



FINANCIAL REVIEW

First Quarter Ended March 31, 2015



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2015

(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, 2015. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	\$ 734,297	\$ 499,464
Prepaid expenses and deposits (Note 11)	11,207	24,654
Sales tax receivable	6,316	19,082
Total current assets	751,820	543,200
Non-current assets		
Long-term deposits (Note 11)	61,000	61,000
Exploration bonds (Note 6)	393,299	405,834
Property and equipment (Note 5)	93,129	63,240
Exploration and evaluation assets (Note 6)	233,808	333,808
Total non-current assets	781,236	863,882
	\$ 1,533,056	\$ 1,407,082
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 435,705	\$ 542,977
Due to related parties (Note 11)	55,279	18,876
Total current liabilities	490,984	561,853
Non-current liabilities		
Due to related parties (Note 11)	55,560	53,310
Convertible debenture - liability component (Note 7)	163,351	151,146
Total non-current liabilities	218,911	204,456
Total liabilities	709,895	766,309
Shareholders' equity		
Share capital (Note 8)	5,656,016	5,197,038
Other reserves (Note 8)	1,412,911	1,331,491
Accumulated other comprehensive loss	(86,281)	(52,670)
Deficit	(6,159,485)	(5,835,086)
Total shareholders' equity	823,161	640,773
	\$ 1,533,056	\$ 1,407,082

APPROVED ON BEHALF OF THE BOARD ON MAY 29, 2015:

"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,	
	2015	2014
Exploration expenditures (Note 10)	\$ 118,586	\$ 166,105
General and administrative expenses		
Depreciation	2,697	1,144
Foreign exchange gain	(14,407)	(39,374)
Office and administration (Note 11)	22,029	29,076
Interest and bank charges	12,930	6,114
Legal and accounting	17,798	16,509
Management fees (Note 11)	45,508	38,803
Salaries and benefits (Note 11)	27,249	14,771
Shareholder communications (Note 11)	5,343	4,406
Share-based compensation (Note 9)	46,468	486,570
Transfer agent and regulatory fees (Note 11)	11,933	12,733
Travel and accommodation (Note 11)	28,265	12,320
	205,813	583,072
Net loss for the period	\$ (324,399)	\$ (749,177)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Unrealized loss on foreign exchange translation	(33,611)	(36,268)
Comprehensive loss for the period	\$ (358,010)	\$ (785,445)
Loss per share, basis and diluted	\$(0.01)	\$(0.03)
Weighted average number of shares outstanding	44,057,174	27,988,696

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, 2015 and 2014

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share subscriptions received	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, 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	(50,000)	-	-	-	-	-	1,605,000
Shares issued for property acquisition	800,000	100,000	-	-	-	-	-	-	100,000
Share issuance costs	-	(18,760)	-	2,241	-	-	-	-	(16,519)
Share-based payments	-	-	-	-	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
Loss for the period	-	-	-	-	-	-	-	(1,298,936)	(1,298,936)
Warrants exercised	7,000,000	770,000	-	-	-	-	-	-	770,000
Unrealized foreign exchange gain	-	-	-	-	-	-	48,167	-	48,167
Balance, December 31, 2014	41,822,029	5,197,038	-	2,241	486,570	842,680	(52,670)	(5,835,086)	640,773
Loss for the period	-	-	-	-	-	-	-	(324,399)	(324,399)
Shares issued for private placement	2,272,728	215,909	-	34,952	-	-	-	-	250,000
Shares issued for property acquisition	2,347,418	250,000	-	-	-	-	-	-	250,000
Share issuance costs	-	(6,931)	-	861	-	-	-	-	(6,070)
Share-based payments	-	-	-	-	46,468	-	-	-	46,468
Unrealized foreign exchange loss	-	-	-	-	-	-	(33,611)	-	(33,611)
Balance, March 31, 2015	46,442,175	\$ 5,656,016	\$ -	\$ 37,193	\$ 533,038	\$ 842,680	\$ (86,281)	\$ (6,159,485)	\$ 823,161

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,	
	2015	2014
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (324,399)	\$ (749,177)
Items not involving cash:		
Depreciation	2,697	1,144
Share-based compensation	46,468	486,570
Convertible debenture accretion expense	12,205	3,861
	(263,029)	(257,602)
Changes in non-cash working capital balances:		
Prepaid expenses and deposits	13,447	18,009
Sales tax recoverable	12,766	(6,492)
Accounts payable and accrued liabilities	242,728	(315,991)
Due to related parties	38,653	(159,705)
	44,565	(721,781)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	243,930	1,588,481
	243,930	1,588,481
INVESTING ACTIVITIES		
Purchase of property and equipment	(32,586)	(15,971)
Exploration and evaluation asset acquisitions	-	(42,250)
	(32,586)	(58,221)
Effect of changes in exchange rates on cash	(21,076)	(46,601)
Increase in cash	234,833	761,878
Cash, beginning of period	499,464	36,763
Cash, end of period	\$ 734,297	\$ 798,641

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, 2015

(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, 2015 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, 2015, the Company had not yet achieved profitable operations, has accumulated losses of \$6,159,485 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 4.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(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, 2015 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
MedCenterra 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. 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

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

- a) The determination of the Company's and its subsidiaries' 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.

