FINANCIAL REVIEW

Third Quarter Ended September 30, 2014

MEDGOLD RESOURCES CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2014

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2014. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at	**September 30, 2014**	**December 31, 2013**
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	$ 186,422	$ 36,763
Prepaid expenses and deposits (Note 12)	25,145	96,457
Sales tax recoverable	104,270	92,722
Total current assets	315,837	225,942
Non-current assets		
Long term deposits (Note 12)	61,000	-
Reclamation bonds (Note 7)	407,024	226,815
Property and equipment (Note 6)	29,960	10,656
Deferred acquisition costs (Note 7)	-	10,000
Exploration and evaluation assets (Note 7)	333,808	36,488
Total non-current assets	831,792	283,959
	$ 1,147,629	**$ 509,901**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 474,899	$ 408,880
Due to related parties (Note 12)	86,454	234,838
Total current liabilities	561,353	643,718
Non-current liability		
Convertible debenture - liability component (Note 8)	146,800	134,247
Total liabilities	708,153	777,965
Shareholders' equity (deficit)		
Share capital (Note 9)	4,427,038	2,690,798
Share subscriptions received	-	50,000
Other reserves (Note 9)	1,331,491	842,680
Accumulated other comprehensive loss	(67,249)	(64,569)
Deficit	(5,251,804)	(3,786,973)
Total shareholders' equity (deficit)	439,476	(268,064)
	$ 1,147,629	**$ 509,901**

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 27, 2014:

"Simon Ridgway"
Simon Ridgway, Director

"Daniel James"
Daniel James, Director

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Exploration expenditures (Note 11)	$ 262,465	$ 162,239	$ 589,884	$ 539,228
General and administrative expenses				
Depreciation	35	450	4,195	1,350
Foreign exchange loss (gain)	25,477	(16,555)	7,038	(19,054)
Office and administration (Note 12)	18,606	20,846	66,689	74,378
Interest and bank charges	6,115	4,166	17,851	9,357
Legal and accounting	20,425	6,550	72,324	105,861
Management fees (Note 12)	31,737	24,000	103,136	117,000
Salaries and benefits (Note 12)	18,780	15,917	62,639	92,759
Shareholder communications (Note 12)	9,925	2,637	15,715	38,150
Share-based compensation (Note 10)	-	-	486,570	-
Transfer agent and regulatory fees (Note 12)	1,703	2,256	19,860	15,754
Travel and accommodation (Note 12)	3,844	19,588	19,966	52,397
	136,647	79,855	875,983	487,952
Loss before other items	(399,112)	(242,094)	(1,465,867)	(1,027,180)
OTHER ITEMS				
Interest and other income	1,036	-	1,036	-
Write-off of exploration and evaluation assets	-	(32,433)	-	(32,433)
Net loss for the period	**$ (398,076)**	**$ (274,527)**	**$ (1,464,831)**	**$ (1,059,613)**
Other comprehensive gain (loss)				
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on foreign exchange translation	17,617	(19,594)	(2,680)	(33,087)
Comprehensive loss for the period	**$ (380,459)**	**$ (294,121)**	**$ (1,467,511)**	**$ (1,092,700)**
Loss per share, basic and diluted	$(0.01)	$(0.02)	$(0.05)	$(0.06)
Weighted average number of shares outstanding	34,822,029	17,472,029	32,569,282	17,472,029

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

Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2014 and 2013

(Expressed in Canadian Dollars)

