



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2014

(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 three months ended March 31, 2014. 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

(Expressed in Canadian Dollars)

As at	March 31, 2014	December 31, 2013
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$ 798,641	\$ 36,763
Prepaid expenses and deposits (Note 12)	17,448	96,457
Sales tax recoverable	99,214	92,722
Total current assets	915,303	225,942
Non-current assets		
Long term deposits (Note 12)	61,000	-
Reclamation bonds (Note 7)	442,078	226,815
Property and equipment (Note 6)	25,483	10,656
Deferred acquisition costs (Note 7)	-	10,000
Exploration and evaluation assets (Note 7)	333,808	36,488
Total non-current assets	862,369	283,959
	\$ 1,777,672	\$ 509,901
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 442,889	\$ 408,880
Due to related parties (Note 12)	75,133	234,838
Total current liabilities	518,022	643,718
Non-current liability		
Convertible debenture - liability component (Note 8)	138,108	134,247
Total liabilities	656,130	777,965
Shareholders' equity (deficit)		
Share capital (Note 8)	4,427,038	2,690,798
Share subscriptions received	-	50,000
Other reserves (Note 8)	1,331,491	842,680
Accumulated other comprehensive loss	(100,837)	(64,569)
Deficit	(4,536,150)	(3,786,973)
Total shareholders' equity (deficit)	1,121,542	(268,064)
	\$ 1,777,672	\$ 509,901

APPROVED ON BEHALF OF THE BOARD ON MAY 30, 2014:

"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 March 31,	
	2014	2013
Exploration expenditures (Note 11)	\$ 166,105	\$ 221,493
General and administrative expenses		
Depreciation	1,144	450
Foreign exchange loss (gain)	(39,374)	9,027
Office and administration (Note 12)	29,076	27,834
Interest and bank charges	6,114	767
Legal and accounting	16,509	34,617
Management fees (Note 12)	38,803	46,500
Salaries and benefits (Note 12)	14,771	37,724
Shareholder communications (Note 12)	4,406	24,077
Share-based compensation (Note 10)	486,570	-
Transfer agent and regulatory fees (Note 12)	12,733	8,180
Travel and accommodation (Note 12)	12,320	19,118
	583,072	208,294
Net loss for the period	\$ (749,177)	\$ (429,787)
Other comprehensive gain (loss)		
Items that may be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on foreign exchange translation	(36,268)	373
Comprehensive loss for the period	\$ (785,445)	\$ (429,414)
Loss per share, basis and diluted	\$(0.03)	\$(0.03)
Weighted average number of shares outstanding	27,988,696	17,472,029

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 (DEFICIT) (UNAUDITED)

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share subscriptions	Other equity reserves			Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity (deficit)
				Warrants reserve	Share-based payment reserve	Equity portion of convertible debenture reserve			
Balance, December 31, 2012	17,472,029	\$2,690,798	\$ -	\$ -	\$ -	\$ -	\$ (1,145)	\$(2,460,183)	\$ 229,470
Loss for the period	-	-	-	-	-	-	-	(429,787)	(429,787)
Unrealized foreign exchange gain	-	-	-	-	-	-	373	-	373
Balance, March 31, 2013	17,472,029	2,690,798	-	-	-	-	(772)	(2,889,970)	(199,944)
Loss for the period	-	-	-	-	-	-	-	(897,003)	(897,003)
Share subscriptions received	-	-	50,000	-	-	-	-	-	50,000
Convertible debenture equity component	-	-	-	-	-	842,680	-	-	842,680
Unrealized foreign exchange loss	-	-	-	-	-	-	(63,797)	-	(63,797)
Balance, December 31, 2013	17,472,029	2,690,798	50,000	-	-	842,680	(64,569)	(3,786,973)	(268,064)
Loss for the period	-	-	-	-	-	-	-	(749,177)	(749,177)
Shares issued for private placement	16,550,000	1,655,000	-	-	-	-	-	-	1,655,000
Shares issued for property acquisition	800,000	100,000	-	-	-	-	-	-	100,000
Share issuance costs	-	(18,760)	-	2,241	-	-	-	-	(16,519)
Share subscriptions received	-	-	(50,000)	-	-	-	-	-	(50,000)
Share-based compensation	-	-	-	-	486,570	-	-	-	486,570
Unrealized foreign exchange loss	-	-	-	-	-	-	(36,268)	-	(36,268)
Balance, March 31, 2014	34,822,029	\$4,427,038	\$ -	\$ 2,241	\$ 486,570	\$ 842,680	\$ (100,837)	\$(4,536,150)	\$ 1,121,542

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 March 31,	
	2014	2013
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (749,177)	\$ (429,787)
Items not involving cash:		
Depreciation	1,144	450
Share-based compensation	486,570	-
Convertible debenture accretion expense	3,861	-
	(257,602)	(429,337)
Changes in non-cash working capital balances:		
Prepaid expenses and deposits	18,009	(1,182)
Sales tax recoverable	(6,492)	(40,578)
Accounts payable and accrued liabilities	(315,991)	12,782
Due to related parties	(159,705)	90,462
	(722,043)	(367,853)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	1,588,481	-
Proceeds on convertible debenture received in advance	-	975,000
	1,588,481	975,000
INVESTING ACTIVITIES		
Purchase of property and equipment	(15,971)	-
Exploration and evaluation asset acquisitions	(42,250)	(33,852)
	(58,221)	(33,852)
Effect of changes in exchange rates on cash	(46,601)	1,299
Increase in cash	761,878	574,594
Cash, beginning of period	36,763	556,209
Cash, end of period	\$ 798,641	\$ 1,130,803

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 three months ended March 31, 2014

(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 Spain and Portugal.

These condensed interim consolidated financial statements of the Company as at March 31, 2014 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. At March 31, 2014, the Company had not yet achieved profitable operations, has accumulated losses of \$4,536,150 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 to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

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.