- 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- 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, such as the discount rate. These estimates affect the liability and equity components recognized in the consolidated statements of financial position and the accretion expense recognized in profit or loss.

- c) In estimating the fair value of share-based payments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2013	\$ 12,906	\$ -	\$ -	\$ -	\$ 12,906
Additions	-	41,196	5,299	12,814	59,309
Balance, December 31, 2014	12,906	41,196	5,299	12,814	72,215
Additions	-	32,586	-	-	32,586
Balance, March 31, 2015	\$ 12,906	\$ 73,782	\$ 5,299	\$ 12,814	\$ 104,801
Accumulated amortization					
Balance, December 31, 2013	\$ 2,250	\$ -	\$ -	\$ -	\$ 2,250
Charge for year	1,800	1,837	1,311	1,777	6,725
Balance, December 31, 2014	4,050	1,837	1,311	1,777	8,975
Charge for period	450	1,287	331	629	2,697
Balance, March 31, 2015	\$ 4,500	\$ 3,124	\$ 1,642	\$ 2,406	\$ 11,672
Carrying amounts					
At December 31, 2014	\$ 8,856	\$ 39,359	\$ 3,988	\$ 11,037	\$ 63,240
At March 31, 2015	\$ 8,406	\$ 70,658	\$ 3,657	\$ 10,408	\$ 93,129

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2014 to March 31, 2015:

	Spain		Portugal	Total
	Pinzas Project	Calzadilla	Klondike Project	
Balance, December 31, 2013	\$ 33,852	\$ 2,636	\$ -	\$ 36,488
Acquisition costs	-	-	297,320	297,320
Balance, December 31, 2014	33,852	2,636	297,320	333,808
Acquisition costs recovered	-	-	(100,000)	(100,000)
Balance, March 31, 2015	\$ 33,852	\$ 2,636	\$ 197,320	\$ 233,808

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2014. Significant exploration and evaluation asset transactions that have occurred since December 31, 2014 are as follows:

Portugal

a) Boticas Project

The Boticas licence is located in northern Portugal.

During the period ended March 31, 2015, the Company entered into an agreement with Koza Ltd. ("Koza"), a subsidiary of the Turkish gold mining company, Koza Altin Isletmeleri A.S., whereby Koza has been granted an option to acquire up to a 75% interest in the Boticas gold project. Koza can earn an initial 55% interest in the project by spending \$3,000,000 on exploration activities on the property over three years, of which \$500,000 is committed to be spent in the first year. Upon completion of the initial \$3,000,000 expenditures, Koza can earn an additional 20% (for a total of 75%) interest by spending a further \$3,000,000 on exploration over the subsequent three-year period, for a total of \$6,000,000 over six years. In addition, Koza has agreed to invest \$1,500,000 by way of a private placement of the Company's units. Each unit will consist of a common share and one warrant which will be exercisable for twelve months. The placement is intended to take place at the time of signing a formal option/joint venture agreement in the second quarter of 2015 and will be subject to TSX Venture Exchange ("TSX-V") approval.

b) Klondike Project

In January 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 an exploration bond of \$183,912 (€135,000) held by the Portuguese mining authority. The five gold exploration permits cover the Lagares, Valongo, Ponte da Barca, Balazar, and Castelo de Paiva properties. Klondike has retained a 2% net smelter return royalty, which is repurchasable for \$1,000,000 per percentage point.

Total consideration for the acquisition was \$500,000, of which \$150,000 was paid in 2014 in the form of \$50,000 cash and 800,000 shares of the Company having a value of \$100,000. In January 2015, the final purchase payments were made, consisting of 2,347,418 shares issued by the Company having a value of \$250,000, and \$100,000 cash which was paid by Centerra Gold Corp. pursuant to its option agreement with the Company on the Lagares, Valongo, Balazar and Castelo de Paiva properties.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of \$975,000. The debenture was 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. During the period ended March 31, 2015, the maturity date was extended to April 11, 2017. 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 maturity, the principal not yet converted 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 year ended December 31, 2014, the expiry date of the warrants was extended to April 11, 2015 and subsequent to March 31, 2015, extended further to April 11, 2016.

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.

During the period ended March 31, 2015, accretion of interest on the convertible debentures of \$12,205 (2014: \$3,861) was charged to profit or loss and is included in interest and bank charges.

	Liability component	Equity component
Balance, December 31, 2013	\$ 134,247	\$ 842,680
Accretion of discount	16,899	-
Balance, December 31, 2014	\$ 151,146	\$ 842,680
Accretion of discount	12,205	-
Balance, March 31, 2015	\$ 163,351	\$ 842,680

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES

Common Shares

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

During the period ended March 31, 2015, the following share capital activity occurred:

- i) On February 18, 2015, the Company closed a private placement of 2,272,728 units at \$0.11 per unit for gross proceeds of \$250,000. Of the sale proceeds, \$215,909 was allocated to share capital and \$34,091 to warrants. The Company paid \$660 cash and 42,000 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 one year at a price of \$0.16. The finders' fee warrants have the same terms as the purchaser's warrants. The fair value of the 42,000 finders' fee warrants was \$861 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 0.42%, dividend yield of 0%, volatility of 95% and expected life of one year. Other share issuance costs associated with this financing totalled \$5,410.
- ii) On February 13, 2015, the Company issued 2,347,418 common shares having a value of \$250,000 to Klondike as part of the Portuguese property acquisition (Note 6(b)).

