense of \$416,919 being recorded in the comparative period but none in the current period. Also similar to the quarterly comparison, the comparative period recorded interest charges that related to the convertible note financing as well as finance costs relating to a short-term loan which was also settled in 2016. Legal and accounting fees were also notably higher in the comparative period while shareholder communications was higher in the current quarter for the same reasons provided in the quarterly comparison. Both periods recorded a foreign exchange gain though the comparative period gain was \$57,630 higher.

Liquidity and Capital Resources

The Company's cash resource as at June 30, 2017 was \$1,511,100, an increase from \$837,243 as at December 31, 2016. At June 30, 2017, the Company had current assets totaling \$1,584,948 and current liabilities totaling \$291,879, for working capital of \$1,293,069.

During the period ended June 30, 2017, the Company received \$1,838,320 through the exercise of 12,413,573 share purchase warrants. Of these warrant proceeds, \$1,500,000 was from Fortuna, of which at least 80% must be used towards project generation and exploration activity in Serbia. The proceeds from other warrant exercises are being used for exploration work and general working capital requirements.

The Company expects its current capital resources to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. Actual funding requirements may vary from those planned due to a number of factors including potential property acquisitions and exploration activity. Management is actively looking for opportunities to raise additional equity capital and believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

Related Party Transactions

Significant related party transactions that occurred during the current period are the following:

- i) Fortuna, a company with a common director, acquired 10,000,000 common shares of the Company by way of exercising 10,000,000 share purchase warrants at a cost of \$1,500,000.

- ii) The Company received TSX Venture Exchange approval to issue common shares of the Company with a total value of up to \$43,000 to Daniel James in part consideration for his ongoing services as the Company's President during 2017. A total of 97,727 shares with a deemed value of \$21,500 were issued July 27, 2017 for services rendered to June 30, 2017. The balance of the shares is to be issued in two quarterly installments.

See Note 10 of the condensed interim consolidated financial statements for the period ended June 30, 2017 for details of other related party transactions which occurred in the normal course of business.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position, Outstanding Options, and Warrants

As at August 25, 2017, the Company's outstanding share position is 85,311,902 common shares and the following stock options and share purchase warrants are outstanding:

No. of options	Exercise price	Expiry date
3,230,000	\$0.15	February 23, 2024
2,250,000	\$0.15	June 28, 2026
645,000	\$0.20	July 24, 2027
6,125,000		

No. of warrants	Exercise price	Expiry date
1,700,000	\$0.15	September 20, 2017
2,900,000	\$0.15	October 12, 2017
4,600,000		

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Joint Venture Funding Risk

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or

indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues and corresponding effect on the Company's financial position.

Political, Regulatory and Currency Risks

The Company's mineral properties are located in economically stressed, but politically stable European countries and consequently may be subject to a higher level of risk compared to less economically stressed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in such nations can be affected by changing economic, regulatory and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration expenditures in British pound sterling, Euros, and Serbian dinars. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the British pound sterling, Euro, or Serbian dinar could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are not considered significant in the Company's areas of operations.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.