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 5.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(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 subsidiaries as at March 31, 2014 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
Medgold Minera Sociedad Limitada	Spain	100%	Exploration company
MedgoldMinas Unipessoal Lda.	Portugal	100%	Exploration company

Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. 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 that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The Company has determined that the functional currency of its foreign subsidiaries is the British pound sterling. Assets and liabilities are translated to the presentation currency at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the condensed interim consolidated statements of comprehensive loss.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

Effective January 1, 2014, the Company adopted the following revised standard that was issued by the IASB:

IAS 36 Impairment of Assets

The IASB amended IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or CGUs is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of this amendment did not have an impact on the Company's condensed interim consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued and effective January 1, 2014 are either not applicable or did not have an impact on the Company's condensed interim consolidated financial statements.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

4. 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

The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company has not early-adopted the revised standard and is currently assessing the impact that the standard will have on the financial statements.

5. 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:

- a) The determination of the Company's functional currency.
- 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 the acquisition costs that have been capitalized are economically recoverable. 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- 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.

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) The inputs in determining the bifurcation of convertible debenture instruments into its liability and equity components.

The Company is required to make certain estimates when determining the fair value of the components of convertible debentures, including the discount rate and share price volatility. These estimates affect the liability and equity components recognized in the consolidated statements of financial position and the accretion expense recognized in profit and loss.

- c) In estimating the fair value of share-based payments 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 three months ended March 31, 2014

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Furniture and equipment	Total
Cost				
Balance, December 31, 2012	\$ 12,906	\$ -	\$ -	\$ 12,906
Additions	-	-	-	-
Balance, December 31, 2013	12,906	-	-	12,906
Additions	-	11,740	4,231	15,971
Balance, March 31, 2014	\$ 12,906	\$ 11,740	\$ 4,231	\$ 28,877
Accumulated amortization				
Balance, December 31, 2012	\$ 450	\$ -	\$ -	\$ 450
Charge for year	1,800	-	-	1,800
Balance, December 31, 2013	2,250	-	-	2,250
Charge for period	450	588	106	1,144
Balance, March 31, 2014	\$ 2,700	\$ 588	\$ 106	\$ 3,394
Carrying amounts				
At December 31, 2013	\$ 10,656	\$ -	\$ -	\$ 10,656
At March 31, 2014	\$ 10,206	\$ 11,152	\$ 4,125	\$ 25,483

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2013 to March 31, 2014:

	Spain		Portugal	Italy		Total
	Pinzas Project	Calzadilla	Klondike Project	Pietratonda	Frassine- Grasceta	
Balance, December 31, 2012	\$ -	\$ -	\$ -	\$ 16,160	\$ 32,433	\$ 48,593
Acquisition costs	33,852	2,636	-	-	-	36,488
Write-down of acquisition costs	-	-	-	(16,160)	(32,433)	(48,593)
Balance, December 31, 2013	33,852	2,636	-	-	-	36,488
Acquisition costs	-	-	297,320	-	-	297,320
Balance, March 31, 2014	\$ 33,852	\$ 2,636	\$ 297,320	\$ -	\$ -	\$ 333,808

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal

a) In 2012, the Company applied for three exploration licences in northern Portugal. In 2013, two licences known as Vila de Rei and Boticas were granted and the Company was issued an exclusive right to acquire the third licence.

i) Vila de Rei Project

The Vila de Rei licence is located in central Portugal. In 2013, the Company paid a reclamation bond of \$214,713 (€136,960) to the Portugal mining authority for the Vila de Rei licence.

ii) Boticas Project

The Boticas licence is located in northern Portugal.

b) Klondike Project

On January 24, 2014, the Company acquired a 100% interest in Klondike Gold Corp.'s ("Klondike") Portuguese assets, which comprise five gold exploration permits covering 600 square kilometres in northern Portugal and a reclamation bond of \$204,930 (€135,000) held by the Portuguese mining authority. The five gold exploration permits make up the Legares, Valongo, Ponte de Barca, Balazar, and Castelo do Paiva properties.

Total consideration for the acquisition was \$500,000 and consists of the following payments:

- i) \$10,000 in cash upon signing of the Letter of Intent (paid);
- ii) \$40,000 in cash and \$100,000 in the Company's shares (cash paid and 800,000 shares issued); and
- iii) A final payment of \$100,000 in cash and \$250,000 in cash or shares (to be decided by the Company) to be paid by January 24, 2015.

Of the \$500,000 purchase price, \$295,070 was allocated to exploration and evaluation asset costs and \$204,930 to reclamation bonds. Additional transaction costs of \$2,250 were recorded as exploration and evaluation asset costs.

As part of the acquisition, Klondike also retains a 2% net smelter return ("NSR") royalty, which will be repurchasable for \$1,000,000 per percentage point.

c) Strategic Alliance

On January 8, 2014, the Company entered into a strategic alliance agreement with Radius Gold Inc. ("Radius") whereby Radius has the right to option one of the Company's properties in Portugal.

For a period of eighteen months, Radius may select one of the Company's Portuguese properties in which Radius will be granted the option to earn a 51% interest by spending \$3,000,000 on exploration and development of that property. Upon exercise of the option, a joint venture will be formed between the Company and Radius to further develop the property. As of March 31, 2014, Radius has not yet exercised its right to option one of the properties.

The Company and Radius have two common directors.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Spain

a) Pinzas Project

Pursuant to a binding Letter of Intent with Ormonde Mining PLC (“Ormonde”) signed in July 2011, and amended in April and September 2012, the Company was provided access to Ormonde’s database on a 2,400 square kilometre area in southern Galicia, Spain. In consideration thereof, the Company agreed to undertake €100,000 in exploration of the project area, which expenses could be incurred through the cost of licence applications. During the year ended December 31, 2013, Ormonde agreed to transfer all of its rights to the project area to the Company, with Ormonde retaining a 1.5% NSR royalty on any future gold production from the project area.

The Company currently has nine gold exploration permit applications in place within the Ormonde project area, which is known as the Pinzas Project. Three of the applications were submitted in 2012 and completed in 2013. In 2013, new applications for six adjoining licences were submitted of which one is subject to public tender.

b) Calzadilla Property

In 2012, the Company submitted a gold exploration permit application in the Province of Caceres, Spain, known as the Calzadilla Property.

c) Other

In 2012, the Company entered into an agreement whereby a third party performed due diligence services on a potential property acquisition in Spain. In 2013 the Company decided not to proceed with the acquisition. During the period ended March 31, 2014, the Company fulfilled its remaining commitment of €6,250.