Escrow Shares

As at March 31, 2015, there were 2,330,000 (December 31, 2014: 2,330,000) shares held in escrow. The shares held in escrow are released based on the passage of time, with the next release of 727,500 shares occurring June 14, 2015 and the final release of 1,602,500 shares occurring December 14, 2015.

Share Purchase Warrants

A summary of share purchase warrants activity January 1, 2014 to March 31, 2015 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2013	2,166,667	\$0.1665
Issued on private placement	16,588,500	\$0.15
Exercised during the year	(7,000,000)	\$0.11
Balance, December 31, 2014	11,755,167	\$0.15
Issued on private placement	2,314,728	\$0.16
Balance, March 31, 2015	14,069,895	\$0.15

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants (continued)

Details of share purchase warrants outstanding as of March 31, 2015 are:

Expiry date	Number of warrants	exercise price
February 4, 2016 ⁽¹⁾	9,588,500	\$0.15
February 17, 2016	2,314,728	\$0.15
April 11, 2016 ⁽²⁾	2,166,667	\$0.1665
	14,069,895	

(1) In November 2014, the exercise price of 7,000,000 of these warrants was amended from \$0.15 to \$0.11 and those warrants were exercised at the reduced exercise price.

(2) In March 2014, the expiry date of these warrants was extended from April 11, 2014 to April 11, 2015 and in April 2015, the expiry date was extended further to April 11, 2016.

9. 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, 2015:

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
February 12, 2025	\$0.15	-	500,000	-	-	500,000	500,000
		3,455,000	500,000	-	-	3,955,000	3,955,000
Weighted Average Exercise Price		\$0.15	\$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, 2015 was \$0.09 per option (2014: \$0.14).

The weighted average remaining contractual life of the options outstanding at March 31, 2015 is 9.03 years.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Period (continued)

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the period ended March 31, 2015 included an expected volatility factor of 118%, risk-free interest rate of 1.43%, expected life of ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

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, 2015 was \$46,468 (2014: \$486,570).

As of March 31, 2015 there were no unrecognized compensation costs related to unvested share-based payment awards.

Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the three month period ended March 31, 2015 (2014: \$100,000).

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

10. EXPLORATION EXPENDITURES

During the three months ended March 31, 2015, the Company incurred the following exploration expenditures:

	Portugal								Total
	Vila de Rei	Boticas	Lagares	Ponte da Barca	Valongo	Balazar	Castelo de Paiva	Other	
Geological and other consulting	\$ 937	\$ 17,500	\$ 28,336	\$ 943	\$ 1,699	\$ 1,696	\$ 1,696	\$ 33,024	\$ 85,829
Office and administration	87	959	1,439	87	87	87	87	3,108	5,941
Travel	294	3,244	10,319	294	616	616	616	10,815	26,816
Balance, end of period	\$ 1,318	\$ 21,703	\$ 40,094	\$ 1,324	\$ 2,402	\$ 2,399	\$ 2,399	\$ 46,947	\$ 118,586

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

11. 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:

<u>Related party</u>	<u>Nature of transactions</u>
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
Focus Ventures Ltd. ("Focus")	Shared administrative salary 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, 2015 and 2014, the Company reimbursed Gold Group for the following costs:

	Three months ended March 31,	
	2015	2014
Office and administration	\$ 14,454	\$ 17,754
Salaries and benefits	22,024	12,811
Shareholder communications	1,778	2,554
Transfer agent and regulatory fees	2,057	2,785
Travel and accommodation	7,905	8,255
	\$ 48,218	\$ 44,159

Salaries and benefits for the three months ended March 31, 2015 and 2014 include those for the Chief Financial Officer and the Corporate Secretary. An office and administrative agreement (the "Gold Group 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) During the period ended March 31, 2015, the Company reimbursed Focus, a company with common directors, \$5,224 (2014: \$Nil) in shared salary and benefits costs for a director.
- c) During the period ended March 31, 2015, the Company reimbursed Radius, a company with common directors, \$14,304 (2014: \$Nil) in shared exploration costs.
- d) Prepaid expenses and deposits as at March 31, 2015 include an amount of \$Nil for administrative expenses paid in advance on the Company's behalf (December 31, 2014: \$2,243), paid to Gold Group.
- e) Long-term deposits as of March 31, 2015 consists of \$61,000 (December 31, 2014: \$61,000) paid to Gold Group as a deposit pursuant to the Gold Group Agreement.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- f) Amounts due to related parties as of March 31, 2015 consist of \$25,407 (December 31, 2014: \$18,876) owing to Gold Group; \$27,780 (December 31, 2014: \$26,655) owing to David Hall, a director of the Company; \$27,780 (December 31, 2014: \$26,655) owing to Jeremy Martin, a director of the Company; \$5,224 (December 31, 2014: \$Nil) owing to Focus; \$14,304 (December 31, 2014: \$Nil) owing to Radius; and \$10,344 (December 31, 2014: \$Nil) 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, 2016. The amounts for Radius and Focus were unsecured, interest-free and had no specific terms of repayment.

