MEDGOLD RESOURCES CORP.

FINANCIAL REVIEW

First Quarter Ended March 31, 2016

MEDGOLD RESOURCES CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2016

(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, 2016. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

Medgold Resources Corp.
(Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Canadian Dollars)

As at	**March 31, 2016**	**December 31, 2015**
ASSETS		
Current assets		
Cash	$ 64,662	$ 215,282
Amounts receivable	6,502	7,393
Prepaid expenses and deposits (Note 12)	18,930	31,805
Total current assets	90,094	254,480
Non-current assets		
Long-term deposits (Note 12)	61,000	61,000
Exploration bonds (Note 6)	451,754	498,698
Property and equipment (Note 5)	72,394	77,611
Exploration and evaluation assets (Note 6)	197,320	197,320
Total non-current assets	782,468	834,629
	$ 872,562	**$ 1,089,109**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 210,912	$ 269,368
Short-term debt (Note 7)	100,219	-
Due to related parties (Note 12)	125,887	73,055
Total current liabilities	437,018	342,423
Non-current liability		
Convertible debenture - liability component (Note 8)	222,852	206,202
Total liabilities	659,870	548,625
Shareholders' equity		
Share capital (Note 9)	6,037,899	6,037,899
Other reserves (Note 9)	1,584,211	1,566,911
Accumulated other comprehensive loss	(108,588)	(47,203)
Deficit	(7,300,830)	(7,017,123)
Total shareholders' equity	212,692	540,484
	$ 872,562	**$ 1,089,109**

APPROVED ON BEHALF OF THE BOARD ON MAY 26, 2016:

"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, 2016	2015
Exploration expenditures (Note 11)	$ 153,645	$ 118,586
General and administrative expenses		
Depreciation	5,217	2,697
Finance costs	18,654	-
Foreign exchange gain	(43,479)	(14,407)
Office and administration (Note 12)	26,158	22,029
Interest and bank charges	17,556	12,930
Legal and accounting	13,011	17,798
Management fees (Note 12)	33,337	45,508
Salaries and benefits (Note 12)	24,428	27,249
Shareholder communications (Note 12)	19,071	5,343
Share-based payments (Note 10)	-	46,468
Transfer agent and regulatory fees (Note 12)	8,725	11,933
Travel and accommodation (Note 12)	7,384	28,265
	130,062	205,813
Net loss for the period	**$ (283,707)**	**$ (324,399)**
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Unrealized loss on foreign exchange translation	(61,385)	(33,611)
Comprehensive loss for the period	**$ (345,092)**	**$ (358,010)**
Loss per share, basic and diluted	$(0.01)	$(0.01)
Weighted average number of shares outstanding	51,877,695	44,057,174

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, 2016 and 2015

(Expressed in Canadian Dollars)

			Other equity reserves					
	Number of common shares	Share capital	Warrants reserve	Share-based payment reserve	Equity portion of convertible debenture reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
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	34,091	-	-	-	-	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
Loss for the period	-	-	-	-	-	-	(857,638)	(857,638)
Shares issued for private placement	5,000,000	346,000	154,000	-	-	-	-	500,000
Shares issued for services	435,520	41,920	-	-	-	-	-	41,920
Share issuance costs	-	(6,037)	-	-	-	-	-	(6,037)
Unrealized foreign exchange gain	-	-	-	-	-	39,078	-	39,078
Balance, December 31, 2015	51,877,695	6,037,899	191,193	533,038	842,680	(47,203)	(7,017,123)	540,484
Loss for the period	-	-	-	-	-	-	(283,707)	(283,707)
Warrants issued for finance fee	-	-	17,300	-	-	-	-	17,300
Unrealized foreign exchange loss	-	-	-	-	-	(61,385)	-	(61,385)
Balance, March 31, 2016	**51,877,695**	**$ 6,037,899**	**$ 208,493**	**$ 533,038**	**$ 842,680**	**$ (108,588)**	**$ (7,300,830)**	**$ 212,692**

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, 2016	2015
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	$ (283,707)	$ (324,399)
Items not involving cash:		
Finance costs	18,654	-
Depreciation	5,217	2,697
Share-based payments	-	46,468
Convertible debenture accretion expense	16,650	12,205
	(243,186)	(263,029)
Changes in non-cash working capital balances:		
Amounts receivable	891	12,766
Prepaid expenses and deposits	12,875	13,447
Accounts payable and accrued liabilities	(58,456)	242,728
Due to related parties	52,832	38,653
	(235,044)	44,565
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	-	243,930
Proceeds from short-term debt	100,000	-
	100,000	243,930
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(32,586)
	-	(32,586)
Effect of changes in exchange rates on cash	(15,576)	(21,076)
Increase (decrease) in cash	(150,620)	234,833
Cash, beginning of period	215,282	499,464
Cash, end of period	**$ 64,662**	**$ 734,297**

Supplemental Cash Flow Information

Warrants issued for finance fee	$ 17,300	$ -
Acquisition of Klondike – exploration and evaluation assets	$ -	$ 250,000

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These condensed interim consolidated financial statements of the Company as at March 31, 2016 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, 2016, the Company had not yet achieved profitable operations, has accumulated losses of $7,300,830 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company (Note 16).