Italy

a) Pietratonda Property

In 2012, the Company was granted a gold exploration licence in Italy called Pietratonda. An exploration bond amount of \$7,479 (€5,000) has been made regarding this licence. During the period ended March 31, 2014, the Company relinquished this licence. Acquisition costs totaling \$16,160 were written off in 2013.

b) Frassine - Grasceta Property

In 2012, the Company was granted two gold exploration licences in Italy called Frassine and Grasceta. The areas the two licences cover are adjoined. Two exploration bonds totaling \$14,956 (€10,000) have been made regarding these two licences. In 2013, the Company decided to relinquish the licences, and as a result, acquisition costs totaling \$32,433 were written off.

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(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of \$975,000. The debenture is convertible into a maximum of 2,166,667 common shares of the Company at the rate of \$0.45 per share on or before April 11, 2015, and bears interest at the rate of 8% per annum, payable in arrears. The debenture, in whole or in part, can be converted into common shares at the holder's option at a rate of \$0.45 per share until the maturity date, at which time the remaining principal sum will be converted into shares at \$0.45 per share. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at \$0.45 per share until April 11, 2014. In September 2013, the exercise price of the warrants was reduced to \$0.1665 per share. During the period ended March 31, 2014, the expiry date of the warrants was extended to April 11, 2015.

For accounting purposes, the convertible debenture is allocated into corresponding debt and equity components at the date of issue. The Company uses the residual value method, which allocates value first to the debt component, based on fair value and then the residual value, to the equity component (comprising the conversion feature as well as the value of the share purchase warrants). The debt component is subsequently accreted to face value of the convertible debenture at the effective interest rate.

Upon the issuance of the convertible debenture, the fair value was separated into a liability component of \$124,362 and an equity component of \$850,638 included in other equity reserves. The equity component was calculated as the difference between the gross proceeds received of \$975,000 and the discounted cash flows associated with the debt using an estimated market rate for non-convertible instruments of 12% per annum.

Issuance costs of \$9,147 were incurred and have been recorded against the liability and equity components and are being amortized to the consolidated statements of comprehensive loss over the life of the convertible debenture. During the period ended March 31, 2014, accretion of interest on the convertible debentures of \$3,861 was charged to profit or loss.

	Liability component	Equity component
Balance, December 31, 2012	\$ -	\$ -
Face value of debenture at date of issue	124,362	850,638
Issuance costs allocated	(1,189)	(7,958)
Accretion of discount	11,074	-
Balance, December 31, 2013	134,247	842,680
Accretion of discount	3,861	-
Balance, March 31, 2014	\$ 138,108	\$ 842,680

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Common Shares

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

At an annual and special shareholders' meeting held November 27, 2013, the shareholders of the Company approved a consolidation of the issued shares, warrants, and convertible debentures outstanding at December 2, 2013 on a one new for three old basis. All references to common shares, warrants and convertible debentures in these condensed interim consolidated financial statements reflect the share consolidation.

During the period ended March 31, 2014, the following share capital activity occurred:

- i) On February 5, 2014, the Company closed a private placement of 16,550,000 units at \$0.10 per unit for gross proceeds of \$1,655,000. The sale proceeds were allocated all to share capital and none to warrants. The Company paid \$3,850 cash and 36,500 warrants as finders' fees in connection with the financing. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of \$0.15. If the closing price of the Company's shares is \$0.21 or greater for a period of ten consecutive trading days, the Company may accelerate the expiry of the warrants by giving notice in writing to the holders, and in such case, the warrants will expire on the 30th day after the date on which such notice is given. The finders' fee warrants have the same terms as the purchaser's warrants. The fair value of the 36,500 finders' fee warrants was \$2,241 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finder's fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 0.98%, dividend yield of 0%, volatility of 96% and expected life of two years. Other share issuance costs associated with this financing totalled \$12,669.
- ii) On January 24, 2014, the Company issued 800,000 common shares with a value of \$100,000 to Klondike as part of the Portuguese property acquisition (Note 7).

Escrow Shares

As at March 31, 2014, there were 3,727,783 (December 31, 2013: 3,727,783) shares held in escrow.

Share Purchase Warrants

A summary of share purchase warrants activity January 1, 2013 to March 31, 2014 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2012	-	-
Issued on convertible debenture private placement	2,166,667	\$0.1665
Balance, December 31, 2013	2,166,667	\$0.1665
Issued on private placement	16,586,500	\$0.15
Balance, March 31, 2014	18,753,167	\$0.15

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants (continued)

Details of share purchase warrants outstanding as of March 31, 2014 are:

Expiry date	Number of warrants	Exercise price
April 11, 2015 ⁽¹⁾	2,166,667	\$0.1665
February 4, 2016	16,586,500	\$0.15
	18,753,167	

(1) In March 2014, the expiry date of these warrants was extended from April 11, 2014 to April 11, 2015.

10. 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-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

The following is a summary of changes in options for the period ended March 31, 2014:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Forfeited / cancelled		
February 23, 2024	\$0.15	-	3,455,000	-	-	3,455,000	3,455,000
Weighted Average Exercise Price		-	\$0.15	-	-	\$0.15	\$0.15

Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended March 31, 2014 was \$0.14 per option. There were no options granted during the period ended March 31, 2013.

The weighted average remaining contractual life of the options outstanding at March 31, 2014 is 9.91 years. There were no options outstanding at December 31, 2013.

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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Period (continued)

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 pricing model.

The model inputs for options granted during the period ended March 31, 2014 included an expected volatility factor of 115%, risk-free interest rate of 2.41%, expected life of 10 years, and expected dividend yield of 0%.