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, 2015 and 2014 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,	
	2015	2014
Management fees	\$ 37,135	\$ 38,803
Geological fees	33,203	26,704
Salaries and benefits	5,042	3,208
Share-based compensation	-	232,370
	\$ 75,380	\$ 301,085

There were no share-based payments to directors not specified as key management personnel during the period ended March 31, 2015 (2014: \$112,664).

On February 13, 2015, the Company agreed to issue a total of 435,520 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2015. The shares will be issued in quarterly installments, and the first installment of 108,880 shares was issued as of April 13, 2015.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

12. 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, 2015, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at March 31, 2015, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	March 31, 2015			December 31, 2014		
	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	\$ 2,604	\$ 4,083	\$ 327,854	\$ 5,185	\$ 391	\$ 43,903
Accounts payable and accrued liabilities	(27,473)	(6,648)	(324,705)	(37,103)	-	(80,402)
Due to related parties	(55,561)	-	-	(53,310)	-	-
Net exposure	\$ (80,430)	\$ (2,565)	\$ 3,149	\$ (85,228)	\$ 391	\$ (36,499)

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at March 31, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$8,000 (December 31, 2014: \$12,100) 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, 2015, 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, 2015, the Company had working capital of \$260,836 (December 31, 2014: working capital deficiency of \$18,653). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

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

The condensed interim consolidated statements of financial position carrying amounts for cash, 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.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2015

(Expressed in Canadian Dollars)

12. 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, 2015 were calculated as follows:

	Balance at March 31, 2015	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 734,297	\$ 734,297	\$ -	\$ -

13. 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, 2015 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 recognizes 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, 2015

(Expressed in Canadian Dollars)

14. 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, 2015	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	\$ -	\$ -	\$ -	\$ 21,486	\$ 97,100	\$ 118,586
Loss before income taxes	179,774	6,208	-	30,868	107,153	324,003
Capital expenditures*	-	-	-	-	32,586	32,586

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

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

As at March 31, 2015	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	\$ 411,751	\$ 10,154	\$ -	\$ 9,675	\$ 320,240	\$ 751,820
Total non-current assets	69,406	9,086	22,927	36,488	643,329	781,236
Total assets	\$ 481,157	\$ 19,240	\$ 22,927	\$ 46,163	\$ 963,569	\$ 1,533,056
Total liabilities	\$ 290,623	\$ 83,033	\$ -	\$ 12,831	\$ 323,408	\$ 709,895

As at December 31, 2014	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	\$ 457,313	\$ 18,477	\$ -	\$ 6,800	\$ 60,610	\$ 543,200
Total non-current assets	69,856	8,719	21,998	36,488	726,821	863,882
Total assets	\$ 527,169	\$ 27,196	\$ 21,998	\$ 43,288	\$ 787,431	\$ 1,407,082
Total liabilities	\$ 582,149	\$ 90,413	\$ -	\$ 4,548	\$ 89,199	\$ 766,309



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

First Quarter Report – March 31, 2015

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, 2015. The following information, prepared as of May 29, 2015, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for three months ended March 31, 2015 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, 2014 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2015 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.

Exploration Review

The Company has licences granted in Portugal and 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 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, Lagares, Castelo de Paiva and Ponte da Barca, totaling 604 square kilometres, which were acquired from Klondike Gold Corp. (“Klondike”) in January 2014. The Company has two further exploration licences currently under application in Portugal: the Caramulo and Chaves areas. Both are expected to be granted in mid-2015.

The Company is exploring all seven current licences including completing a major reinterpretation of historical results but with a strong focus on the Lagares and Boticas projects. The early geological observations from this work have identified several key prospects where field work is ongoing.

Lagares Gold Project

The Lagares 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. Four prospects have been defined along this corridor, which are, from north to south, Castromil North, Castromil, Serra da Quinta and Sao Domingos.

Option to Centerra Gold Corp. (“Centerra”)

In December 2014, the Company granted to Centerra the exclusive right to earn a 51% interest in the Valongo Belt Property, which includes the Lagares Project, by incurring exploration expenditures totaling USD\$3.0 million over three years, of which USD\$500,000 is committed to be spent by Centerra. To keep the option in good standing, Centerra must incur USD\$1.0 million in the first year, a further USD\$1.5 million in the second year, and a further USD\$500,000 in the third year. Of these expenditures, CAD\$100,000 was paid by Centerra during the current period to Klondike to complete the Company’s obligations relating to its purchase of the Lagares and other licences from Klondike. The Company is the initial operator and manager of the project.

Once Centerra has acquired the initial 51% interest in the Valongo Belt Property, it may acquire a further 19% (for a total 70% interest) by incurring an additional USD\$3.0 million on exploration within two years.

Exploration Programs

The Company’s work is focused on understanding the controls on gold mineralization, particularly zones of high-grade mineralization at the two key prospects of Castromil and Serra da Quinta, which have both been previously drilled to shallow depths. The aim of the Company’s ongoing exploration work is to determine the scale and grade potential of both prospects, as high-grades intersections have been recorded, as well as multi-kilometre strike lengths.