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.

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, 2016 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
MedgoldMinas Unipessoal Lda.	Portugal	100%	Exploration company
MedCenterra Unipessoal Lda.	Portugal	100%	Exploration company
Medgold Minera Sociedad Limitada	Spain	100%	Exploration company
Medgold Istrazivanja d.o.o.	Serbia	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 and Euro. Assets and liabilities are translated to the presentation currency at the period-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 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.

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

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases* of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of evaluating the impact of the new standard.

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 are determined based on management's assessment of the economic environment in which the entities operate.

b) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

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

   In respect of costs incurred for its investment in exploration and evaluation assets, management has determined 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

a) The Company may be subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business and on dispositions of mineral property or interests therein, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events, and interpretation of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

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

   The Company is required to make certain estimates when determining the fair value of the components of convertible debentures, 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.

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2014	$ 12,906	$ 41,196	$ 5,299	$ 12,814	$ 72,215
Additions	-	32,586	-	-	32,586
Disposals	-	-	-	-	-
Balance, December 31, 2015	12,906	73,782	5,299	12,814	104,801
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance, March 31, 2016	**$ 12,906**	**$ 73,782**	**$ 5,299**	**$ 12,814**	**$ 104,801**
Accumulated amortization					
Balance, December 31, 2014	$ 4,050	$ 1,837	$ 1,311	$ 1,777	$ 8,975
Charge for period	1,800	12,217	1,464	2,734	18,215
Recaptured amortization	-	-	-	-	-
Balance, December 31, 2015	5,850	14,054	2,775	4,511	27,190
Charge for period	450	3,750	331	686	5,217
Recaptured amortization	-	-	-	-	-
Balance, March 31, 2016	**$ 6,300**	**$ 17,804**	**$ 3,106**	**$ 5,197**	**$ 32,407**
Carrying amounts					
At December 31, 2015	$ 7,056	$ 59,728	$ 2,524	$ 8,303	$ 77,611
At March 31, 2016	**$ 6,606**	**$ 55,978**	**$ 2,193**	**$ 7,617**	**$ 72,394**

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2015 to March 31, 2016:

	Portugal	Spain		
	Klondike Project	Pinzas Project	Calzadilla	Total
Balance, December 31, 2014	$ 297,320	$ 33,852	$ 2,636	$ 333,808
Acquisition costs recovered	(100,000)	(32,779)	(2,636)	(135,415)
Write-down of acquisition costs	-	(1,073)	-	(1,073)
Balance, December 31, 2015	197,320	-	-	197,320
Balance, March 31, 2016	**$ 197,320**	**$ -**	**$ -**	**$ 197,320**

6. EXPLORATION AND EVALUATION ASSETS (continued)

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2015. Significant exploration and evaluation asset transactions that have occurred since December 31, 2015 are as follows:

Portugal

a) Klondike Project

As at December 31, 2015, the Klondike Project consisted of four licences, Lagares, Valongo, Balazar and Castelo de Paiva, all located in northern Portugal. During the period ended March 31, 2016, the Balazar licence was relinquished, thereby reducing the number of Klondike Project licences to three.

The Company has in place exploration bonds with the Portugal mining authority totaling $204,930 (€135,000) of which $180,348 (€120,000) was reimbursed to the Company in 2015 by Centerra Gold Corp. ("Centerra"), in accordance with its option agreement with the Company (see Centerra Option below).

b) Boticas-Chaves Project

The Boticas and Chaves properties are located in northern Portugal, with the Chaves property surrounding the Boticas property.

The Company had in place exploration bonds of $214,103 (€157,500) on the Boticas licence and $14,775 (€10,500) on the Chaves licence with the Portugal mining authority. Subsequent to March 31, 2016, the Company was reimbursed these bond amounts by Centerra in accordance with its option agreement with the Company (see Centerra Option below).

c) Centerra Option

In December 2014, the Company granted to Centerra an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licences (collectively called the Valongo Belt Property).

During the period ended March 31, 2016, the option agreement with Centerra was amended to include the Company's Boticas-Chaves Project.

d) Vila de Rei

The Vila de Rei licence is located in central Portugal. The Company has in place an exploration bond of $184,660 (€116,359) to the Portugal mining authority for the Vila de Rei licence. This licence was relinquished during the period ended March 31, 2016 and the Company is awaiting a refund of the exploration bond.

Serbia

During the period ended March 31, 2016, the Company submitted applications for six exploration licences in Serbia and subsequent to the period end, submitted applications for two more licences.

Spain

Calzadilla Property

In 2014, the Company was granted the Calzadilla gold exploration permit. During the period ended March 31, 2016, the permit was relinquished.

