FINANCIAL REVIEW

Fiscal Year Ended December 31, 2015

MEDGOLD RESOURCES CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MEDGOLD RESOURCES CORP.

We have audited the accompanying consolidated financial statements of Medgold Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Medgold Resources Corp. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2016

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

T: 604 687 1231
F: 604 688 4675

smythecpa.com

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015 and 2014

(Expressed in Canadian Dollars)

	2015	2014
ASSETS		
Current assets		
Cash	$ 215,282	$ 499,464
Amounts receivable	7,393	19,082
Prepaid expenses and deposits (Note12)	31,805	24,654
Total current assets	254,480	543,200
Non-current assets		
Long-term deposits (Note 12)	61,000	61,000
Exploration bonds (Note 6)	498,698	405,834
Property and equipment (Note 5)	77,611	63,240
Exploration and evaluation assets (Note 6)	197,320	333,808
Total non-current assets	834,629	863,882
	$ 1,089,109	**$ 1,407,082**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 269,368	$ 542,977
Due to related parties (Note 12)	73,055	18,876
Total current liabilities	342,423	561,853
Non-current liability		
Due to related parties	-	53,310
Convertible debenture - liability component (Note 7)	206,202	151,146
Total non-current liabilities	206,202	204,456
Total liabilities	548,625	766,309
Shareholders' equity		
Share capital (Note 8)	6,037,899	5,197,038
Other reserves (Note 8)	1,566,911	1,331,491
Accumulated other comprehensive loss	(47,203)	(52,670)
Deficit	(7,017,123)	(5,835,086)
Total shareholders' equity	540,484	640,773
	$ 1,089,109	**$ 1,407,082**

APPROVED ON BEHALF OF THE BOARD ON APRIL 28, 2016:

"Simon Ridgway"
Simon Ridgway, Director

"Daniel James"
Daniel James, Director

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

Medgold Resources Corp.
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

		2015		2014
Exploration expenditures (Note 10)	$	512,331	$	940,619
General and administrative expenses				
Depreciation		18,215		6,725
Foreign exchange loss (gain)		(10,745)		8,107
Office and administration (Note 12)		78,126		81,011
Interest and bank charges (Note 7)		59,164		23,303
Legal and accounting		141,274		111,607
Management fees (Note 12)		150,697		135,300
Salaries and benefits (Note 12)		111,262		83,092
Shareholder communications (Note 12)		60,551		21,738
Share-based payments (Note 9)		46,468		486,570
Transfer agent and regulatory fees (Note 12)		21,987		25,224
Travel and accommodation (Note 12)		34,934		25,560
		711,933		1,008,237
Loss before other items		(1,224,264)		(1,948,856)
Other items				
Interest and other income		643		1,353
Recovery of amounts payable		50,000		-
Write-off of exploration and evaluation assets		(1,073)		-
Write-off of sales tax receivable		(7,343)		(100,610)
Net loss for the year		**(1,182,037)**		**(2,048,113)**
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on foreign exchange translation		5,467		11,899
Comprehensive loss for the year	**$**	**(1,176,570)**	**$**	**(2,036,214)**
Loss per share, basic and diluted		$(0.03)		$(0.06)
Weighted average number of shares outstanding		47,223,346		34,230,248

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

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

				Other equity reserves					
	Number of common shares	**Share capital**	**Share subscriptions received**	**Warrants reserve**	**Share-based payment reserve**	**Equity portion of convertible debenture reserve**	**Accumulated other comprehensive loss**	**Deficit**	**Total shareholders' equity**
Balance, December 31, 2013	17,472,029	$ 2,690,798	$ 50,000	$ -	$ -	$ 842,680	$ (64,569)	$ (3,786,973)	$ (268,064)
Loss for the year	-	-	-	-	-	-	-	(2,048,113)	(2,048,113)
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)
Warrants exercised	7,000,000	770,000	-	-	-	-	-	-	770,000
Share-based payments	-	-	-	-	486,570	-	-	-	486,570
Unrealized foreign exchange gain	-	-	-	-	-	-	11,899	-	11,899
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 year	-	-	-	-	-	-	-	(1,182,037)	(1,182,037)
Shares issued for private placement	7,272,728	561,909	-	188,091	-	-	-	-	750,000
Shares issued for property acquisition	2,347,418	250,000	-	-	-	-	-	-	250,000
Shares issued for services	435,520	41,920	-	-	-	-	-	-	41,920
Share issuance costs	-	(12,968)	-	861	-	-	-	-	(12,107)
Share-based payments	-	-	-	-	46,468	-	-	-	46,468
Unrealized foreign exchange gain	-	-	-	-	-	-	5,467	-	5,467
Balance, December 31, 2015	**51,877,695**	**$ 6,037,899**	**$ -**	**$ 191,193**	**$ 533,038**	**$ 842,680**	**$ (47,203)**	**$ (7,017,123)**	**$ 540,484**

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

Medgold Resources Corp.
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	$ (1,182,037)	$ (2,048,113)
Items not involving cash:		
Shares issued for management fees	41,920	-
Recovery of amounts payable	(50,000)	-
Write-off of exploration and evaluation assets	1,073	-
Write-off of sales tax receivable	7,343	100,610
Depreciation	18,215	6,725
Share-based payments	46,468	486,570
Convertible debenture accretion expense	55,056	16,899
	(1,061,962)	(1,437,309)
Changes in non-cash working capital balances:		
Amounts receivable	4,346	(26,970)
Prepaid expenses and deposits	(7,151)	10,803
Accounts payable and accrued liabilities	126,391	(215,903)
Due to related parties	869	(162,652)
	(937,507)	(1,832,031)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	737,893	2,358,481
INVESTING ACTIVITIES		
Purchase of property and equipment	(32,586)	(59,309)
Exploration and evaluation asset acquisitions	-	(42,250)
Recovery of exploration and evaluation asset costs	35,415	-
Refund (purchase) of exploration bonds	(53,900)	31,624
	(51,071)	(69,935)
Effect of changes in exchange rates on cash	(33,497)	6,186
Increase (decrease) in cash	(284,182)	462,701
Cash, beginning of year	499,464	36,763
Cash, end of year	**$ 215,282**	**$ 499,464**

Supplemental Cash Flow Information		
Acquisition of Klondike – reclamation bonds	$ -	$ 204,930
Acquisition of Klondike – exploration and evaluation assets	$ 250,000	$ 255,070
Shares issued for services (Note 12)	$ 41,920	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 consolidated financial statements of the Company as at December 31, 2015 and for the year then ended include the Company and its subsidiaries (Note 3(a)).