Castromil and Serra da Quinta are located along a northwest-trending faulted intrusive contact which is cut by northeast-trending faults. Mineralization is associated with fault intersections, lithological contacts and brecciation, with the better zones of mineralization occurring as flat-lying lenses which dip to the northeast. The interplay of these features has resulted in the trapping of gold in the granitic rocks immediately northeast of the intrusive contact.

The field teams spent much of 2014 completing a series of detailed mapping and logging exercises, which led the Company to significantly revise the geological model for the prospects and the wider region. The Castromil and

Serra da Quinta prospects were mapped to a scale of 1:500 via a programme of line-mapping. All of the available historical drill core stored in the governmental facility in Porto has been logged and all of the historical exploration data was digitized and validated. From this phase of mapping and logging a programme of channel-chip sampling has been prepared. The sample lines were spaced between 100 to 150 metres apart, and orientated northwest-southeast, with a sample interval of 1 to 2 metres. Sampling methodologies resembled typical methodologies from a drill core sampling programme to best align samples from channels and core in future resource estimation work.

The channel results included: 69.00 metres @ 4.15 g/t Au; 40.70 metres @ 5.73 g/t Au, including 5.20 metres @ 15.50 g/t Au; and 15.50 metres @ 9.44 g/t Au, including 4.00 metres @ 18.00 g/t Au (*see Medgold news release dated December 2, 2014*).

Work in 2015 has focused on extending the areas of gold mineralization by lengthening existing channel sample lines and by sampling further along the strike of the fault-controlled mineralized corridor, which is now defined for four kilometers.

Diamond Drill Program

In late March 2015, the Company and Centerra commenced a diamond core drilling program on the Lagares Project, the Company's first drilling campaign in Portugal. An initial 3,000 metre program is planned to test the Castromil and Serra da Quinta mineralization identified from the channel-chip sampling program. Early drilling will include a few 'twin' boreholes which are intended to check the grade of gold mineralization that was intersected by historical drill-holes. A comparison will also be done of gold recovery characteristics of the mineralization intersected by the drill-hole 'twins'. Focus of the drilling will then turn to testing the down-dip continuation of gold mineralization at the Castromil and Serra da Quinta prospects which occurs as a stacked set of shallowly northeast-dipping tabular lenses of silicified granite that, overall, follow the faulted contact between the granite and metamorphosed sedimentary rocks. First results of the drilling program can be expected in June 2015.

Boticas Gold Project

In March 2015, the Company signed an agreement with Koza Ltd. ("Koza"), a subsidiary of the Turkish gold mining company, Koza Altın İşletmeleri A.Ş., whereby Koza has been granted an option to acquire up to a 75% interest in the Company's Boticas gold project in northern Portugal.

Koza can earn an initial 55% interest in the project by spending \$3.0 million on exploration activities on the Project over three years, of which \$500,000 is committed to be spent in the first year. Upon completion of the initial \$3.0 million expenditures, Koza can earn an additional 20% interest by spending a further \$3.0 million on exploration over the subsequent three year period, for a total of \$6.0 million over six years. In addition, Koza has agreed to invest \$1.5 million by way of a private placement of units of the Company. Each unit will consist of a common share and one warrant which will be exercisable for 12 months. The placement is intended to take place at the time of signing a formal option / joint venture agreement and will be subject to TSXV approval.

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.

The Boticas project was awarded in February 2015 a Federal Government and European Union-recognised status as a Project of National Interest (PIN). The PIN application was fully supported by the Municipality of Boticas, and the governing committee for PIN projects, which is managed by a semi-autonomous group called AICEP. One of the primary functions of AICEP is to manage incoming financial support from the EU and award to suitable projects. The PIN status for the project significantly elevates its recognition within both the Federal Government and the EU, allowing access to apply for future EU grants and loans.

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 Au, 8.19 g/t Au 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, or perhaps an extension to the Poco das Freitas 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 3839 metres of diamond drilling was completed in 32 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, has been initiated to explore for repeating zones of mineralization along the structural corridor of the main NE-trending fault. At the same time, detailed structural studies are underway 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 Au, 4.98 g/t Au 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 g/t Au 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.

Exploration work commenced at Boticas in April 2015, with a grid-soil sampling program across the Limarinho and Limarinho South zones. Lines were spaced 500 metres apart and samples collected at 50 metre intervals. The samples will be assayed for gold and a full multi-element analysis suite. Results are expected in June 2015.

Under the Joint Venture agreement with Koza, a focused exploration program commenced immediately following the signing of the Agreement in March 2015. A full review and reinterpretation of historical documents was undertaken, with due diligence work completed on existing historical drilling, soil, and rock sampling programs. A new soil sampling program is in progress, with its objective to explore the license area outside of the Limarinho and Poco das Freitas historical workings. A program of diamond-core drilling will likely to follow shortly thereafter and is tentatively scheduled for the second half of 2015.