The expected volatility is based on an average of historical prices of a comparable group of companies within the same industry due to the lack of historical pricing information for the Company. The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

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

Total expenses arising from the share-based payment transactions recognized as part of share-based compensation during the three month period ended March 31, 2014 was \$486,570 (2013: \$Nil).

Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the three month period ended March 31, 2014 was \$100,000 (2013: \$Nil).

Medgold Resources Corp.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

11. EXPLORATION EXPENDITURES

During the three months ended March 31, 2014, the Company incurred the following exploration expenditures:

	Portugal					Total
	Vila de Rei	Boticas	Legares	Ponte da Barca	Valongo	
Field expenses	\$ 2,575	\$ 515	\$ 2,578	\$ 2,575	\$ 343	\$ 8,586
Geological and other consulting	22,163	4,433	22,163	22,163	2,955	73,877
Licenses, rights and taxes	27,439	-	-	-	-	27,439
Office and administration	6,956	1,391	6,958	6,956	927	23,188
Travel	9,904	1,981	9,907	9,904	1,319	33,015
Balance, end of period	\$ 69,037	\$ 8,320	\$ 41,606	\$ 41,598	\$ 5,544	\$ 166,105

During the three months ended March 31, 2013, the Company incurred the following exploration expenditures:

	Italy		Portugal	Spain	Total
	Pietratonda	Frassine-Grasceta	Vila de Rei	Pinzas	
Assaying	\$ 10,512	\$ 7,008	\$ -	\$ -	\$ 17,520
Geological and other consulting	52,147	34,765	6,238	37,673	130,823
Travel	43,890	29,260	-	-	73,150
Balance, end of period	\$ 106,549	\$ 71,033	\$ 6,238	\$ 37,673	\$ 221,493

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the three month periods ended March 31, 2014 and 2013 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Radius	Shared office, administrative and exploration related charges and investment in the Company
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Mill Street Services Ltd. ("Mill Street")	Management services

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

- a) During the periods ended March 31, 2014 and 2013, the Company reimbursed Gold Group for the following costs:

	Three months ended March 31,	
	2014	2013
Office and administration	\$ 17,754	\$ 16,006
Salaries and benefits	12,811	29,352
Shareholder communications	2,554	16,857
Transfer agent and regulatory fees	2,785	202
Travel and accommodation	8,255	7,309
	\$ 44,159	\$ 69,726

Salaries and benefits for the three months ended March 31, 2014 include those for the Chief Financial Officer and the Corporate Secretary (2013: include those for a director, the Chief Financial Officer and the Corporate Secretary). An office and administrative agreement was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company.

- b) Prepaid expenses and deposits as of March 31, 2014 include an amount of \$1,814 paid to Gold Group for administrative expenses paid in advance on the Company's behalf (December 31, 2013: \$61,000 paid Gold Group as a deposit pursuant to the office and administrative agreement).
- c) Long term deposits as of March 31, 2014 consists of \$61,000 (December 31, 2013: \$Nil) paid to Gold Group as a deposit pursuant to the office and administrative agreement.
- d) Amounts due to related parties as of March 31, 2014 consist of \$22,379 (December 31, 2013: \$101,492) owing to Gold Group; \$25,570 (December 31, 2013: \$24,456) owing to David Hall, a director of the Company; \$27,184 (December 31, 2013: \$26,000) owing to Jeremy Martin, a director of the Company; \$Nil (December 31, 2013: \$19,047) owing to Radius; \$Nil (December 31, 2013: \$55,230) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company; and \$Nil (December 31, 2013: \$8,613) to Daniel James, the President of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014. The amounts for Radius, Mill Street and Daniel James were unsecured, interest-free and had no specific terms of repayment.

Medgold Resources Corp.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- e) Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of the private placement that closed on February 5, 2014 at a cost of \$500,000. The Company and Radius have two common directors.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended March 31, 2014 and 2013 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 March 31,	
	2014	2013
Management fees	\$ 38,803	\$ 46,500
Geological fees	26,704	-
Salaries and benefits	3,208	4,583
Share-based compensation	232,370	-
	\$ 301,085	\$ 51,083

Share-based payments to directors not specified as key management personnel during the period ended March 31, 2014 totaled \$112,664 (2013: \$Nil).

Medgold Resources Corp.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

13. 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.

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 March 31, 2014, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at March 31, 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	March 31, 2014			December 31, 2013		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	\$ 51,134	\$ 453	\$ 30,426	\$ 15,692	\$ 248	\$ 743
Accounts payable and accrued liabilities	(26,035)	-	(15,576)	(271,121)	-	(5,944)
Due to related parties	(52,755)	-	-	(46,569)	-	-
Net exposure	\$ (27,656)	\$ 453	\$ 14,850	\$(301,998)	\$ 248	\$ (5,201)

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at March 31, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$1,200 (December 31, 2013: \$30,700) increase or decrease in the Company's after tax net earnings, 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 March 31, 2014, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. 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.

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 March 31, 2014, the Company had working capital of \$397,281 available to apply against short-term business requirements (December 31, 2013: working capital deficiency of \$417,776). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms except for \$350,000 which is due before January 24, 2015 and does not bear interest.

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, 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). |

Medgold Resources Corp.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Hierarchy (continued)

The fair values of the Company's financial assets measured at fair value on a recurring basis as of March 31, 2014 were calculated as follows:

	Balance at March 31, 2014	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 798,641	\$ 798,641	\$ -	\$ -

14. 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.

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's capital resources as of March 31, 2014 are not sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. In order to carry out planned exploration programs and business objectives, the Company will need to raise additional capital. The Company believes it will be able to raise additional debt or equity capital as required, but recognized the uncertainty attached thereto.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2014

(Expressed in Canadian Dollars)

15. 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 district basis.