These 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 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 December 31, 2015, the Company had not yet achieved profitable operations, has accumulated losses of $6,855,304 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of Measurement

These 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars.

The preparation of 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 consolidated financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of Consolidation

These 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 December 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

b) 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 year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in the consolidated statements of comprehensive loss.

c) Exploration and Evaluation Assets

The Company capitalizes the acquisition cost of exploration and evaluation assets and expenses all other exploration expenditures. Acquisition costs include the cash consideration paid and the fair value of common shares issued on acquisition, based on the date of issuance of the shares if the fair value of the mineral property is not reliably measureable. Exploration and evaluation assets are classified as intangible assets.

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee. Proceeds from the sale of minerals recovered during the exploration stage are recorded when title to the minerals passes, the proceeds are reasonably determinable and the collectability is assured.

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are capitalized when the payments are made or received and the share issuances are capitalized using the fair market value of the Company's common shares at the earlier of the date the counterparty's performance is complete or the issuance date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Assets (continued)

The Company is in the exploration stage and is in the process of determining whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of amounts recorded as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, maintenance of the Company's legal interests in its mineral claims, obtaining further financing for exploration and development of its mineral claims and commencement of future profitable production, or receiving proceeds from the sale of all or an interest in its mineral properties. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for exploration and evaluation assets represent costs incurred, net of write-downs and recoveries, and are not intended to represent present or future values.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

d) Property, Equipment and Depreciation

Recognition and Measurement

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses.

Depreciation

Depreciation is recognized in profit or loss, and property and equipment is amortized over their estimated useful lives using the following methods:

Leasehold improvements	7 years straight-line
Vehicles	8 years straight-line
Furniture and equipment	6% - 25% declining-balance
Computer equipment	25% declining-balance

e) Impairment of Non-financial Assets

Non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provisions

Rehabilitation Provision

The Company recognizes and measures the liabilities for obligations associated with the retirement of mineral properties when those obligations result from the acquisition, construction, development or normal operation of the asset. The obligation is measured at fair value and the related costs are recorded as part of the carrying value of the related asset. In subsequent periods, the liability is adjusted for the change in present value and any changes in the discount rate or in the amount or timing of the underlying future cash flows required to settle the obligation. Actual costs to retire mineral properties are deducted from the accrued liability, as these costs are incurred.

As at December 31, 2015 and 2014, the Company had no asset retirement or rehabilitation obligations.

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

g) Income Taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit"), and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The fair value of units issued is measured using the residual value approach, with the allocation of proceeds first to shares based on the fair value of the shares on the date of issuance and the remainder to warrants.

i) Earnings/Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

j) Share-based Payments

Where equity-settled share options or equity instruments are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the fair value of goods or services received in exchange for the share-based payment cannot be reliably estimated, they are measured by use of a valuation model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based Payments (continued)

All equity-settled share-based payments are reflected in other equity reserve until exercised. Upon exercise, shares are issued and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expired, the recorded value is transferred to deficit.

Where a grant of options is cancelled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

k) Financial Instruments

Financial assets are classified into one of four categories: fair value through profit or loss (“FVTPL”), held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All transactions related to financial instruments are recorded on a trade-date basis. The Company’s accounting policy for the relevant category is as follows:

Financial Assets

FVTPL

The Company has recognized its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value less transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transactions costs. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

Available-for-Sale Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, or that are not classified in any of the previous categories. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income (loss), is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive income (loss) is reclassified from accumulated other comprehensive income (loss) to profit or loss.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense, in this context, includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period that are unpaid. Accounts payable and accrued liabilities amounts are unsecured.

Classification

The Company has made the following designations of its financial instruments:

Cash	FVTPL
Amounts receivabl	Loans and receivables
Accounts payable	Other financial liabilities
Due to related parties	Other financial liabilities
Convertible debenture – liability component	Other financial liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2015, the Company adopted the following revised standards that were issued by the IASB, which did not have a significant impact on the Company's consolidated financial statements:

Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- IFRS 2 — Amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition"
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

Applicable to annual periods beginning January 1, 2015.

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRS can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Applicable to annual periods beginning January 1, 2015.

m) New Standards and Interpretations Not Yet Adopted

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New Standards and Interpretations Not Yet Adopted (continued)

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.

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.

Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company is in the process of evaluating the impact of the new standard.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

In May 2014, IASB issued amendments to IAS 16 and IAS 38 to clarify that depreciation method based on revenue that is generated by an activity that includes the use of an asset and amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate expectation of technological or commercial obsolescence of the asset. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is in the process of evaluation the impact of the new standard.

Annual Improvements 2012-2014 Cycle

In September 2014, IASB revised and incorporated amendments to IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits* and IAS 34 *Interim Financial Reporting*. The Company is in the process of evaluation the impact of the amendments.

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 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.

The key estimates applied in the preparation of the 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.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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, December 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 year	1,800	12,217	1,464	2,734	18,215
Balance, December 31, 2015	**$ 5,850**	**$ 14,054**	**$ 2,775**	**$ 4,511**	**$ 27,190**
Carrying amounts					
At December 31, 2014	$ 8,856	$ 39,359	$ 3,988	$ 11,037	$ 63,240
At December 31, 2015	**$ 7,056**	**$ 59,728**	**$ 2,524**	**$ 8,303**	**$ 77,611**

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended December 31, 2015 and 2014:

	Portugal	Spain		
	Klondike Project	**Pinzas Project**	**Calzadilla**	**Total**
Balance, December 31, 2013	$ -	$ 33,852	$ 2,636	$ 36,488
Acquisition costs	297,320	-	-	297,320
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**

Portugal

a) Klondike Project

In January 2014, the Company acquired a 100% interest in Klondike Gold Corp.'s ("Klondike") five gold exploration licences covering 600 square kilometres in northern Portugal. The five gold exploration licences cover the Lagares, Valongo, Ponte da Barca, Balazar and Castelo de Paiva properties.