Vila de Rei Gold Project

A stream sediment survey was completed at the Vila de Rei gold project in central Portugal in Q2 2014, covering the entire 300 square kilometre licence area. A total of 150 samples were submitted for gold and multi-element analysis. The results highlight a positive correlation between gold, arsenic and lead, which is echoed in the rock sampling results. The combination of these three elements has confirmed known prospects, but more importantly,

have identified new zones. A stream sediment anomaly has identified a new area called Pombeira, where a zone of intense silica-pyrite alteration has been identified which extends over an apparent thickness of approximately 300 metres, and is broadly analogous to the Pampilhal anomaly. Results from a brief program of channel-chip sampling across the key zones of mineralization, yielded only weak to weak-to-moderate gold anomalism. The majority of results yielded values less than 0.1 g/t Au and a high of 0.78 g/t Au. Rock chip sampling, completed prior to the channel sampling, yielded a single high-value of 3.66 g/t Au, but this wasn't repeated in the channel sampling.

Work was also undertaken at the Pampilhal anomaly, which is located in the central-eastern part of the licence, and comprised a programme of detailed geological mapping of the silica ribs. Focus was made to map the zones of intense iron-oxide and pyrite matrix-fill from widespread hydrothermal brecciation. The brecciation phase is considered to be "syn-mineral", and therefore directly related to the distribution of gold, and hosted within extensive linear ribs which are considered to be "early-mineral". It has been observed that the zones of highest grade, where sampling yielded assay results ranging from trace to 12.45 g/t Au, are associated with large pods of iron-oxide and pyrite. New geological thinking considers that these pods are possible mineral "blow-out" zones filled with mineralization akin to the breccia matrix. Furthermore, given that the iron-oxide and pyrite mineralization is apparent as matrix in-fill, and therefore either forming syn- or post-silica rib formation, it is postulated that broader zones of mineralization may exist as stratigraphically-controlled replacement horizons within carbonaceous and/or ferruginous meta-sedimentary host rocks.

A programme of trench sampling is proposed at Pampilhal. It will focus upon topographically-recessive zones along the strike of the silica ribs where no mineralization is exposed, and along the margin of ribs to try identifying any possible fluid out-flow points into a favourable stratigraphic horizon to form a replacement zone. This work is expected to commence in mid- to late-2015.

Ponte da Barca Gold Project

The Ponte da Barca gold project is located in the very north of Portugal, close to the Spanish border. During Q2 2014, the Company completed a program of grid-soil sampling on the property combined with detailed geological mapping at a scale of 1:500 at the Coto de Cruz and Muia prospects. A total of 113 soil samples were collected from the two prospects. The soils were collected on a tight grid with a line spacing of 50 metres and a sample spacing of 50 or 25 metres. The results demonstrate a clear geochemical association between gold and arsenic, typified by the common presence of arsenopyrite in mineralized rock. At Coto de Cruz an east-west gold-arsenic anomalous corridor has been defined over 400 metres.

Follow-up work from the soil sampling involved a programme of reconnaissance rock-chip sampling throughout the Coto de Cruz area. Results from this programme ranged from trace up to 35.3g/t, 25.0g/t and 20.7 g/t Au. The high-grade results are from an east-west trending quartz vein, and its alteration halo, coincident with the soil sampling anomaly.

A total of 50 rock samples have been collected throughout the project. The rock samples range from detection to 35.3 g/t Au with 26 rock samples grading greater than 1 g/t Au (52%) and 6 grading greater than 10 g/t Au (12%). The Company intends to conduct a significant follow-up work program of trench sampling to better define this zone of very high-grade mineralization in mid- to late-2015.

A remote sensing study has also been completed across the licence area, and has identified a major northeast-trending deformation zone, within which is a series of intensely deformed 'shear pockets'. Coto de Cruz is located within one of these ellipsoidal shear pockets and a further four have been identified within the licence area. Ground-truthing these zones will be undertaken in mid 2015.

Other Licences – Valongo Belt Property

The Company is undertaken limited exploration work at the Valongo, Castelo de Paiva and Balazar licences which form part of the Valongo Belt Property optioned to Centerra. Work at the Valongo licence area had previously focused on the ancient Roman working at Santa Justa, with a programme of prospect-wide geological mapping completed, and reccie rock-chip sampling. At Castelo de Paiva historical stream sediment geochemical data undertaken by the BRGM was analysed and plotted against a regional Landsat-Aster image interpretation. Several anomalies have been identified and will be ground-truthed in mid 2015. At Balazar a limited geophysical programme using a Ground Penetrating Radar (GPR) was completed. Two lines were placed across the key prospect of Lagao Negra in the north of the licence. The survey broadly defined a possible north-south trending structure. A programme of grid soil sampling at Balazar was completed in Q1 2015 with samples analysed using a hand-held XRF. The results identify a broad semi-linear anomaly which will be the focus of a follow-up trenching programme to be undertaken in mid 2015.

Spanish Projects

The Company is actively reviewing projects in Spain, typically in the provinces of Extremadura, Castilla y Leon and Galicia. Furthermore, the Company is applying geological models currently evolving in Portugal, to similar geological environments in Spain. The Company has recently been awarded a licence in the Extremadura Province, called the Calzadilla Gold Project, and has licences under application in Galicia.