(Expressed in Canadian Dollars)

7. SHORT-TERM DEBT

On March 24, 2016, the Company obtained a short-term loan of $100,000 to provide funding for general working capital requirements. The loan is repayable within six months and bears interest at 8% per annum. In consideration for the loan, the Company issued to the lender share purchase warrants to purchase up to 500,000 common shares of the Company, exercisable for one year at $0.09 per share. Transaction costs of $18,435 were incurred, of which $17,300 was the value of the warrants issued to the lender. A total of $219 in interest charges has been accrued for the period ended March 31, 2016.

8. 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. In 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 2013, the exercise price of the warrants was reduced to $0.1665 per share. In 2014, the expiry date of the warrants was extended to April 11, 2015, and was extended further to April 11, 2016 during 2015. During the period ended March 31, 2016, expiry date of the warrants was extended further to April 11, 2017.

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, 2016, accretion of interest on the convertible debentures of $16,650 (2015: $12,205) was charged to profit or loss and is included in interest and bank charges.

		Liability component		Equity component
Balance, December 31, 2014	$	151,146	$	842,680
Accretion of discount		55,056		-
Balance, December 31, 2015		206,202		842,680
Accretion of discount		16,650		-
Balance, March 31, 2016	**$**	**222,852**	**$**	**842,680**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Common Shares

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

There was no share capital activity during the period ended March 31, 2016.

Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2015 to March 31, 2016 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2014	11,755,167	$0.15
Issued on private placement	7,314,728	$0.15
Balance, December 31, 2015	19,069,895	$0.15
Issued for finance fee (Note 7)	500,000	$0.09
Expired during the period	(80,500)	$0.16
Balance, March 31, 2016	**19,489,395**	**$0.15**

Details of share purchase warrants outstanding as of March 31, 2016 are:

Expiry date	Number of warrants	Exercise price
February 4, 2017[(1)]	9,550,000	$0.15
February 17, 2017[(2)]	2,272,728	$0.16
March 21, 2017	500,000	$0.09
April 11, 2017[(3)]	2,166,667	$0.1665
September 20, 2017	2,100,000	$0.15
October 12, 2017	2,900,000	$0.15
	19,489,395	

(1) In January 2016, the expiry date of 9,550,000 of these warrants was extended from February 4, 2016 to February 4, 2017.
(2) In August 2015, the expiry date of these warrants was extended from February 17, 2016 to February 17, 2017.
(3) In January 2016, the expiry date of these warrants was extended from April 11, 2016 to April 11, 2017.

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS

Option Plan Details

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

There was no stock option activity during the period ended March 31, 2016.

As at March 31, 2016, the following stock options were outstanding:

Expiry date	Number of options	Exercise price
February 23, 2024	3,455,000	$0.15
February 12, 2025	500,000	$0.15
	3,955,000	

The weighted average exercise price of options outstanding as of March 31, 2016 was $0.15 (December 31, 2015: $0.15) per option.

The weighted average remaining contractual life of the options outstanding at March 31, 2016 is 8.03 (December 31, 2015: 8.28) years.

Options Issued to Employees

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

Options Issued to Non-Employees

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

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

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized as part of share-based compensation during the period ended March 31, 2016 was $Nil (2015: $46,468).

As of March 31, 2016 there were no unrecognized compensation costs related to unvested share-based payment awards.

Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the periods ended March 31, 2016 and 2015.

(Expressed in Canadian Dollars)

11. EXPLORATION EXPENDITURES

During the three months ended March 31, 2016, the Company incurred the following exploration expenditures:

	Portugal							
	Vila de Rei	**Boticas-Chaves**	**Lagares**	**Ponte da Barca**	**Valongo**	**Serbia**	**Other**	**Total**
Geological and other consulting	$ 1,788	$ 26,720	$ 1,308	$ 1,788	$ 9,341	$ 30,198	$ 25,794	$ 96,937
Licences, rights and taxes	-	-	-	-	-	-	7,303	7,303
Office and administration	894	4,885	149	596	1,534	3,677	1,964	13,699
Travel	298	11,216	558	-	3,787	13,785	6,062	35,706
	$ 2,980	**$ 42,821**	**$ 2,015**	**$ 2,384**	**$ 14,662**	**$ 47,660**	**$ 41,123**	**$ 153,645**

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

	Portugal							
	Vila de Rei	**Boticas**	**Lagares**	**Ponte da Barca**	**Valongo**	**Balazar**	**Castelo de Paiva**	**Other**	**Total**
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
	$ 1,318	**$ 21,703**	**$ 40,094**	**$ 1,324**	**$ 2,402**	**$ 2,399**	**$ 2,399**	**$ 46,947**	**$ 118,586**

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended March 31, 2016 and 2015 with related parties who consisted of directors, officers and the following companies with common directors:

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

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, 2016 and 2015, the Company reimbursed Gold Group for the following costs:

	Three months ended March 31, 2016	2015
General and administrative expenses:		
Office and administration	$ 22,805	$ 14,454
Salaries and benefits	19,456	22,024
Shareholder communications	1,169	1,778
Transfer agent and regulatory fees	1,600	2,057
Travel and accommodation	7,384	7,905
	$ 52,414	**$ 48,218**
Exploration expenditures	**$ -**	**$ 2,634**