Total consideration for the acquisition was $500,000, of which $10,000 was paid in cash in 2013 upon signing of the letter of intent and $140,000 was paid in 2014 in the form of $40,000 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. ("Centerra") pursuant to its option agreement with the Company on the Lagares, Valongo, Balazar and Castelo de Paiva properties. Of the $500,000 purchase price, $295,070 was allocated to exploration and evaluation asset costs and $204,930 to exploration bonds. The $100,000 payment made by Centerra was recognized by the Company as acquisition cost recovery, which reduced the book value to $197,320. Additional transaction costs of $2,250 were recorded as exploration and evaluation asset costs.

The acquisition of the Klondike Project included an exploration bond of $204,930 (€135,000) of which $180,348 (€120,000) was returned to the Company during the year ended December 31, 2015.

As part of the acquisition, Klondike also retains a 2% net smelter return ("NSR") royalty, which is re-purchasable for $1,000,000 per percentage point.

During the year ended December 31, 2015, the Ponte da Barca licence was relinquished. The Balazar licence was relinquished subsequently in 2016.

b) Boticas-Chaves Project

The Boticas licence is located in northern Portugal. During the year ended December 31, 2015, the Company paid an exploration bond of $234,248 (€157,500) to the Portugal mining authority.

During the year ended December 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 was granted an option to acquire up to a 75% interest in the Boticas gold project. Koza could have earned an initial 55% interest in the project by spending $3,000,000 on exploration activities on the property over three years. In addition, Koza agreed to invest $1,500,000 by way of an equity private placement in the Company. During the year ended December 31, 2015, this option agreement was terminated by mutual agreement as a result of a disagreement over the timing of the private placement.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal (continued)

b) Boticas-Chaves Project (continued)

During the year ended December 31, 2015, the Company was granted an exploration licence for the Chaves property, which completely surrounds the Boticas Project. The Company paid an exploration bond of $15,059 (€10,000) to the Portugal mining authority for the Chaves licence.

c) Centerra Option

On December 2, 2014, the Company entered into an agreement with Centerra whereby Centerra was granted an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licences (collectively called the Valongo Belt Property).

Under the option agreement, Centerra has the right to earn a 51% interest in the Valongo Belt Property by incurring expenditures on the Valongo Belt Property totaling US$3,000,000 over three years, of which US$500,000 is committed to be spent by Centerra (commitment fulfilled). To keep the option in good standing, Centerra must incur US$1,000,000 in the first year (incurred), a further US$1,500,000 in the second year and a further US$500,000 in the third year. Of these expenditures, CAD$100,000 was paid during the year ended December 31, 2015 to Klondike to complete the Company's obligations relating to its purchase of the Klondike Project from Klondike.

Once Centerra has acquired the initial 51% interest in these properties, it may acquire a further 19% (for a total 70% interest) by incurring an additional US$3,000,000 on exploration within two years.

Subsequent to December 31, 2015, 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. In 2013, the Company paid an exploration bond of $237,746 (€136,960) to the Portugal mining authority for the Vila de Rei licence. In 2014, the Company was refunded $35,711 (€20,601) of the exploration bond. The Vila de Rei licence was relinquished subsequently in 2016.

e) Caramulo Licence

During the year ended December 31, 2015, the Company submitted an application for a new licence called Caramulo.

f) Strategic Alliance

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

For a period of eighteen months, Radius may have selected one of the Company's Portuguese properties in which Radius would have been granted the option to earn a 51% interest by spending $3,000,000 on exploration and development of that property. Upon exercise of the option, a joint venture would have been formed between the Company and Radius to further develop the property. Radius did not exercise its right to option one of the properties during the year ended December 31, 2015 and the option expired. The Company and Radius have one common director.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Spain

a) Pinzas Project

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

The Company had nine gold exploration permit applications in place within the Ormonde project area, which is known as the Pinzas Project. Three of the applications were submitted in 2012, and in 2013 applications for six adjoining licences were submitted of which one was subject to public tender. During the year ended December 31, 2014, the Company withdrew eight of these applications and during the year ended December 31, 2015, withdrew the remaining application. During the year ended December 31, 2015, the Company recorded a recovery of acquisition costs totalling $32,779 and wrote-off the remaining acquisition cost balance of $1,073.

b) Calzadilla Property

In 2012, the Company submitted a gold exploration permit application in the Province of Caceres, Spain, known as the Calzadilla Property. During the year ended December 31, 2014, the permit was granted. Subsequent to the year ended December 31, 2015, the Calzadilla permit was relinquished. During the year ended December 31, 2015, the Company recorded a recovery of acquisition costs totalling $2,636, bringing its carrying cost to $Nil.

(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 year ended December 31, 2014, 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 was extended further to April 11, 2016 during 2015. Subsequent to December 31, 2015, 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.

Upon the issuance of the convertible debenture, the fair value was separated into a liability component of $124,362, representing only the fair value of the interest payable that is required to be paid in cash, and an equity component of $850,638 representing the value of the mandatory conversion into common shares, which is included in other equity reserves. The equity component was calculated as the difference between the gross proceeds received of $975,000 and the discounted cash flows of the interest payable associated with the debt using an estimated market rate for non-convertible instruments of 12% per annum.