Details of identifiable assets by geographic segments are as follows:

Period ended March 31, 2014						
	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	\$ -	\$ -	\$ -	\$ -	\$ 166,105	\$ 166,105
Loss before income taxes	545,742	17,323	-	11,410	174,702	749,177
Capital expenditures*	-	-	-	-	313,291	313,291

Period ended March 31, 2013						
	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	\$ -	\$ -	\$ 177,582	\$ 37,673	\$ 6,238	\$ 221,493
Loss before income taxes	116,635	60,032	177,582	69,300	6,238	429,787
Capital expenditures*	-	-	-	33,852	-	33,852

*Capital expenditures consists of additions of property and equipment and exploration and evaluation assets

As at March 31, 2014						
	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	\$ 725,391	\$ 182,382	\$ -	\$ 1,439	\$ 6,091	\$ 915,303
Total non-current assets	71,206	-	-	36,488	754,675	862,369
Total assets	\$ 796,597	\$ 182,382	\$ -	\$ 37,927	\$ 760,766	\$ 1,777,672
Total liabilities	\$ 561,765	\$ 78,789	\$ -	\$ 702	\$ 14,874	\$ 656,130

As at December 31, 2013						
	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	\$ 86,634	\$ 138,725	\$ -	\$ 583	\$ -	\$ 225,942
Total non-current assets	20,656	-	21,457	36,488	205,358	283,959
Total assets	\$ 107,290	\$ 138,725	\$ 21,457	\$ 37,071	\$ 205,358	\$ 509,901
Total liabilities	\$ 454,331	\$ 317,690	\$ -	\$ 5,944	\$ -	\$ 777,965



MANAGEMENT’S DISCUSSION AND ANALYSIS First Quarter Report – March 31, 2014

General

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2014. The following information, prepared as of May 30, 2014, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for three months ended March 31, 2014 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, 2013 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2014 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 MD&A may contain “forward-looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “will”, “may”, “should”, “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance.

Forward-looking statements are statements that are not historical facts, and include but are not limited to:

- a) Estimates and their underlying assumptions;
- b) Statements regarding plans, objectives and expectations with respect to the effectiveness of the Company’s business model, future operations, the impact of regulatory initiatives on the Company’s operations, and market opportunities;
- c) General industry and macroeconomic growth rates;
- d) Expectations related to possible joint or strategic ventures; and
- e) Statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project, and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other

factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

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 its business on acquiring and exploring mineral properties in economically stressed, but politically stable European countries that are seeking foreign investment to invigorate the mining sector.

Share Consolidation

Effective December 2, 2013, the Company's share capital was consolidated on the basis of one new share for every three existing shares (the "Share Consolidation"). The Company's name and trading symbol remained the same; only the CUSIP number of the common shares was changed.

All references to common shares, stock options, warrants, and convertible debentures in this MD&A reflect the Share Consolidation.

The Properties

The Company has licences granted in Portugal, and has licences under application in Spain, all of which are primarily gold exploration projects. These countries are favourable jurisdictions, with robust mining codes, backed by administrations which are actively seeking both foreign investment and commodity exploration companies.

Portuguese Projects

The Company is targeting orogenic and intrusion-related gold systems in northern Portugal. The Company holds seven exploration licences covering over 1,000 square kilometres in Portugal; Vila de Rei and Boticas which are both 3-year permits covering a total of 406 square kilometres; and Balazar, Valongo, Legares, Castelo de Paiva and Ponte da Barca, totaling 604 square kilometres, which were acquired from Klondike Gold Corp. ("Klondike") in January 2014.

The Company is exploring all seven licences including completing a major reinterpretation of historical results. The early geological observations from this work have identified several key prospects where field work is ongoing.

Vila de Rei Gold Project

A stream sediment survey has been completed at the Vila de Rei gold project in central Portugal, covering the entire 300 square kilometre licence area. A total of 150 samples have been submitted for analysis and the results of this program are pending. Reconnaissance field work has identified a number of new zones of intense mineralization generally located along the contact between quartzites and siltstones.

The style of mineralization seems to be broadly analogous to that seen at the Pampilhal occurrence, located in the northeast area of the licence, where mapping and rock-chip sampling has identified a series of silicified ribs or ridges. Sampling at Pampilhal yielded assay results ranging from trace to 12.45 g/t Au. Detailed mapping of the ribs is underway, accompanied by a rock-chip sampling programme, aiming to specifically test the sulphide mineralization contained within the ribs. Results are expected in late Q2 2014.

Legares Gold Project

The Legares gold project is located on the central-eastern part of the Valongo Belt close to the town of Sobreira. Gold mineralization is fault-controlled and occurs along a granite-schist contact which was locally exploited in a series of underground adits and galleries. The Company's work is focused on understanding the controls on gold mineralization, particularly the high-grade mineralization at the Serra da Quinta occurrence, as observed in historic drill core and the underground workings. The aim is to map and sample both surface and underground exposures in order to delineate surface gold anomalism which is considered to continue for several kilometres to the south of the Serra da Quinta occurrence. The controlling structure is a normal fault, called the 'Railway Fault', and is

predominantly focused along the intrusive contact between the granite and meta-sediments. The Railway Fault is considered to be the main 'feeder' structure to the mineralization. Strongly altered rocks associated with the fault are exposed over a northwest-trending strike length of approximately 4 kilometres which includes the prospects of Castromil, Serra da Quinta and San Domingos. On-going work is focussed on the strike potential of the Railway Fault, and particularly the high-grade gold occurrences at Serra da Quinta, where sampling programs are on-going, and where historical drilling by Billiton and Connary Minerals yielded the following highlights:

- 13.1 m at 3.84 g/t Au from 1.0 metres, including 2.9 metres at 13.15 g/t Au from 4.36 metres (*BIL67, Billiton Portuguesa, 1990*)
- 18.6 m at 3.73 g/t Au from 4.2 metres (*MIL29, Billiton Portuguesa, 1988*)
- 11.3 m at 3.75 g/t Au from 11.4 metres (*95-13, Connary Minerals, 1995*)

Historical reports indicate a total of approximately 1,600 metres of diamond drilling was completed in 51 holes at Serra da Quinta. These are historical data provided for information purposes and the Company has not completed sufficient work to verify these results.

Future work at the Serra da Quinta occurrence will continue the detailed mapping and interpretation, combined with surface and underground channel sampling, plus some re-sampling of the historical drill core. Assuming positive results a trench-sampling program will be conducted, with up to 10 lines 100 metres apart along the strike length of the prospect. It is anticipated that this work will define clear drill targets. In addition, regional reconnaissance work will continue to the north and south along the main north-south oriented 'feeder' structure.