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the periods ended March 31, 2016 and 2015 include those for the Chief Financial Officer and the Corporate Secretary. .

b) During the period ended March 31, 2016, the Company reimbursed Focus, a company with common directors, $4,973 (2015: $5,224) in shared salary and benefits costs for a director.

c) During the period ended March 31, 2016, the Company reimbursed Radius, a company with a common director, $550 (2015: $14,304) in shared exploration costs.

d) Prepaid expenses and deposits as at March 31, 2016 include an amount paid to Gold Group of $1,968 (December 31, 2015: $2,250) for administrative expenses paid in advance on the Company's behalf,

e) Long-term deposits as of March 31, 2016 consists of $61,000 (December 31, 2015: $61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

f) Amounts due to related parties as of March 31, 2016 consist of $85,890 (December 31, 2015: $54,331) owing to Gold Group; $26,250 (December 31, 2015: $10,500) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company; and $8,774 (December 31, 2015: $8,224) owing to Radius. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for Radius and Mill Street 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, 2016 and 2015 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,	
	2016	**2015**
Management fees	$ 33,337	$ 37,135
Geological fees	27,506	33,203
Salaries and benefits	5,958	5,042
	$ 66,801	**$ 75,380**

There were no share-based payments to directors not specified as key management personnel during the periods ended March 31, 2016 and 2015.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at March 31, 2016, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at March 31, 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	March 31, 2016			December 31, 2015		
	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	$ 3,852	$ 3,758	$ 20,539	$ 13,987	$ 4,043	$ 130,189
Accounts payable and accrued liabilities	(37,749)	(1,208)	(159,977)	(46,919)	-	(216,059)
Net exposure	**$ (33,897)**	**$ 2,550**	**$(139,438)**	**$ (32,932)**	**$ 4,043**	**$ (85,870)**

Based on the above net exposures at March 31, 2016, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $17,100 (December 31, 2015: $11,500) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2016, the Company is exposed to interest risk on its short-term debt and the accumulated interest owing on a convertible debenture, of which the interest rates are fixed for the duration of the short-term debt and 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.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2016, the Company had a working capital deficiency of $346,924 (December 31, 2015: $137,943). 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, short-term debt, and due to related parties approximate fair values due to their short-term nature.

Fair Value Hierarchy

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

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the Company's financial assets measured at fair value on a recurring basis as of March 31, 2016 were calculated as follows:

	Balance at March 31, 2016	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 64,662	$ 64,662	$ -	$ -

(Expressed in Canadian Dollars)

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. The Company's capital resources as of March 31, 2016 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.

15. SEGMENTED REPORTING

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

Period ended March 31, 2016

	Canada	England	Spain	Portugal	Serbia	Consolidated
Exploration expenditures	$ -	$ -	$ -	$ 116,641	$ 37,004	$ 153,645
Net loss	(111,450)	(13,078)	(1,502)	(120,673)	(37,004)	(283,707)

Period ended March 31, 2015

	Canada	England	Spain	Portugal	Consolidated
Exploration expenditures	$ -	$ -	$ 21,486	$ 97,100	$ 118,586
Net loss	179,774	6,208	30,868	107,153	324,003
Capital expenditures*	-	-	-	32,586	32,586

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

(Expressed in Canadian Dollars)

15. SEGMENTED REPORTING (continued)

As at March 31, 2016	Canada	England	Spain	Portugal	Consolidated
Total current assets	$ 46,976	$ 5,534	$ 1,730	$ 35,854	$ 90,094
Total non-current assets	67,606	22,049	-	692,813	782,468
Total assets	**$ 114,582**	**$ 27,583**	**$ 1,730**	**$ 728,667**	**$ 872,562**
Total liabilities	**$ 462,144**	**$ 37,749**	**$ 1,050**	**$ 158,927**	**$ 659,870**

As at December 31, 2015	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	$ 93,759	$ 15,827	$ -	$ 25,557	$ 119,337	$ 254,480
Total non-current assets	68,056	25,871	22,927	-	717,775	834,629
Total assets	**$ 161,815**	**$ 41,698**	**$ 22,927**	**$ 25,557**	**$ 837,112**	**$ 1,089,109**
Total liabilities	**$ 280,578**	**$ 46,919**	**$ -**	**$ 6,521**	**$ 214,607**	**$ 548,625**

16. EVENTS AFTER THE REPORTING DATE

Subsequent to March 31, 2016, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

a) The Company completed a non-brokered private placement financing of 2.0 million units at $0.10 per unit for gross proceeds of $200,000. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at $0.12 for one year from closing. The Company may pay a finder’s fee on a portion of this financing.

b) A total of 250,000 stock options with an exercise price of $0.15 expired unexercised.

MEDGOLD RESOURCES CORP.