				Other equity reserves					
	Number of common shares	**Share capital**	**Share subscriptions**	**Warrants reserve**	**Share-based payment reserve**	**Equity portion of convertible debenture reserve**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total shareholders' equity (deficit)**
Balance, December 31, 2012	17,472,029	$2,690,798	$ -	$ -	$ -	$ -	$ (1,145)	$(2,460,183)	$ 229,470
Loss for the period	-	-	-	-	-	-	-	(1,059,613)	(1,059,613)
Convertible debenture equity component	-	-	-	-	-	842,680	-	-	842,680
Unrealized foreign exchange gain	-	-	-	-	-	-	(33,087)	-	(33,087)
Balance, September 30, 2013	**17,472,029**	**2,690,798**	**-**	**-**	**-**	**842,680**	**(34,232)**	**(3,519,796)**	**(20,550)**
Loss for the period	-	-	-	-	-	-	-	(267,177)	(267,177)
Share subscriptions received	-	-	50,000	-	-	-	-	-	50,000
Unrealized foreign exchange loss	-	-	-	-	-	-	(30,337)	-	(30,337)
Balance, December 31, 2013	17,472,029	2,690,798	50,000	-	-	842,680	(64,569)	(3,786,973)	(268,064)
Loss for the period	-	-	-	-	-	-	-	(1,464,831)	(1,464,831)
Shares issued for private placement	16,550,000	1,655,000	-	-	-	-	-	-	1,655,000
Shares issued for property acquisition	800,000	100,000	-	-	-	-	-	-	100,000
Share issuance costs	-	(18,760)	-	2,241	-	-	-	-	(16,519)
Share subscriptions received	-	-	(50,000)	-	-	-	-	-	(50,000)
Share-based compensation	-	-	-	-	486,570	-	-	-	486,570
Unrealized foreign exchange loss	-	-	-	-	-	-	(2,680)	-	(2,680)
Balance, September 30, 2014	**34,822,029**	**$4,427,038**	**$ -**	**$ 2,241**	**$ 486,570**	**$ 842,680**	**$ (67,249)**	**$(5,251,804)**	**$ 439,476**

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	$ (398,076)	$ (274,527)	$ (1,464,831)	$ (1,059,613)
Items not involving cash:				
Write-off of exploration and evaluation assets	-	32,433	-	32,433
Depreciation	35	450	4,195	1,350
Share-based compensation	-	-	486,570	-
Convertible debenture accretion expense	4,346	3,352	12,553	7,213
	(393,695)	(238,292)	(961,513)	(1,018,617)
Changes in non-cash working capital balances:				
Prepaid expenses and deposits	(2,938)	(7,400)	10,312	(7,161)
Sales tax recoverable	(2,285)	(2,944)	(11,548)	(37,894)
Accounts payable and accrued liabilities	(7,456)	(44,629)	(283,981)	(144,895)
Due to related parties	240	4,032	(148,384)	33,473
	(406,134)	(289,233)	(1,395,114)	(1,175,094)
FINANCING ACTIVITIES				
Net proceeds from issuance of common shares	-	-	1,588,481	-
Proceeds on convertible debenture received in advance	-	-	-	965,853
	-	-	1,588,481	965,853
INVESTING ACTIVITIES				
Purchase of property and equipment	(2,229)	-	(23,499)	-
Exploration and evaluation asset acquisitions	-	-	(42,250)	(33,852)
Refund (purchase) of reclamation bonds	31,811	-	31,811	(185,196)
	29,582	-	(33,938)	(219,048)
Effect of changes in exchange rates on cash	20,160	(20,388)	(9,770)	(33,649)
Increase (decrease) in cash	(356,392)	(309,621)	149,659	(461,938)
Cash, beginning of period	542,814	403,892	36,763	556,209
Cash, end of period	**$ 186,422**	**$ 94,271**	**$ 186,422**	**$ 94,271**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These condensed interim consolidated financial statements of the Company as at September 30, 2014 and for the period then ended include the Company and its subsidiaries (Note 2).

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2014, the Company had not yet achieved profitable operations, has accumulated losses of $5,251,804 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

The condensed interim consolidated financial statements are presented in Canadian dollars.

The preparation of condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 5.

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

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

Details of the Company's subsidiaries as at September 30, 2014 are as follows:

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

Foreign Currency Translation

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

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

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

IAS 36 Impairment of Assets

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

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

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) The determination of the Company's functional currency.