Ponte da Barca Gold Project

The Ponte da Barca gold project is located in the very north of Portugal, close to the Spanish border. Klondike completed some limited rock-chip sampling, with 15 samples collected, yielding results from trace to 14.8, 12.9 and 12.0 g/t Au. (*These results have not been independently verified by the Company and are quoted for illustration purposes.*)

The Company has identified gold-bearing veins that are interpreted to strike for lengths of greater than 100 metres at both the Muia and Coto de Cruz prospects. Work is underway to map and sample both the veins and their broad silica-muscovite-sulphide alteration halos. The halos are extensive and commonly gold enriched. A program of detail rock-chip sampling and grid-soil sampling, across the two prospects, is underway and with results expected in early Q3 2014.

Exploration work will also be carried out on the other licences acquired from Klondike: Valongo, Balazar and Castelo de Paiva. At Balazar a small geophysical programme of Ground Penetrating Radar (GPR) will be conducted, in conjunction with the University of Porto. It is expected that several lines of over a kilometre in length will be aligned across the main Lagoa Negra gold-antimony target. At Valongo, the extensive Roman workings will be mapped and sampled, with continuation of the quartzite-host units explored further to the south, which continue into the Castelo de Paiva licence area

The Boticas Gold Project

Boticas is located in northern Portugal, approximately 30 kilometres north of the Jales/Gralheira historical gold mine. Mineralization at Boticas is intrusion-hosted and controlled by a major northeast-trending normal fault.

The 106 square kilometre Boticas licence covers approximately 12 kilometres strike length of a major regional structure that is considered to control the orogenic-type gold mineralization. The Limarinho prospect, which has been the focus of historical exploration, is oriented orthogonal to this major structure, and is considered to be a major dilational, or 'crumple' zone. Major dilational zones, such as the Limarinho zone, are common to many gold systems and have a tendency to repeat along the strike-length of a major structure, forming a series of *en echelon* mineralized zones. The possibility of repeating zones adds significant exploration potential.

Recent reconnaissance sampling completed by the Company has identified a new zone of mineralization located 200 metres to the southeast of the Limarinho prospect, with five grab samples yielding best results of 13.1 g/t, 8.19 g/t and 0.80 g/t Au. Early indications suggest that this zone may be an *en echelon* zone off-set from, and parallel to, the main Limarinho zone.

Previous licence-wide exploration, undertaken by COGEMA of France in the 1980s, which involved detailed grid-soil sampling, identified 15 gold anomalies throughout the licence, of which only three were drill-tested. Drilling

was undertaken by COGEMA in the late 1980s and Kernow Resources & Developments Ltd (“Kernow”) in the early and late 2000s, with both companies primarily focusing on the Limarinho prospect. Drilling defined gold mineralization over at least 600 metres in strike and 150 metres in width, remaining open in both directions, and drill-tested to a vertical depth of greater than 150 metres, yet also remains open at depth. Historical drilling results* reported by both companies include:

KL4	20.4 m @ 2.92 g/t Au from 20.7 m, 9.05 m @ 3.37 g/t Au from 145.0 m
PF3	19.7 m @ 2.80 g/t Au from 32.3 m
PF11	12.1 m @ 2.98 g/t Au from 51.1 m
PF17	13.5 m @ 2.17 g/t Au from 65.7 m
PF8	10.0 m @ 1.37 g/t Au from 86.2 m

* *Historical reports indicate a total of 3,234 metres of diamond drilling was completed in 26 holes. These are historical data provided for information purposes and the Company has not completed sufficient work to verify these results.*

The historical drilling indicates that Limarinho has a higher grade core of gold mineralization, as evidenced by Kernow’s hole KL4 which returned 20.4 metres at 2.92 g/t Au, and the Company’s channel sample yielding 3.98 g/t Au over 14.10 metres (as reported by the Company’s press release February 5, 2013), which is surrounded by a broad zone of roughly 1 g/t Au mineralization. Previous mineralization studies indicated that the gold is typically free, associated with a late mineral phase, with gold grains occupying micro-fractures, highlighting potential for high percentage gold recoveries.

Licence-wide exploration, including grid-soil sampling and rock-chip sampling, will also be undertaken to explore for repeating zones of mineralization along the structural corridor of the main NE-trending fault. At the same time, detailed structural studies will be initiated to better understand the mechanical controls upon the gold mineralization.

In September 2013, the Company announced that the rock sampling program has identified a significant new zone of gold mineralization called Limarinho South, with sample results from 0.05 g/t Au up to 6.55 g/t Au in 14 rock samples. Selective grab samples gave grades of 6.55 g/t, 4.98 g/t and 0.15 g/t Au, and a channel-chip sample yielded a length-weighted average of 10.8 metres at 1.01 g/t Au (true width uncertain). These are in addition to the selective vein sampling results of 0.24 to 13.1 g/t Au reported in the Company’s August 1, 2013 news release (<http://www.medgoldresources.com/images/content/Aug1.pdf>). Together these results outline the new Limarinho South zone which is approximately 350 metres by 250 metres, elongated north-south, and located 200 metres-300 metres to the southeast of the existing Limarinho gold anomaly.

Limarinho South was discovered by applying a new structural concept of repeating *en echelon* zones controlled by, and hosted within, major faults. The Company subsequently identified and mapped several favorable structural targets, including the Limarinho South zone. Importantly, the results have confirmed the validity new structural interpretation which will be used to explore for and sample additional targets.

Planned future work at Boticas will focus on detailed geological mapping and further channel-chip sampling at Limarinho, plus systematic rock-chip sampling and channel-chip sampling at Limarinho South. The aim of this work is to determine clear drill targets and delineate high-grade zones of mineralization and possible extensions to the northeast and southwest. Furthermore, licence-wide exploration will include grid-soil sampling, at wide-spaced soil lines, but with very small-spaced sample intervals, to geochemically explore the major northeast-trending fault.