(the "Company")

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the Three Months Ended March 31, 2016

General

This interim Management's Discussion and Analysis ("Interim MD&A") supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2016. The following information, prepared as of May 26, 2016, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for three months ended March 31, 2016 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, 2015 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2016 condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

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

Forward Looking Information

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

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

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

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

- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;

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

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

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

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

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

Business of the Company

The Company is a Vancouver based project-generator mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. The Company is focusing its business on exploring mineral properties in economically stressed, but politically stable countries that are seeking foreign investment to invigorate the mining sector. The current focus is in Portugal and Serbia but other countries and jurisdictions are being reviewed.

Exploration Review

The Company is targeting gold properties in northwest Iberia and the under-explored gold provinces of southern Europe. It currently has licences granted and under application in Portugal, a favourable jurisdiction with a robust mining code and backed by an administration which is actively seeking both foreign investment and commodity exploration companies. In Portugal, the Company is focusing its exploration efforts on its key primary projects of Lagares and Boticas-Chaves, currently under a joint-venture agreement with Centerra Gold Inc.

In early 2016, the Company established a wholly-owned subsidiary in the Republic of Serbia and is currently conducting reconnaissance work to identify prospective ground for acquisition. The country has a tremendous metal endowment and Serbia's mining industry enjoys high-level government support.

Serbia

The Company is applying the same exploration approach in Serbia that it has used in Portugal, namely, identifying the key macro controls on metal deposition in the region, and thereby identifying the local deposit-scale controls on mineralization. The Company has applied for eight exploration licences, each covering 100 square kilometres, targeting gold-silver epithermal and associated gold-dominant porphyry systems within the Serbo-Macedonian Massif in the central and southern parts of the country. Field teams are actively undertaking reconnaissance work which is being combined with remote sensing and desktop GIS studies.

Portuguese Projects

The Company is targeting orogenic gold systems in northern Portugal. The Company holds five exploration licences covering over 800 square kilometres in Portugal. The Boticas-Chaves licences cover 600 square kilometres, and the Valongo, Lagares and Castelo de Paiva (the "Valongo Belt Properties"), which are located within the Valongo Belt, cover approximately 200 square kilometres. The Valongo Belt Properties were acquired from Klondike Gold Corp. ("Klondike") in January 2014. The Company has a further exploration licence currently under application in Portugal, called Caramulo, which is expected to be granted in mid-2016.

During 2015 and early 2016, the Company relinquished the Ponta da Barca and Balazar licences previously acquired from Klondike, and in February 2016, the Vila de Rei licence was relinquished as well.

The Company's exploration focus is on the primary projects of Boticas-Chaves and Valongo (Guimarei). Low-cost and low-key exploration work is on-going at the other projects; which includes soil sampling, mapping and reinterpretation of historical results.

Option to Centerra Gold Inc. ("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 was committed to be spent by Centerra. To keep the option in good standing, Centerra incurred USD$1.0 million in the first year, and must incur 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 exploration programs.

In December 2015, the option agreement with Centerra was amended to include the Company's Boticas-Chaves Project. Once Centerra has acquired the initial 51% interest in the properties, it may acquire a further 19% (for a total 70% interest) by incurring an additional USD$3.0 million on exploration within two years.

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.

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. Gold mineralization is granite-hosted and associated with pyrite and arsenopyrite. It is structurally controlled, occurring as zones of pervasive silicification and as discrete veins, within shallow northeast-dipping lenses that are bounded to the southwest by the Railway Fault, which is the dominant structural feature within the project area.

The field teams spent much of 2014 completing a series of detailed mapping and logging exercises at the Castromil and Serra da Quinta prospects, which led the Company to significantly revise the geological model for the prospects and the wider region. 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 focused on drill-testing the Castromil and Serra da Quinta prospects with our joint-venture partner, Centerra, and conducting soil sampling programs aiming to extend the gold anomalies out under alluvial cover.

Diamond Drill Program

In 2015, the Company and Centerra completed a diamond core drilling program on the Lagares Project, the Company's first drilling campaign in Portugal, in order to test the Castromil, Serra da Quinta and Castromil North mineralization identified from the channel-chip sampling program and detailed geological mapping. A total of 31 drill holes were completed for a total of 2,988.05 metres. At Castromil a total of 1,429.95 metres were drilled from 13 drill holes, at Serra da Quinta a total of 1,384.64 metres were drilled from 16 drill holes, and at Castromil North a total of 173.45 metres were drilled from 2 drill holes.