During the year ended December 31, 2015, accretion of interest on the convertible debentures of $55,056 (2014: $16,899) 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	55,056	-
Balance, December 31, 2015	**$ 206,202**	**$ 842,680**

8. SHARE CAPITAL AND RESERVES

Common Shares

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

During the year ended December 31, 2015, the following share capital activity occurred:

i) On December 31, 2015, 108,880 common shares with a value of $7,622 were issued to the President of the Company for services rendered.

ii) On October 13, 2015, the Company closed the final tranche of a private placement of 2,900,000 units at $0.10 per unit for gross proceeds of $290,000. Of the sale proceeds, $188,500 was allocated to share capital and $101,500 to warrants. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of $0.15. Share issuance costs associated with this financing totalled $600.

iii) On September 30, 2015, 108,880 common shares with a value of $7,622 were issued to the President of the Company for services rendered. On September 21, 2015, the Company closed the first tranche of a private placement of 2,100,000 units at $0.10 per unit for gross proceeds of $210,000. Of the sale proceeds, $157,500 was allocated to share capital and $52,500 to warrants. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of $0.15. Share issuance costs associated with this financing totalled $5,437.

iv) On June 30, 2015, 108,880 common shares with a value of $16,332 were issued to the President of the Company for services rendered.

v) On April 13, 2015, 108,880 common shares with a value of $10,344 were issued to the President of the Company for services rendered.

vi) 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 finders' fee warrant has been estimated as of the date of the issuance using the Black-Scholes option 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.

vii) 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).

During the year ended December 31, 2014, the following share capital activity occurred:

i) On November 4, 2014, 7,000,000 of the 16,550,000 share purchase warrants issued February 5, 2014 were exercised at a reduced exercise price of $0.11 per share as approved by the TSX-V, for gross proceeds of $770,000.

ii) On January 24, 2014, the Company issued 800,000 common shares with a value of $100,000 to Klondike as part of the acquisition of Klondike's Portuguese properties (Note 6).

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Share capital activity for the year ended December 31, 2014 (continued):

iii) On February 5, 2014, the Company closed a private placement of 16,550,000 units at $0.10 per unit for gross proceeds of $1,655,000. The sale proceeds were allocated all to share capital and none to warrants. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of $0.15. If the closing price of the Company's shares is $0.21 or greater for a period of ten consecutive trading days, the Company may accelerate the expiry of the warrants by giving notice in writing to the holders, and in such case, the warrants will expire on the thirtieth day after the date on which such notice is given.

The Company paid $3,850 cash and 38,500 warrants as finders' fees in connection with the financing. The finders' fee warrants have the same terms as the purchasers' warrants. The fair value of the 38,500 finders' fee warrants was $2,241 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finders' fee warrant has been estimated as of the date of the issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.98%, dividend yield of 0%, volatility of 96% and expected life of two years. Other share issuance costs associated with this financing totalled $12,669.

Escrow Shares

As at December 31, 2015, there were no shares held in escrow (2014: 2,330,000). The shares held in escrow were released based on the passage of time, with a 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 for the years ended December 31, 2015 and 2014 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 placements	7,314,728	$0.15
Balance, December 31, 2015	**19,069,895**	**$0.15**

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants (continued)

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

Expiry date	Number of warrants	Exercise price
February 17, 2016	42,000	$0.16
February 4, 2017(1)	9,588,500	$0.15
April 11, 2017(2)	2,166,667	$0.1665
February 17, 2017(3)	2,272,728	$0.16
September 20, 2017	2,100,000	$0.15
October 12, 2017	2,900,000	$0.15
	19,069,895	

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

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

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 year ended December 31, 2015:

			During the year				
Expiry date	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited/ cancelled**	**Closing balance**	**Vested and exercisable**
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

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

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

9. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2015 was $0.09 (2014: $0.14) per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2015 is 8.28 (2014: 9.15) years.

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the year ended December 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% (2014: expected volatility factor of 115%, risk-free interest rate of 2.41%, 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 year ended December 31, 2015 was $46,468 (2014: $486,570).

Total expenses arising from the share-based payment transactions recognized as part of management fees during the year ended December 31, 2015 was $41,920 (2014: $Nil).

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

Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the year ended December 31, 2015 was $250,000 (2014: $100,000).

(Expressed in Canadian Dollars)

10. EXPLORATION EXPENDITURES

During the year ended December 31, 2015, the Company incurred the following exploration expenditures:

	Portugal								Spain	
	Vila de Rei	**Boticas-Chaves**	**Lagares**	**Ponte da Barca**	**Valongo**	**Balazar**	**Castelo de Paiva**	**Other**	**Calzadilla**	**Total**
Assaying	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,388	$ 5,584	$ 9,972
Field expenses	1,461	2,858	1,270	318	191	127	127	-	-	6,352
Geological and other consulting	26,044	113,188	105,437	8,237	3,653	2,744	1,835	72,099	11,272	344,509
Licences, rights and taxes	-	27,340	-	-	-	-	-	-	4,455	31,795
Office and administration	1,458	7,614	10,007	1,458	915	875	875	8,489	244	31,935
Travel	4,038	18,314	27,383	2,524	1,503	1,257	1,010	29,495	2,244	87,768
	$33,001	**$169,314**	**$144,097**	**$ 12,537**	**$ 6,262**	**$ 5,003**	**$ 3,847**	**$114,471**	**$ 23,799**	**$512,331**

During the year ended December 31, 2014, the Company incurred the following exploration expenditures:

	Portugal								
	Vila de Rei	**Boticas**	**Lagares**	**Ponte da Barca**	**Valongo**	**Balazar**	**Castelo de Paiva**	**Other**	**Total**
Assaying	$ 6,664	$ 152	$ 45,150	$ 9,660	$ 3,638	$ -	$ 320	$ 1,411	$66,995
Field expenses	7,628	1,080	19,634	4,620	4,550	3,516	3,516	1,147	45,691
Geological and other consulting	64,724	33,725	72,789	40,754	44,787	25,589	23,868	9,523	315,759
Legal and accounting	2,679	-	5,279	1,078	1,078	677	677	124	11,592
Licences, rights and taxes	27,340	-	3,668	3,668	3,668	7,336	3,668	-	49,348
Office and administration	31,587	10,190	31,869	18,299	17,331	11,398	11,389	1,461	133,524
Salaries and benefits	28,975	2,572	83,386	15,462	14,253	11,183	10,818	5,566	172,215
Travel	33,723	15,555	29,962	18,774	22,178	11,512	11,512	2,279	145,495
	$203,320	**$63,274**	**$291,737**	**$112,315**	**$ 111,483**	**$71,211**	**$65,768**	**$21,511**	**$940,619**