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

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

   In respect of costs incurred for its investment in exploration and evaluation assets, management has determined the acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

c) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

d) Although the Company has taken steps to identify any decommissioning liabilities related to mineral properties in which it has an interest, there may be unidentified decommissioning liabilities present.

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

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

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

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

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

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Furniture and equipment	Computer equipment	Total
Cost					
Balance, December 31, 2012	$ 12,906	$ -	$ -	$ -	$ 12,906
Additions	-	-	-	-	-
Balance, December 31, 2013	12,906	-	-	-	12,906
Additions	-	11,740	6,460	5,299	23,499
Balance, September 30, 2014	**$ 12,906**	**$ 11,740**	**$ 6,460**	**5,299**	**$ 36,405**
Accumulated amortization					
Balance, December 31, 2012	$ 450	$ -	$ -	$ -	$ 450
Charge for year	1,800	-	-	-	1,800
Balance, December 31, 2013	2,250	-	-	-	2,250
Charge for period	1,350	1,764	485	596	4,195
Balance, September 30, 2014	**$ 3,600**	**$ 1,764**	**$ 485**	**596**	**$ 6,445**
Carrying amounts					
At December 31, 2013	$ 10,656	$ -	$ -		$ 10,656
At September 30, 2014	**$ 9,306**	**$ 9,976**	**$ 5,975**	**$ 4,703**	**$ 29,960**

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2013 to September 30, 2014:

	Spain		Portugal	Italy		
	Pinzas Project	Calzadilla	Klondike Project	Pietratonda	Frassine-Grasceta	Total
Balance, December 31, 2012	$ -	$ -	$ -	$ 16,160	$ 32,433	$ 48,593
Acquisition costs	33,852	2,636	-	-	-	36,488
Write-down of acquisition costs	-	-	-	(16,160)	(32,433)	(48,593)
Balance, December 31, 2013	33,852	2,636	-	-	-	36,488
Acquisition costs	-	-	297,320	-	-	297,320
Balance, September 30, 2014	**$ 33,852**	**$ 2,636**	**$ 297,320**	**$ -**	**$ -**	**$ 333,808**

7. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal

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

   i) Vila de Rei Project

   The Vila de Rei licence is located in central Portugal. In 2013, the Company paid a reclamation bond of $214,713 (€136,960) to the Portugal mining authority for the Vila de Rei licence. During the period ended September 30, 2014, the Company was refunded $31,811 (€20,601) of the reclamation bond.

   ii) Boticas Project

   The Boticas licence is located in northern Portugal.

b) Klondike Project

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

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

   i) $10,000 in cash upon signing of the Letter of Intent (paid);

   ii) $40,000 in cash and $100,000 in the Company's shares (cash paid and 800,000 shares issued); and

   iii) A final payment of $100,000 in cash and $250,000 in cash or shares (to be decided by the Company) to be paid by January 24, 2015.

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

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

c) Strategic Alliance

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

For a period of eighteen months, Radius may select one of the Company's Portuguese properties in which Radius will be granted the option to earn a 51% interest by spending $3,000,000 on exploration and development of that property. Upon exercise of the option, a joint venture will be formed between the Company and Radius to further develop the property. As of September 30, 2014, Radius has not yet exercised its right to option one of the properties.

The Company and Radius have two common directors.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Spain

a) Pinzas Project

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

The Company 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 new applications for six adjoining licences were submitted of which one was subject to public tender. During the period ended September 30, 2014, the Company withdrew eight of these applications.

b) Calzadilla Property

In 2012, the Company submitted a gold exploration permit application in the Province of Caceres, Spain, known as the Calzadilla Property. Subsequent to September 30, 2014, the permit was granted.

c) Other

In 2012, the Company entered into an agreement whereby a third party performed due diligence services on a potential property acquisition in Spain. In 2013 the Company decided not to proceed with the acquisition. During the period ended September 30, 2014, the Company fulfilled its remaining commitment of €6,250.