Highlights of the assay results for all drill-holes, from MLG-001 through to MLG-031, include:

<u>Castromil</u>

- MLG-001: 10.90m @ 2.32 g/t Au from surface, section 150mS
- MLG-003: 19.95m @ 3.17 g/t Au from surface, section 450mS
- MLG-004: 17.49m @ 4.45 g/t Au from 10.00m, section 400mS
- MLG-006: 7.76m @ 4.40 g/t Au; from surface, section 300m
- MLG-007: 10.53m @ 3.07 g/t Au; from 17.53m down-hole, section 450m
- MLG-008: 28.65m @ 1.30 g/t Au; from surface, section 450m
- MLG-009: 4.00m @ 3.86 g/t Au, from 46.00m, section 550m

<u>Serra da Quinta</u>

- MLG-013: 12.85m @ 1.55 g/t Au from 9.95m, section 1125m
- MLG-017: 13.77m @ 2.03 g/t Au from surface, section 1375m
- MLG-022: 6.62m @ 2.04 g/t Au from 24.63m, section 1375m
- MLG-023: 2.26m @ 5.41 g/t Au from 16.00m, section 1450m

See the Company's news releases dated July 27, and September 28, 2015. A location map, cross-sections and core photographs can be found on Medgold's website, at the following location: http://www.medgoldresources.com/s/lagares.asp, plus full details of the drilling results.

Following the completion of the initial drilling campaign, geologists are reviewing the data within 3D-modelling software, and undertaking a detailed review of the geology, with petrographic studies, and analysis of the structurally-controlled fluid pathways through geochemical and stereonet analysis. This work will be on-going through to the end of the year.

<u>Valongo and Castelo de Paiva Licences</u>

The Company's exploration teams have been conducting systematic geochemical and geological exploration of all of the Valongo Belt properties that are within the Centerra JV. This includes wide-spaced lines of 100 metre sample interval soil sampling at the western-side of the Valongo Anticline, the central part of the Valongo licence testing a newly identified granodioritic intrusion, and the western areas of the Castelo de Paiva licence.

Guimarei Prospect

Recent exploration of a new prospect called Guimarei on the Valongo licence in northern Portugal, has identified anomalous gold in rocks outcropping over a 3 kilometre strike length.

Orogenic gold mineralization at Guimarei occurs along the geological contact between Silurian meta-sediments and a large granodioritic intrusion. In common with many major structurally-controlled orogenic deposits, mineralization at Guimarei is associated with a dilation zone along a bend in a major fault. At Guimarei, the combination of a marked lithological contact with a bend in a major structure has generated alteration and mineralization over a recorded strike length of 3 kilometres.

The Company initially collected 148 soil samples in late 2015, along wide-spaced soil sampling lines. This work defined gold anomalism over a strike length of 3 kilometres. Despite the poor rock exposure, mapping has identified alteration up to 200 metres wide along the strike length which is associated with quartz veins from 1 centimetre to 80 centimetres thick, containing pyrite and arsenopyrite, and pervasive silicification. Infill soil sampling is ongoing with a further 220 samples collected with assay results pending. These samples are being collected at 50 metre intervals on 250 metre line spacing.

Results have also been received for 55 rock chip samples. Assays for rock chip samples range from trace to 7.80 g/t Au, 4.84 g/t Au and 2.53 g/t Au. The Company has also identified some highly-elevated Pb and Ag values up to 21.0% and 506 ppm, respectively, which are from a sample which also yielded 2.48 g/t Au.

The Company has undertaken a limited program of the channel-chip sampling over areas of key gold-arsenic anomalism; both in soil and samples. A total of three channels were cut and sampled, with 19 samples (including 3 QA/QC samples), with maximum values of 0.73 g/t Au and 9.96% Pb. Weighted averages across the channels yielded a best result of 4.50 metres @ 0.41 g/t Au. While these grades are reasonable low, and significantly lower than the previous rock samples, we consider further work is clearly warranted. We will be undertaking a program of trenching in early June to firstly gain a continuous strip of outcrop (as outcrop in the area is very poor) but also to geochemically test mineralization over broad widths. A total of 120 metres of trenching is planned.

At Castelo de Paiva, wide-spaced soil geochemistry identified a number of low-level gold, arsenic and antimony anomalies. Field teams followed up these anomalies with rock-chip sampling and general reconnaissance. Only low-level rock anomalism was identified. As a result the Castelo de Paiva licence will be relinquished in July 2016 and the licences remaining in the Valongo Belt Properties will be Lagares and Valongo.

<u>Boticas-Chaves Gold Project</u>

The Boticas-Chaves Gold Project is comprised of two exploration licences covering a total area of approximately 600 square kilometres located in the north of Portugal close to the Spanish border. The licences host orogenic-type mineralization hosted exclusively within granites. The principal prospect at Boticas-Chaves is the Limarinho prospect, which has been the focus of ancient exploitation and historical exploration, and is an east-northeast-trending zone comprised of sericitic alteration and a series of gold mineralized lenses. Gold mineralization within the lenses is related to northeast-trending quartz veins which are slightly oblique to the main mineral trend. The mineralization is formed within a deformational prism that is the result of sinistral strike-slip faulting, and quartz veins are typically sheeted and commonly associated with arsenopyrite.

The 106-hectare Boticas licence 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.

The Chaves licence was granted by the Portuguese government in August 2015. It is approximately 500 square kilometres. The licence was acquired to increase the Company's landholding in the region, completely enveloping the Boticas licence, and it covers several major crustal structures which are considered to be associated with gold mineralization. The area also covers multiple stream sediment (BLEG) anomalies identified from historical work completed in early 2000s. The Company has conducted a lineament analysis over the area, which was combined with a broad hyperspectral analysis for alteration (iron, silica and clay). The work has identified several coincident structural and alteration anomalies that have been reviewed in the field.