(Expressed in Canadian Dollars)

11. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory income tax rates:

		2015		2014
Statutory income tax rate		26.00%		26.00%
Expected income tax (expense) recovery	$	(307,330)	$	(532,509)
Decrease (increase) resulting from:				
Non-deductible expenses and others		12,082		127,035
Differences between Canadian and foreign tax rates		16,920		39,003
Change in timing differences		(14,206)		39,684
Effect of change in tax rates		-		42,743
Impact of foreign exchange on tax assets and liabilities		(88,865)		(4,855)
Over provided in prior years		-		(49,425)
Unused tax losses and tax offsets not recognized		381,399		338,324
Income tax recoverable	$	**-**	$	**-**

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2015		2014
Non-capital loss carry-forwards	$	7,973,023	$	6,379,284
Resource properties		10,209,329		10,193,533
Equipment		149,765		133,733
Share issuance cost		20,196		13,215
Unrecognized deductible temporary differences	**$**	**18,352,313**	**$**	**16,719,765**

Subject to certain restrictions, the Company has non-capital losses of $3,779,793 (2014: $3,035,077) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year		
2026	$	414,420
2027		505,632
2028		258,679
2029		188,071
2030		182,118
2031		197,734
2032		263,577
2033		485,883
2034		538,963
2035		744,716
	$	**3,779,793**

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

The Company also has non-capital losses for income tax purposes of $3,373,700 (2014: $2,821,497) available to reduce future UK taxable income, non-capital losses for income tax purposes of $304,300 (2014: $133,312) available to reduce future Spanish taxable income and $514,800 (2014: $389,398) available to reduce future Portuguese taxable income. The UK and Spain non-capital losses do not expire and the Portugal non-capital losses expire in five years.

Resource Development Costs

The Company has resource development costs of $10,345,782 available to offset future taxable income in Canada, deductible at various declining-balance rates.

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2015 and 2014 consist of directors, officers and the following companies with common directors:

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

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

a) During the years ended December 31, 2015 and 2014, the Company reimbursed Gold Group for the following costs:

		2015		**2014**
General and administrative expenses:				
Office and administration	$	75,856	$	69,833
Salaries and benefits		100,188		65,330
Shareholder communications		3,871		5,097
Transfer agent and regulatory fees		5,825		4,713
Travel and accommodation		14,015		16,551
	$	**199,755**	**$**	**161,524**
Exploration expenditures	**$**	**2,634**	**$**	**-**

Salaries and benefits for the years ended December 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.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) During the year ended December 31, 2015, the Company reimbursed Radius, a company with a common director, $44,436 (2014: $4,840) for geological consulting costs.

c) During the year ended December 31, 2015, the Company reimbursed Focus, a company with common directors, $11,074 (2014: $17,761) in shared salary and benefits costs for a director.

d) Prepaid expenses and deposits as at December 31, 2015 include an amount of $2,250 (2014: $2,243) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.

e) Long-term deposits as of December 31, 2015 consist of $61,000 (2014: $61,000) paid to Gold Group as a deposit pursuant to the Gold Group Agreement.

f) Amounts due to related parties as of December 31, 2015 consist of $54,331 (2014: $18,876) owing to Gold Group; $10,500 (2014: $Nil) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company; $8,224 (2014: $Nil) owing to Radius; $Nil (2014: $26,655) owing to David Hall, a director of the Company; and $Nil (2014: $26,655) owing to Jeremy Martin, a director of the Company. 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.

g) During the year ended December 31, 2014, Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of the private placement that closed February 5, 2014 at a cost of $500,000 and acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 of the warrants at a cost of $330,000. The Company and Radius have one common director.

Key Management Compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the years ended December 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.

		2015		**2014**
Management fees	$	150,697	$	135,300
Geological fees		136,045		103,951
Salaries and benefits		29,792		21,058
Share-based compensation		-		232,370
	$	**316,534**	**$**	**492,679**

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 were issued in quarterly installments, with the first installment of 108,880 shares being issued April 13, 2015, the second installment of 108,880 shares being issued June 30, 2015, the third installment of 108,880 shares being issued September 30, 2015, and the final installment being issued December 31, 2015. Included in management fees during the year ended December 31, 2015 is the total fair value of the share issuances of $41,920 (2014: $Nil).

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

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

In common with 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 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 December 31, 2015, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2015 and 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 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	$ 13,987	$ 4,043	$ 130,189	$ 5,185	$ 391	$ 43,903
Accounts payable and accrued liabilities	(46,919)	-	(216,059)	(37,103)	-	(80,402)
Due to related parties	-	-	-	(53,310)	-	-
Net exposure	**$ (32,932)**	**$ 4,043**	**$ (85,870)**	**$ (85,228)**	**$ 391**	**$ (36,499)**

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at December 31, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $11,500 (2014: $12,100) 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 December 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 December 31, 2015, the Company had a working capital deficiency of $137,943 (2014: $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 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).

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Hierarchy (continued)

The fair values of the Company's financial assets measured at fair value on a recurring basis as of December 31, 2015 were calculated as follows:

	Balance at December 31, 2015	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 215,282	$ 215,282	$ -	$ -

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

	Balance at December 31, 2014	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 499,464	$ 499,464	$ -	$ -

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 December 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.