Strategic Alliance

In January 2014, the Company entered into a strategic alliance agreement with Radius Gold Inc. (“Radius”) whereby Radius has the right to option one of the Company’s properties located in Portugal. As well, Radius participated in the Company’s February 2014 private placement financing in the amount of \$500,000.

For a period of 18 months, Radius may select one of the Company’s Portuguese properties in which Radius will be granted the option to earn a 51% interest by spending \$3.0 million on exploration and development of that property. Upon exercise of the option, a joint venture will be formed between the Company and Radius to further develop the property.

Spanish Projects

The Company has applied for three contiguous exploration permits in northwest Spain, located in the southwest part of Galicia Province, and known as the Pinzas Gold Project. They are adjacent to an additional six pre-defined permit areas that the Company has applied for by a public tender which closed in March 2013. The outcome of the public tender has been delayed and is expected mid-2014.

A detailed review of the region focussed on granite-hosted orogenic gold systems and identified several significant targets, with the Pinzas area being the primary target area. The area was also extensively explored by the Romans over 2,000 years ago, who extracted gold from hundreds of projects over hundreds of years throughout the entire Iberian region.

The Pinzas Gold Project

The Pinzas Gold Project is located in the southwest corner of the highly prospective and productive gold region of Galicia, in northwest Spain. Mineralization is hosted in granites in the Hercynian orogenic belt, which extends northwards to the advanced-stage gold project of Salave, and southwards to Boticas and the Jales-Gralheira gold mine in Portugal.

The Company has completed the application process and paid all taxes for the three exploration permits at Pinzas which are expected to be issued in mid-2014. These permits cover approximately 79 square kilometres of free-ground and are therefore not subject to a public tender process.

Historical work undertaken within the Pinzas permit application area included rock samples collected by Ormonde Mining plc (“Ormonde”) in 2005, which yielded results from below detection limit up to 11.10 g/t, 5.49 g/t and 2.73 g/t Au in 11 samples. Mineralization is hosted within a 14 kilometre north-south trending structural corridor where parallel quartz veins, commonly high-grade, are concentrated along fault boundaries with schistose metasediments. The structural corridor within the public tender licence area was drill-tested by Penarroya-Espana in the 1980’s with 3,705 metres drilled in 16 holes, with gold-bearing quartz veins intersected in all drill holes. *The Ormonde sampling results and the drill results quoted here are historical and the Company has not independently verified them.* Medgold UK collected 21 rock samples in the permit application areas, with results from below detection up to 1.00 g/t and 2.13 g/t Au.

Italian Projects

During 2013, the Company completed exploration work on its three gold exploration licences in Italy, each 8 square kilometres in area, called Pietratonda, Frassine, and Grasceta, covering gold mineralization hosted within silicified limestones known as jasperoids. The Frassine and Grasceta licences are adjoined and located 43 kilometres from the Pietratonda licence. Based on the results of this work, all three licences were relinquished by the Company in early 2014.

Quality Assurance and Quality Control (QA-QC)

Samples were prepared and analysed for gold by fire assay with atomic adsorption finish by ACME Laboratories in Poland at the Krakow laboratory, Poland. Multi-elements were analyzed by inductively coupled plasma mass spectrometer (ICP-MS) and inductively coupled plasma emission spectrometer (ICP-AES) on a sample split sent to the ACME Laboratories facility in Vancouver, Canada. Blank, certified standard reference materials, and field and laboratory duplicates were routinely inserted for quality assurance and quality control.

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 MD&A.

Quarterly Information

The following table provides information for the eight fiscal quarters ended March 31, 2014:

	Mar. 31, 2014 (\$)	Dec. 31, 2013 (\$)	Sep. 30, 2013 (\$)	June 30, 2013 (\$)	Mar. 31, 2013 (\$)	Dec. 31, 2012 (\$)	Sep. 30, 2012 (\$)	June 30, 2012 (\$)
Exploration expenditures	166,105	221,602	162,239	155,496	221,493	143,515	142,293	120,993
General and administrative expenses	583,072	29,415	79,855	199,803	208,294	178,850	118,196	210,419
Net loss	749,177	267,177	274,527	355,299	429,787	1,254,459	260,489	331,412
Basic and diluted loss per share	0.03	0.02	0.02	0.02	0.02	0.15	0.03	0.06

The net loss for the quarter ended March 31, 2014 was significantly impacted by a share-based compensation charge of \$486,570 during that period. The net loss for the quarter ended December 31, 2012 was significantly higher than other quarters presented because of a listing expense of \$932,094 resulting from the acquisition of Medgold Resource Ltd. (the "Acquisition"). The net loss for the quarter ended June 30, 2012 was impacted by legal costs of \$122,566 relating to the Acquisition that were charged in that period.

Results of Operations

For the quarter ended March 31, 2014, the Company had a net loss of \$749,177 compared to a net loss of \$429,787 for the quarter ended March 31, 2013, an increase of \$319,390. Exploration costs for the current quarter were \$166,105 compared to \$221,493 for the comparative quarter, a decrease of \$55,388.

General and administrative expenses totaled \$583,072 for the current quarter compared to \$208,294 for the comparative quarter, an increase of \$374,778. This increase was the result of a share-based compensation charge of \$486,570 that was associated with the granting of stock options during the current period whereas there was no such charge in the comparative quarter. However, general and administrative expenses for the current quarter included a foreign exchange gain of \$39,374 compared to a loss of \$9,027 for the comparative quarter. When excluding the non-cash share-based compensation charges and foreign exchange gains and losses, the general and administrative costs for the current quarter are \$63,391 less than the comparative quarter. Notable cost decreases were \$22,953 in salaries and benefits, \$19,671 in shareholder communications, and \$18,108 in legal and accounting. Salaries and benefits and shareholder communications costs were lower due in part to cost cutting measures implemented in the latter part of 2013 and reduced activity until the Company completed a private placement financing in February 2014. Legal costs were higher in the comparative quarter due to the Acquisition completed in December 2012.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the period ended March 31, 2014 is as follows:

Portugal – A total of \$166,105 was incurred on the Vila de Rei, Boticas, Legares, Ponte da Barca, and Valongo properties with \$73,877 of that amount being spent on geological consulting costs and \$33,015 on travel.