In the 1980s and 2000s COGEMA and then Kernow Resources, respectively, completed over 3,000 metres of diamond drilling testing the Limarinho prospect. The drilling cut broad zones of low-grade gold mineralization (approximately 1 g/t Au), and also multiple mineralized corridors of much higher grade (2-3 g/t Au) that are continuous over significant strike lengths. Key drill historical intercepts are as follows1:

- KL4 – 20.4m of 2.92 g/t Au from 20.7m and 9.05m of 3.37 g/t Au from 145m;
- PF3 – 19.7m s of 2.8 g/t Au from 32.3m;
- PF11 – 12.1m of 2.98 g/t Au from 51.1m;
- PF17 – 13.5m of 2.17 g/t Au from 65.7m;
- PF8 – 10m of 1.37 g/t Au from 86.2m.

[1]*These are historical data provided for information purposes, and Medgold has not completed sufficient work to verify these results.*

The mineralized corridors trend east-northeast, while the veins within them trend northeast. The mineralization is structurally-controlled and is believed to be developed within a large deformational zone.

Current Exploration

Recent geochemical sampling results at Limarinho indicate the presence of high-grade quartz veins, which typically occur within vein swarms, and can be extensive over significant widths. Detailed structural mapping at Limarinho confirms that the vein swarms and associated alteration occur in a NE-elongate dilational zone which has focused deformation along linear zones. Rock-chip results include assays from 0.01 g/t Au to highs of 75.10 g/t Au, 45.00 g/t Au, 13.90 g/t Au and 11.75 g/t Au.

Similarly, at Casas Novas, which is 3 kilometres southeast of Limarinho, quartz vein swarms are associated with a NE-elongate dilational prism. Grid-soil sampling by the Company has confirmed broad zones of gold and arsenic anomalism over an area of 3 kilometres by 2 kilometres, and with rock-chip samples yielding results from 0.01 g/t Au to highs of 71.90 g/t Au, 5.53 g/t Au and 5.20 g/t Au, including new results of 8.54 g/t Au and 7.31 g/t Au.

The Limarinho South zone is located approximately 500 metres south of the main Limarinho prospect area. Significantly, infill grid-soil sampling over the entire Limarinho Zone has identified two new gold anomalies, increasing the anomalous area to 4 kilometres by 2 kilometres. The newly mapped gold mineralization and associated alteration effectively doubles the footprint of the Limarinho anomaly.

Eight grab samples were collected at Limarinho South, with assays ranging from 0.12 g/t Au to highs of 19.30 g/t Au, 17.00 g/t Au and 12.40 g/t Au. Infill grid-soil sampling has also been completed over an area of 3.5 kilometres by 3 kilometres at a line spacing of 200 metres and a 50 metre sample spacing.

The Leiranco zone, which was previously known only to academics from the Universities of Porto and Oviedo, was recently studied by the Company's geologists. It is located approximately 5 kilometres to the west of Limarinho and several outcropping vein swarms, covering an area of approximately 300 metres by 300 metres, have been identified. Reconnaissance rock chip samples yielded 9 new results from 0.06 g/t Au to highs of 22.40 g/t Au, 4.80 g/t Au and 3.75 g/t Au. Field teams are currently undertaking an extensive channel-chip sampling program over the vein swarms, with a total of 150 linear metres proposed. The sampling work is expected to be completed by the end of May 2016.

Preparation for a program of 2,400 metres of diamond drilling is underway, with drill pads prepared and access roads cut. The drilling program is designed to drill test the main Limarinho Zone as well as the Limarinho South Zone. A total of 11 collars are proposed with expected drill depths of 100 to 200 metres down hole. Depending on results from the channel-chip sampling at Leiranco, the best channel intersections may be drill-tested during this same phase of drilling at Limarinho.

Please see http://www.medgoldresources.com/s/boticas.asp for location maps for each of the prospects with rock and soil results, as well as photos of mineralization from historical drill core.

Spanish Projects

The Company has been reviewing gold projects in Spain since 2012. Until early 2016, it held a single licence in the Extremadura Region of central Spain called the Calzadilla Gold Project. In late 2012 the company applied for several contiguous licences in Galicia, collectively called the Pinzas Gold Project, through both direct licence application and through public tenders. Due to extreme reticence by the Junta de Galicia, no licences have ever been issued to the Company, despite the Company being awarded the Vilachan licence through a public tender process. The Company has since withdrawn all interests in Galicia and waved any right or future option to the Pinzas licences. No work is currently scheduled for any Spanish projects in 2016 and the Company's wholly owned subsidiary in Spain is currently being folded.

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 Interim MD&A.