The Calzadilla Gold Project

The Calzadilla project is located in the Extremadura province in central-west Spain. The Calzadilla permit was granted to the Company in Q4 2014 and is approximately 42 square kilometres. The project is located approximately 40 kilometres west of the town of Plasencia. The project has had limited recent exploration conducted, with a phase of panned concentrate soil sampling, licence-wide geological mapping, and trench sampling completed in the 1980s. The licence area is dominated by a package of Pre-Cambrian meta-sediments, typically greywackes, slates and conglomerates, with rare localities of granite. Mineralization appears to be fault-controlled and hosted by a series of north-trending quartz veins and associated fault breccia zones. The area has very poor rock exposure, and therefore exploration methods will rely heavily on geochemistry. An initial phase of grid-soil samples will be undertaken in June 2015 to cover the area of principal anomalism identified by previous explorers. Furthermore, a number of the old trenches, opened by previous explorers, are still accessible, and therefore the Company plans to channel-chip sample along the walls of the trenches simultaneously with the soil sampling program. Within one of the trenches, a fault is observed, with a zone of breccia and cataclasite identified in the hangingwall, and with a few thin quartz veins. The area is famous for the discovery of some of the largest gold nuggets in Extremadura Spain, and as a result, our sampling methods will ensure a large and representative sample is collected. If the channel-chip sampling and grid-soil sampling is successful, the Company will extend a number of the trenches, and add additional trenches aiming to extend the zone of mineralized structure.

The Pinzas Gold Project

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. Despite ongoing lobbying with the provincial government of Galicia, none of these licences have been issued to date. As a result of non-action by the government, the Company has withdrawn its applications for the three contiguous permits and for five of the six public tender licences, with only one application remaining, called 'Vilachan'. The issuance of the Vilachan licence is still pending and we continue to lobby the government.

Quality Assurance and Quality Control (QA-QC)

Samples from the Company's Portuguese and Spanish exploration projects are analysed for gold and multi-element geochemistry by Bureau Veritas and ALS Chemex. The Company follows a rigorous Quality Assurance program, and regularly inserts certified reference materials, blanks, and sample duplicates in all sample batches sent to the analytical laboratory. See the Company's news releases for details on specific QA procedures as they relate to the different programs.

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, 2015:

	Mar. 31, 2015 (\$)	Dec. 31, 2014 (\$)	Sep. 30, 2014 (\$)	June 30, 2014 (\$)	Mar. 31, 2014 (\$)	Dec. 31, 2013 (\$)	Sep. 30, 2013 (\$)	June 30, 2013 (\$)
Exploration expenditures	118,586	350,735	262,465	161,314	166,105	221,602	162,239	155,496
General and administrative expenses	206,209	132,254	136,647	156,264	583,072	29,415	79,855	199,803
Net loss	324,399	583,282	398,076	317,578	749,177	267,177	274,527	355,299
Basic and diluted loss per share	0.01	0.01	0.01	0.01	0.03	0.02	0.02	0.02

The net loss for the quarter ended March 31, 2014 was significantly impacted by a share-based compensation charge of \$486,570, and exploration expenditures and net loss for the two most recent quarters have increased somewhat due to increased exploration work conducted by the Company. Otherwise, the Company's exploration expenditures, general and administrative exploration, net loss and loss per share have remained at fairly consistent levels throughout the past two fiscal years.

Results of Operations

For the quarter ended March 31, 2015, the Company had a net loss of \$324,399 compared to a net loss of \$749,177 for the quarter ended March 31, 2014, a decrease of \$424,382. Exploration costs for the current quarter were \$118,586 compared to \$166,105 for the comparative quarter, a decrease of \$47,519.

General and administrative expenses totaled \$206,209 for the current quarter compared to \$583,072 for the comparative quarter, a decrease of \$376,863. The general and administrative costs for the current quarter were impacted by a foreign exchange gain of \$14,407 compared to a foreign exchange gain of \$39,374 for the comparative quarter. The primary reason the general and administrative expenses were significantly lower in the current quarter is due to share-based payments which was \$46,468 in the current quarter compared to \$486,570 in the comparative quarter. The share-based payments expense for both quarters resulted from the granting of stock options. When share-based payments are excluded, the current quarter general and administrative costs were \$63,231 higher than the comparative quarter. Notable cost increases in the current quarter involved travel and accommodation, salaries and benefits, interest charges, and management fees. Travel and accommodation costs were \$15,945 higher due to more travel required for corporate and promotional purposes. Salaries and benefits were \$12,478 higher due to activities in the current quarter requiring a larger portion of shared personnel resources. Interest charges were \$7,212 higher as a result of a convertible debenture being extended by two years. Management fees were \$6,705 higher due to the President's compensation being increased at the start of the current period.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the period ended March 31, 2015 is as follows:

Portugal – Exploration expenditures incurred during the current quarter totaled \$71,639 with \$21,703 spent on Boticas, \$40,094 on Lagares, and the remainder for care and maintenance of other properties. Most significant overall expenditures incurred were \$52,807 on geological consulting costs and \$15,999 on travel. An additional \$46,647 was incurred regarding other property investigations.

As a result of Centerra paying \$100,000 to Klondike to settle the remaining portion of the Company's debt to Klondike for the 2014 acquisition of Klondike's Portuguese assets, the Company recorded a recovery of acquisition costs of \$100,000 during the period ended March 31, 2015.