(Expressed in Canadian Dollars)

15. SEGMENTED REPORTING

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

Year ended December 31, 2015

	Canada	England	Spain	Portugal	Consolidated
Exploration expenditures	$ -	$ -	$ 53,842	$ 458,489	$ 512,331
Exploration and evaluation assets written off	$ -	$ -	$ 1,073	$ -	$ 1,073
Sales tax receivable written off	$ -	$ 7,343	$ -	$ -	$ 7,343
Interest and other income	$ 643	$ -	$ -	$ -	$ 643
Net loss	$ (543,105)	$ (90,560	$ (75,365)	$ (473,007)	$(1,182,037)
Capital expenditures*	$ -	$ -	$ -	$ 32,586	$ 32,586

Year ended December 31, 2014

	Canada	England	Spain	Portugal	Consolidated
Exploration expenditures	$ -	$ -	$ -	$ 940,619	$ 940,619
Sales tax receivable written off	$ -	$ 100,610	$ -	$ -	$ 100,610
Interest and other income	$ 1,353	$ -	$ -	$ -	$ 1,353
Net loss	$ 919,990	$ 149,563	$ 34,631	$ 943,929	$ 2,048,113
Capital expenditures*	$ -	$ 11,759	$ -	$ 344,870	$ 356,629

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

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**

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**

16. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2015, the following events occurred:

a) On March 24, 2016, the Company completed a short-term loan transaction 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 has 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.

b) The Company announced in April 2016 a proposed a non-brokered private placement financing, subject to stock exchange approval, of up to 2.0 million units at $0.10 per unit for proceeds of up to $200,000. Each unit will consist 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. As at April 28, 2016, the Company has received subscription funds of $91,750 in relation to this private placement.

c) The Company has established a wholly owned subsidiary in the Republic of Serbia and has applied for a 100 square kilometers exploration licence targeting newly identified epithermal-porphyry mineralization in the country.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year End Report – December 31, 2015

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2015. The following information, prepared as of April 28, 2016, should be read in conjunction with the December 31, 2015 consolidated financial statements. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

This 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 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 MD&A.

Forward-looking Statements contained in this 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 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 Corp.

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 several 100 square kilometre exploration licences targeting gold-silver epithermal and gold-dominant porphyry systems. These are predominantly located in 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 eight exploration licences covering over 1,500 square kilometres in Portugal: Boticas, Chaves and Vila de Rei which cover a total of 900 square kilometres; and Balazar, Valongo, Lagares, Castelo de Paiva and Ponte da Barca, totaling 600 square kilometres, which 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 early in 2016.

The Company's agreement signed in March 2015 with Koza Ltd., whereby the Company agreed to grant Koza an option to acquire up to a 75% interest in the Company's Boticas gold project in northern Portugal and Koza agreed to complete a $1.5 million equity financing in the Company, was terminated by mutual agreement in July 2015 as a result of a disagreement over the timing of the equity investment by Koza in the Company.

The Company's exploration focus is on the primary projects of Lagares and Boticas. 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 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 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, 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 was completed. 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 drill-testing the Castromil and Serra da Quinta prospects with our joint-venture partners, and conducting soil sampling programs aiming to extend the gold anomalies out under alluvial cover.

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 was planned 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:

Castromil

- 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

Serra da Quinta

- 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.

Other Centerra JV Licences (Valongo, Balazar and Castelo de Paiva)

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 late last year, 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 28 rock chip samples, with a further 27 samples collected and assays pending. 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.

Boticas-Chaves Gold Project

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.

Located 15 kilometres east of Limarinho within the Chaves licence, is the Carvela zone previously drilled by COGEMA in the 1980s. Narrow intervals of medium- to high-grade gold mineralization were intersected.

Mineralization is confined to a significant shear structure, trending north-northeast, associated with a sediment-granite contact. Reconnaissance work has identified that the structure is continuous over 8 kilometres and the Company has completed a 297-sample grid-soil program (assays pending) over the structure. Rock chip samples yielded results from 0.01 g/t Au to highs of 8.39 g/t Au and 4.26 g/t Au. The exploration target is for very high-grade ore shoots, perhaps confined to dilational prisms, occurring along the structure.

The Limarinho South zone, is located approximately 500 metres south of the main Limarinho prospect area. Recent assay results from contiguous rock-chip sampling from the Limarinho South zone include a highlight of 6.0 metres @ 5.7 g/t Au. 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 is an outcropping vein swarm covering an area of approximately 300 metres by 300 metres. 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. This area will be the focus of detailed channel-chip sampling in 2016.

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.

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. Zones of intense iron-oxide and pyrite matrix-fill from widespread hydrothermal brecciation were mapped. 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 wide-spaced soil sampling program was completed in September 2015. Soil lines were orientated northeast-southwest and spaced 2 kilometres apart with samples collected at 100 metre intervals. The program covered the northern half of the licence, from the Salguerio prospect in the north, down to the Pampilhal prospect in the central part of the licence. A total of 150 samples were collected. The program was testing the potential for stratigraphy-parallel zones of mineralization, which may be associated with more iron-rich sediments, and which could potentially attract gold mineralization associated with the observed northeast-trending and cross-cutting mineralized structures (such as those mapped and sampled at Salgueiro, Douro and Pampilhal zones). Results identified very low-level anomalism for gold, arsensic and lead. No new targets were identified.

Due to the lack of identification of a clear drill target, management of the Company decided to not renew the Vila de Rei licence and it was relinquished in February 2016.

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%).
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. Despite the good geochemical results, as detailed above, recent results from a channel-chip sampling programme over the Coto de Cruz area identified only low-level gold results. Furthermore, land use in the area was recently reclassified, with the protective area of the nearby reservoir expanded to cover the key anomaly areas. Because of the poor recent geochemical results and conflicting land use, the licence has been relinquished.

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, with the exception of project review and evaluation, which the Company remains committed to in the Castille y Leon, Extremadura and Andalucía regions, which it considers as favourable mining destinations.

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.

A program of grid-soil sampling was undertaken in June 2015. Three areas were sampled with sample lines orientated northeast-southwest. Line spacing and sample interval varied and depended on the level of confidence and knowledge of historical anomalism. Grids were as follows; 1,600 metres by 100 metres, 800 metres by 50 metres, and 400 metres by 25 metres. A total of 421 samples were collected and identified low-level and discrete gold-in-soil anomalism associated with a north-trending fault. In addition to the soil sampling, a very limited program of channel-chip sampling was completed, focusing on previously excavated trenches. Re-mapping of the trenches identified a principal structure, trending approximately north-south, and represented by a zone of silicification and brecciation and localized leaching. This zone of mineralization is approximately 5.5 metres wide. Assay results yielded a maximum value of 3.89 g/t Au over 0.50 metres and the weighted average is 0.65 g/t Au over 5.50 metres.