Quarterly Information

The following table provides information for the eight fiscal quarters ended March 31, 2016:

	Mar. 31, 2016 ($)	Dec. 31, 2015 ($)	Sep. 30, 2015 ($)	June 30, 2015 ($)	Mar. 31, 2015 ($)	Dec. 31, 2014 ($)	Sep. 30, 2014 ($)	June 30, 2014 ($)
Exploration expenditures	153,645	150,630	150,852	92,263	118,586	350,735	262,465	161,314
General and administrative expenses	130,062	408,788	6,497	90,439	206,209	132,254	136,647	156,264
Net loss	283,707	518,155	156,781	182,702	324,399	583,282	398,076	317,578
Basic and diluted loss per share	0.01	0.01	0.00	0.00	0.01	0.01	0.01	0.01

The general and administrative expense and net loss for the quarter ended December 31, 2015 was higher than the preceding quarters presented due to a foreign exchange loss of $249,579 while quarters ended September 30, 2015 and June 30, 2015 were significantly reduced due to foreign exchange gains of $153,049 and $92,868, respectively.

Results of Operations

For the quarter ended March 31, 2016, the Company had a net loss of $283,707 compared to a net loss of $324,399 for the quarter ended March 31, 2015, a decrease of $40,692. Exploration costs for the current quarter were $153,645 compared to $118,586 for the comparative quarter, an increase of $35,059.

General and administrative expenses totaled $130,062 for the current quarter compared to $205,813 for the comparative quarter, a decrease of $75,751. The general and administrative costs for the current quarter were lower due in part to a larger foreign exchange gain than the comparative quarter and a decrease in management fees. The comparative quarter also recorded a share-based compensation charge relating to a stock option grant during that period whereas the current quarter did not. Management fees were higher in the comparative quarter as the President of the Company was issued shares as part of his compensation during that period but not during the current quarter. Another notable cost decrease for the current quarter was in travel and accommodation, due to more travel to Europe relating to business development being required during the comparative quarter. An expense that was recorded in the current quarter but not in the comparative quarter was finance costs. The finance costs related to a short-term loan to the Company and consisted of interest, transaction costs, and the value attributed to warrants issued to the lender as a loan fee. Shareholder communication costs were higher in the current quarter compared to the comparative quarter due to a media services agreement that started after the comparative quarter and ended during the current quarter.

Liquidity and Capital Resources

The Company's cash resources decreased from $215,282 as at December 31, 2015 to $64,662 as at March 31, 2016. At March 31, 2016, the Company had current assets totaling $90,094 and current liabilities totaling $437,018, for a working capital deficiency of $346,924. During the current period, the Company raised $100,000 by way of a short-term loan that bears interest at 8% per annum and is repayable by September 15, 2016. In consideration of the loan, the Company issued to the lender share purchase warrants to purchase up to 500,000 common shares of the Company, exercisable for one year at $0.09 per share. Subsequent to March 31, 2016, the Company raised gross proceeds of $200,000 by way of a private placement consisting of 2.0 million units at at $0.10 per unit. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at $0.12 and expiring May 11, 2017. Also subsequent to March 31, 2016, the Company was reimbursed approximately $245,000 (€167,500) by Centerra for exploration bonds held on the Boticas-Chaves project with the Portugal mining authority. The Company is also anticipating receiving an exploration bond refund of approximately $185,000 relating to the Vila de Rei property which was relinquished during the current period. The Company expects to use its funds on hand and those anticipated to be received for exploration expenditures, general working capital requirements, and settlement of the short-term loan.

The Company's current capital resources are not considered sufficient to cover its corporate operating costs and carry out planned exploration activities for the next twelve months. In order to carry out its 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.

Related Party Transactions

There were no significant related party transactions during the current period. See Note 12 of the condensed interim consolidated financial statements for the three months ended March 31, 2016 for details of related party transactions which occurred in the normal course of business.

Other Data

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

Share Position, Outstanding Options, Warrants and Convertible Debentures

As at May 26, 2016, the Company's outstanding share position is 53,877,695 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
250,000	$0.15	February 12, 2025
3,705,000		

No. of warrants	Exercise price	Expiry date
9,550,000	$0.15	February 4, 2017(1)
2,272,728	$0.16	February 17, 2017(2)
500,000	$0.09	March 20, 2017
2,166,667	$0.1665	April 11, 2017(3)
2,000,000	$0.16	May 11, 2017
2,100,000	$0.15	September 20, 2017
2,900,000	$0.15	October 12, 2017
21,489,395		

(1) In January 2016, the expiry date of 9,550,000 of these warrants was extended to February 4, 2017.

(2) In August 2015, the expiry date of these warrants was extended from February 17, 2016 to February 17, 2017.

(3) In January 2016, the expiry date of these warrants was extended to April 11, 2017.

No. of debentures	Conversion rate	Expiry date
2,166,667	$0.45	April 11, 2017(4)

(4) In January 2015, the Company extended the expiry date of the debentures from April 11, 2015 to April 11, 2017.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

The Company's mineral properties are located in economically stressed, but politically stable European countries and consequently may be subject to a higher level of risk compared to less economically stressed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in such nations can be affected by changing economic, regulatory and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration expenditures in British pound sterling 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.