Liquidity and Capital Resources

The Company's cash resources increased from \$499,464 as at December 31, 2014 to \$734,297 as at March 31, 2015. During the current period, the Company raised gross proceeds of \$250,000 by way of a private placement. The Company has been using these funds for exploration expenditures and general working capital. At March 31, 2015,

the Company had current assets totaling \$751,820 and current liabilities totaling \$490,984, for working capital of \$260,836.

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 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 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, 2015, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at March 31, 2015, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	March 31, 2015			December 31, 2014		
	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	\$ 2,604	\$ 4,083	\$ 327,854	\$ 5,185	\$ 391	\$ 43,903
Accounts payable and accrued liabilities	(27,473)	(6,648)	(324,705)	(37,103)	-	(80,402)
Due to related parties	(55,561)	-	-	(53,310)	-	-
Net exposure	\$ (80,430)	\$ (2,565)	\$ 3,149	\$ (85,228)	\$ 391	\$ (36,499)

Based on the above net exposures at March 31, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$8,000 (December 31, 2014: \$12,100) 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, 2015, 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 had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value:

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

The condensed interim consolidated statements of financial position carrying amounts for cash 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, 2015 were calculated as follows:

	Balance at March 31, 2015	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 734,297	\$ 734,297	\$ -	\$ -

Related Party Transactions

The Company had transactions during the three month periods ended March 31, 2015 and 2014 with related parties who consisted of directors, officers and the following companies with common directors:

<u>Related party</u>	<u>Nature of transactions</u>
Radius Gold Inc. ("Radius")	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
Focus Ventures Ltd. ("Focus")	Shared administrative salary charges
Mill Street Services Ltd. ("Mill Street")	Management services

During the periods ended March 31, 2015 and 2014, 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,	
	2015	2014
Office and administration	\$ 14,454	\$ 17,754
Salaries and benefits	22,024	12,811
Shareholder communications	1,778	2,554
Transfer agent and regulatory fees	2,057	2,785
Travel and accommodation	7,905	8,255
	\$ 48,218	\$ 44,159

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. Salaries and benefits for the three months ended March 31, 2015 and 2014 include those for the Chief Financial Officer and the Corporate Secretary.

During the period ended March 31, 2015, the Company reimbursed Focus, a company with common directors, \$5,224 (2014: \$Nil) in shared salary and benefits costs for Ralph Rushton, a director.

During the period ended March 31, 2015, the Company reimbursed Radius, a company with common directors, \$14,304 (2014: \$Nil) in shared exploration costs.

Long-term deposits as of March 31, 2015 consists of \$61,000 (December 31, 2014: \$61,000) paid to Gold Group as a deposit pursuant to the office and administrative agreement.

Amounts due to related parties as of March 31, 2015 consist of \$25,407 (December 31, 2014: \$18,876) owing to Gold Group for accrued shared administrative costs, \$27,780 (December 31, 2014: \$26,655) owing to David Hall, a Director of the Company for accrued management fees, \$27,780 (December 31, 2014: \$26,655) owing to Jeremy Martin, a Director of the Company for accrued management fees, \$5,224 (December 31, 2014: \$Nil) owing to

Focus, \$14,304 (December 31, 2014: \$Nil) owing to Radius for shared personnel costs, and \$10,344 (December 31, 2014: \$Nil) to Daniel James, the President of the Company, for compensation to be paid with the issuance of shares. 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, 2016. The amounts for Radius and Focus were unsecured, interest-free and had no specific terms of repayment.

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, 2015 and 2014 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,	
	2015	2014
Management fees	\$ 37,135	\$ 38,803
Geological fees	33,203	26,704
Salaries and benefits	5,042	3,208
Share-based compensation	-	232,370
	\$ 75,380	\$ 301,085

On February 13, 2015, the Company agreed to issue a total of 435,520 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2015. The shares will be issued in quarterly installments, and the first installment of 108,880 shares with a value of \$10,344 was issued as of April 13, 2015.

There were no share-based payments to directors not specified as key management personnel during the period ended March 31, 2015 (2014: \$112,664).

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 29, 2015, the Company's outstanding share position is 46,551,055 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
500,000	\$0.15	February 12, 2025
3,955,000		

No. of warrants	Exercise price	Expiry date
9,588,500 ⁽¹⁾	\$0.15	February 4, 2016
2,314,728	\$0.16	February 17, 2016
2,166,667	\$0.1665 ⁽²⁾	April 11, 2016 ⁽³⁾
14,069,895		

⁽¹⁾ In November 2014 the exercise price of 7,000,000 of these warrants was amended from \$0.15 to \$0.11 and those warrants were exercised at the reduced exercise price in 2014.

⁽²⁾ In September 2013, the exercise price of the warrants was reduced from \$0.45 to \$0.1665 per share.

⁽³⁾ In 2014, the expiry date of the warrants was extended from April 11, 2014 to April 11, 2015 and subsequent to March 31, 2015, extended further to April 11, 2016.

<u>No. of debentures</u>	<u>Conversion rate</u>	<u>Expiry date</u>
2,166,667	\$0.45	April 11, 2017 ⁽¹⁾

⁽¹⁾ During the current period, the Company extended the expiry date of the debentures from April 11, 2015 to April 11, 2017.

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

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

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.