Based on these results, no further work is warranted and the licence has been relinquished.

The Pinzas Gold Project

The Company 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 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. Following strong yet unsuccessful lobbying of the Junta de Galicia, the Company has relinquished any right or option to the last remaining permit, called the 'Vilachan' permit. A serious reticence by the Junta towards gold exploration in the region was cited as the underlying reason for the Company's withdrawal of all of its permits in Galicia.

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.

Selected Annual Information

The following table provides financial results for the years ended December 31, 2015, 2014 and 2013:

	2015 ($)	2014 ($)	2013 ($)
Exploration expenditures	512,331	940,619	760,830
General and administrative expenses	711,933	1,008,237	517,367
Net loss	1,182,037	2,048,113	1,326,790
Basic and diluted loss per share	0.03	0.06	0.08
Total assets	1,089,109	1,407,082	509,901
Total long-term liabilities	206,202	204,456	134,247
Cash dividends	-	-	-

During the year ended December 31, 2013, the Company issued a convertible debenture of which the long-term liability component as of December 31, 2013 totaled $134,247. The long term liability amount of $204,456 as of December 31, 2014 consists of $151,146 for the long-term liability component of the convertible debenture and $53,310 for amounts owed to related parties. As of December 31, 2015, the long-term liability of $206,202 related entirely to the convertible debenture.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2015:

	Dec. 31, 2015 ($)	Sep. 30, 2015 ($)	June 30, 2015 ($)	Mar. 31, 2015 ($)	Dec. 31, 2014 ($)	Sep. 30, 2014 ($)	June 30, 2014 ($)	Mar. 31, 2014 ($)
Exploration expenditures	150,630	150,852	92,263	118,586	350,735	262,465	161,314	166,105
General and administrative expenses	408,788	6,497	90,439	206,209	132,254	136,647	156,264	583,072
Net loss	518,155	156,781	182,702	324,399	583,282	398,076	317,578	749,177
Basic and diluted loss per share	0.01	0.00	0.00	0.01	0.01	0.01	0.01	0.03

The general and administrative expense and net loss for the quarter ended December 31, 2015 was higher than the preceding six quarters 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. The quarter ended March 31, 2014 was significantly impacted by a share-based compensation charge of $486,570. As a result of Centerra conducting exploration work on the Lagares Project, exploration expenditures incurred by the Company during the most recent four quarters have been less than the first four quarters.

Results of Operations

Quarter ended December 31, 2015

For the quarter ended December 31, 2015, the Company had a net loss of $518,155 compared to a net loss of $583,282 for the quarter ended December 31, 2014, a decrease of $65,127. Exploration costs for the current quarter were $150,630 compared to $350,735 for the comparative quarter, a decrease of $200,105. A gain of $50,000 relating to the write-off of debt was recorded in the current quarter whereas there was no such gain in the comparative quarter. The current quarter also recorded a write-off of $7,343 in amounts receivable compared to a write-off of $100,610 in the comparative quarter. The amount receivable write-offs for both periods relate to sales tax in Europe that is uncertain to be refunded.

General and administrative expenses totaled $408,788 for the current quarter compared to $132,254 for the comparative quarter, an increase of $276,534. The general and administrative costs for the current quarter were higher due to a foreign exchange loss of $249,579 compared to a foreign exchange loss of $1,069 for the comparative quarter. Other notable cost increases in the current quarter involved shareholder communications and interest charges. Shareholder communication costs were higher as they included more promotional activities. Interest charges were higher as a result of a convertible debenture being extended by two years.

Year ended December 31, 2015

For the year ended December 31, 2015, the Company had a net loss of $1,182,037 compared to a net loss of $2,048,113 for the year ended December 31, 2014, a decrease of $866,076. Similar to the quarterly comparison, exploration costs were less for the current year as they were $512,331 compared to $940,619 for the comparative year, a decrease of $428,288. Also similar to the quarterly comparison, the current year recorded a write-off of sales tax receivable of $7,343 compared to $100,610 written off in the comparative year and there is a gain on the write-off of debt of $50,000 in the current year but not the comparative.

General and administrative expenses totaled $711,933 for the current year compared to $1,008,237 for the comparative year, a decrease of $296,304. General and administrative expenses were significantly lower in the current year due to $46,468 being recorded as share-based payments compared to $486,570 in the comparative year. The share-based payments expense for both years resulted from the granting of stock options. Notable cost increases in the current year involved shareholder communications, interest charges, legal and accounting, salaries and benefits, and management fees. Shareholder communications and interest charges were higher for the same reasons as in the quarterly comparison. Legal and accounting fees were higher due to more legal services required in relation to mineral property agreements. Salaries and benefits were higher due to an increased need and reallocation of shared personnel resources. The increase in management fees is due to shares being issued to the President of the Company as part of his compensation during the current year, whereas no such shares were issued during the comparative year.

Mineral Properties Expenditures

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

Portugal – Exploration expenditures incurred during the current year totaled $488,532 with $169,314 spent on Boticas-Chaves, $144,097 on Lagares, $33,001 on Vila de Rei, and the remainder for property investigation and care and maintenance of other properties. Most significant overall expenditures incurred were $333,237 on geological consulting and $85,524 on travel.

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 year ended December 31, 2015.

Spain – Exploration expenditures incurred during the current year on the Calzadilla property totaled $23,799, consisting primarily of $11,272 on geological consulting costs, $5,584 on assaying and $4,455 on license fees.

During the year, the Company received a refund of $35,415 from the Spanish mining authority which was recorded as a recovery against acquisition costs on the formerly held Calzadilla and Pinzas properties. An amount of $1,073 in acquisition costs was also written-off during current year, bringing the carrying balances for both properties to nil.