As a result of the Company acquiring Klondike's Portuguese assets during the current period, a total of \$297,320 has been recorded as acquisition costs.

Liquidity and Capital Resources

The Company's cash resources increased from \$36,763 as at December 31, 2013 to \$798,641 as at March 31, 2014. During the current period, the Company raised gross proceeds of \$1,655,000 by way of a private placement. The private placement proceeds are being used for exploration expenditures and general working capital. At March 31, 2014, the Company had working capital of \$397,281 to apply against short-term business requirements.

The Company's current capital resources are not considered sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. In order to carry out planned exploration programs and business objectives, the Company will need to raise additional capital. 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.

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 as well as cash and cash equivalents.

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.

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 business, 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 the 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 receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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 of future cash flows of a financial instrument will fluctuate because of 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 March 31, 2014, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at March 31, 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	March 31, 2014			December 31, 2013		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	\$ 51,134	\$ 453	\$ 30,426	\$ 15,692	\$ 248	\$ 743
Accounts payable and accrued liabilities	(26,035)	-	(15,576)	(271,121)	-	(5,944)
Due to related parties	(52,755)	-	-	(46,569)	-	-
Net exposure	\$ (27,656)	\$ 453	\$ 14,850	\$(301,998)	\$ 248	\$ (5,201)

Based on the above net exposures at March 31, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$1,200 increase or decrease in the Company's after tax net earnings, 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 March 31, 2014, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. 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.

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. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms except for \$350,000 which is due before January 24, 2015 and does not bear interest.

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 and, accounts payables and accrued liabilities, and due to related parties approximate fair value 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 as of March 31, 2014 were calculated as follows:

	Balance at March 31, 2014	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 798,641	\$ 798,641	\$ -	\$ -

Related Party Transactions

The Company had transactions during the three month periods ended March 31, 2014 and 2013 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Radius	Shared office, administrative and exploration related charges, and investment in the Company
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Mill Street Services Ltd. ("Mill Street")	Management services

During the three month periods ended March 31, 2014 and 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended March 31,	
	2014	2013
Office and administration	\$ 17,754	\$ 16,006
Salaries and benefits	12,811	29,352
Shareholder communications	2,554	16,857
Transfer agent and regulatory fees	2,785	202
Travel and accommodation	8,255	7,309
	\$ 44,159	\$ 69,726

An office and administrative agreement was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salary and benefits for the period ended March 31, 2014 include those for the Chief Financial Officer and the Corporate Secretary whereas the period ended March 31, 2013 also includes that for Ralph Rushton, a Director.

Prepaid expenses and deposits include an amount of \$1,814 paid to Gold Group for administrative expenses paid in advance on the Company's behalf. (December 31, 2013: \$61,000 paid Gold Group as a deposit pursuant to the office and administrative agreement).

Long term deposits as of March 31, 2014 consists of \$61,000 (December 31, 2013: \$Nil) paid to Gold Group as a deposit pursuant to the office and administrative agreement. This deposit was reclassified from prepaid expenses and deposit to a long-term deposit during the current period.

Amounts due to related parties as of March 31, 2014 consist of \$22,379 (December 31, 2013: \$101,492) owing to Gold Group for accrued shared administrative costs, \$25,570 (December 31, 2013: \$24,456) owing to David Hall, a Director of the Company for accrued management fees, \$27,184 (December 31, 2013: \$26,000) owing to Jeremy Martin, a Director of the Company for accrued management fees, \$Nil (December 31, 2013: \$19,047) owing to Radius for shared administrative, leasehold improvement and equipment costs, \$Nil (December 31, 2013: \$55,230) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company for accrued management fees, and \$Nil (December 31, 2013: \$8,613) to Daniel James, the President of the Company, for salary owing. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014. The amounts for Radius, Mill Street, and Daniel James were unsecured, interest free and had no specific terms of repayment.

Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of a private placement that closed on February 5, 2014 at a cost of \$500,000. The Company and Radius have two common directors.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the three month periods ended March 31, 2014 and 2013 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 March 31,	
	2014	2013
Management fees	\$ 38,803	\$ 46,500
Geological fees	26,704	-
Salaries and benefits	3,208	4,583
Share-based compensation	232,370	-
	\$ 301,085	\$ 51,083

Share-based payments to directors not specified as key management personnel during the period ended March 31, 2014 totaled \$112,664 (2013: \$Nil).

Other Data

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

Share Position, Outstanding Options, Warrants and Convertible Debentures

As at May 30, 2014, the Company's outstanding share position is 34,822,029 common shares and the following stock options, share purchase warrants, and convertible debentures are outstanding:

No. of options	Exercise price	Expiry date
3,455,000	\$0.15	February 23, 2024

No. of warrants	Exercise price	Expiry date
2,166,667	\$0.1665 ⁽¹⁾	April 11, 2015 ⁽²⁾
16,586,500	\$0.15	February 4, 2016
18,753,167		

⁽¹⁾ In September 2013, the exercise price of the warrants was reduced from \$0.45 to \$0.1665 per share.

⁽²⁾ On March 27, 2014, the Company extended the expiry date of the warrants by one year to April 11, 2015.

No. of debentures	Conversion rate	Expiry date
2,166,667	\$0.45	April 11, 2015

Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2014, the Company adopted the following revised standard that was issued by the IASB:

IAS 36 Impairment of Assets

The IASB amended IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or CGUs is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair

value less costs of disposal) is determined using a present value technique. The adoption of this amendment did not have an impact on the Company's condensed interim consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued and effective January 1, 2014 are either not applicable or did not have an impact on the Company's condensed interim consolidated financial statements.

Future Accounting Changes

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

IFRS 9 Financial Instruments

The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 *Financial Instruments* in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company has not early-adopted the revised standard and is currently assessing the impact that the standard will have on the financial statements.

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 Western 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 and Euros. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the British pound sterling or Euro 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.