Liquidity and Capital Resources

The Company's cash resources decreased from $499,464 as at December 31, 2014 to $215,282 as at December 31, 2015. During the current year, the Company raised gross proceeds totalling $750,000 by way of private placements, and the Company received a refund of a portion of its exploration bonds held with the Portugal mining authority totaling $179,412. The Company has been using these funds for exploration expenditures and general working capital. At December 31, 2015, the Company had current assets totaling $254,480 and current liabilities totaling $342,423, for a working capital deficiency of $87,943. Subsequent to December 31, 2015, 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. The Company is anticipating receiving in 2016 a bond refund of approximately $202,000 relating to the Vila de Rei property and a bond reimbursement of approximately $234,000 from Centerra regarding the Boticas property. A portion of these proceeds, when received, are anticipated to be available to settle the short-term loan. Also, subsequent to the year end, the Company has proposed a non-brokered private placement financing, subject to stock exchange approval, of up to 2.0 million units at at $0.10 per unit for proceeds of up to $200,000. Each unit will consist 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. Funds from the short-term loan and proposed private placement are expected to be used towards exploration expenditures and general working capital requirements.

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.

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 it 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 December 31, 2015, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

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

	December 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	$ 13,987	$ 4,043	$ 130,189	$ 5,185	$ 391	$ 43,903
Accounts payable and accrued liabilities	(46,919)	-	(216,059)	(37,103)	-	(80,402)
Due to related parties	-	-	-	(53,310)	-	-
Net exposure	**$ (32,932)**	**$ 4,043**	**$ (85,870)**	**$ (85,228)**	**$ 391**	**$ (36,499)**

Based on the above net exposures at December 31, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $11,500 (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 December 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 December 31, 2015 were calculated as follows:

	Balance at December 31, 2015	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 215,282	$ 215,282	$ -	$ -

<u>Related Party Transactions</u>

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

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

During the periods ended December 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 December 31,		Year ended December 31,	
	2015	**2014**	**2015**	**2014**
General and administrative expenses:				
Office and administration	$ 21,481	$ 17,028	$ 75,856	$ 69,833
Salaries and benefits	21,740	20,472	100,188	65,330
Shareholder communications	-	709	3,871	5,097
Transfer agent and regulatory fees	1,239	204	5,825	4,713
Travel and accommodation	3,684	3,977	14,015	16,551
	$ 48,144	**$ 42,390**	**$ 199,755**	**$ 161,524**
Exploration expenditures	**$ -**	**$ -**	**$ 2,634**	**$ -**

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 periods ended December 31, 2015 and 2014 include those for the Chief Financial Officer and the Corporate Secretary.

During the year ended December 31, 2015, the Company reimbursed Radius, a company with a common director, $44,436 (2014: $4,840) for geological consulting costs.

During the year ended December 31, 2015, the Company reimbursed Focus, a company with common directors, $11,074 (2014: $17,761) in shared salary and benefits costs for Ralph Rushton, a director.

Prepaid expenses and deposits as at December 31, 2015 include an amount of $2,250 (2014: $2,243) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.

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

Amounts due to related parties as of December 31, 2015 consist of $54,331 (2014: $18,876) owing to Gold Group for accrued shared administrative costs; $10,500 (2014: $Nil) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management services; $8,224 (2014: $Nil) owing to Radius for shared personnel costs; $Nil (2014: $26,655) owing to David Hall, a Director of the Company for accrued management fees, and $Nil (2014: $26,655) owing to Jeremy Martin, a Director of the Company for accrued management fees. 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.

During the year ended December 31, 2014, Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of the private placement that closed on February 5, 2014 at a cost of $500,000 and acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 of the warrants at a cost of $330,000. The Company and Radius have one common director.

Key Management Compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 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 December 31,				Year ended December 31,			
		2015		2014		2015		2014
Management fees	$	37,110	$	32,164	$	150,697	$	135,300
Geological fees		33,164		25,746		136,045		103,951
Salaries and benefits		8,250		6,004		29,792		21,058
Share-based compensation		-		-		-		232,370
	$	**78,524**	**$**	**63,914**	**$**	**316,534**	**$**	**492,679**

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 were issued in quarterly installments, with the first installment of 108,880 shares being issued April 13, 2015, the second installment of 108,880 shares being issued on June 30, 2015, the third installment of 108,880 shares being issued September 30, 2015, and the final installment being issued December 31, 2015. Included in management fees during the year ended December 31, 2015 is the total fair value of the share issuances of $41,920 (2014: $Nil).

There were no share-based payments to directors not specified as key management personnel during the year ended December 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 April 28, 2016, the Company's outstanding share position is 51,877,695 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
500,000	$0.15	February 12, 2025
3,955,000		

No. of warrants	Exercise price	Expiry date
9,550,000[(1)]	$0.15	February 4, 2017
2,272,728[(2)]	$0.16	February 17, 2017
500,000	$0.09	March 20, 2017
2,166,667	$0.1665	April 11, 2017[(3)]
2,100,000	$0.15	September 20, 2017
2,900,000	$0.15	October 12, 2017
19,489,395		

(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[(1)]

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

Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2015, the Company adopted the following revised standards that were issued by the IASB, which did not have a significant impact on the Company’s consolidated financial statements:

Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- IFRS 2 — Amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

Applicable to annual periods beginning January 1, 2015.

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRS can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Applicable to annual periods beginning January 1, 2015.

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.

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.

Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company is in the process of evaluating the impact of the new standard.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

In May 2014, IASB issued amendments to IAS 16 and IAS 38 to clarify that depreciation method based on revenue that is generated by an activity that includes the use of an asset and amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate expectation of technological or commercial obsolescence of the asset. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is in the process of evaluation the impact of the new standard.

Annual Improvements 2012-2014 Cycle

In September 2014, IASB revised and incorporated amendments to IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits* and IAS 34 *Interim Financial Reporting*. The Company is in the process of evaluation the impact of the amendments.

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.