Italy

a) Pietratonda Property

In 2012, the Company was granted a gold exploration licence in Italy called Pietratonda. An exploration bond amount of $7,479 (€5,000) has been made regarding this licence. During the period ended September 30, 2014, the Company relinquished this licence. Acquisition costs totaling $16,160 were written off in 2013.

b) Frassine - Grasceta Property

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

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of $975,000. The debenture is convertible into a maximum of 2,166,667 common shares of the Company at the rate of $0.45 per share on or before April 11, 2015, and bears interest at the rate of 8% per annum, payable in arrears. The debenture, in whole or in part, can be converted into common shares at the holder's option at a rate of $0.45 per share until the maturity date, at which time the remaining principal sum will be converted into shares at $0.45 per share. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at $0.45 per share until April 11, 2014. In September 2013, the exercise price of the warrants was reduced to $0.1665 per share. During the period ended September 30, 2014, the expiry date of the warrants was extended to April 11, 2015.

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

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

Issuance costs of $9,147 were incurred and have been recorded against the liability and equity components and are being amortized to the consolidated statements of comprehensive loss over the life of the convertible debenture. During the period ended September 30, 2014, accretion of interest on the convertible debentures of $12,553 was charged to profit or loss.

	Liability component	**Equity component**
Balance, December 31, 2012	$ -	$ -
Face value of debenture at date of issue	124,362	850,638
Issuance costs allocated	(1,189)	(7,958)
Accretion of discount	11,074	-
Balance, December 31, 2013	134,247	842,680
Accretion of discount	12,553	-
Balance, September 30, 2014	**$ 146,800**	**$ 842,680**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Common Shares

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

On December 2, 2013, the Company's outstanding shares, warrants, and convertible debentures were consolidated on the basis of a new share for every three existing shares. All references to common shares, warrants and convertible debentures in these condensed interim consolidated financial statements reflect the share consolidation.

During the period ended September 30, 2014, the following share capital activity occurred:

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

ii) On January 24, 2014, the Company issued 800,000 common shares with a value of $100,000 to Klondike as part of the Portuguese property acquisition (Note 7).

Escrow Shares

As at September 30, 2014, there were 3,057,500 shares held in escrow (December 31, 2013: 3,727,783). During the period ended September 30, 2014, a release of 670,283 shares held in escrow occurred.

Share Purchase Warrants

A summary of share purchase warrants activity during the period from January 1, 2013 to September 30, 2014 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2012	-	-
Issued on convertible debenture private placement	2,166,667	$0.1665
Balance, December 31, 2013	2,166,667	$0.1665
Issued on private placement	16,586,500	$0.15
Balance, September 30, 2014	**18,753,167**	**$0.15**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants (continued)

Details of share purchase warrants outstanding as of September 30, 2014 are:

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

(1) In March 2014, the expiry date of these warrants was extended from April 11, 2014 to April 11, 2015.
(2) In October 2014, subsequent to the period end, the exercise price of 7,000,000 of these warrants was amended from $0.15 to $0.11 and those warrants were exercised at the reduced exercise price.

10. SHARE-BASED PAYMENTS

Option Plan Details

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

The following is a summary of changes in options for the period ended September 30, 2014:

			During the period				
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

Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended September 30, 2014 was $0.14 per option. There were no options granted during the period ended September 30, 2013.

The weighted average remaining contractual life of the options outstanding at September 30, 2014 is 9.41 years. There were no options outstanding at December 31, 2013.

Options Issued to Employees

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

10. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Period (continued)

Options Issued to Non-Employees

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

The model inputs for options granted during the period ended September 30, 2014 included an expected volatility factor of 115%, risk-free interest rate of 2.41%, expected life of 10 years, and expected dividend yield of 0%. 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 operations.

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 period ended September 30, 2014 was $486,570 (2013: $Nil).

Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the period ended September 30, 2014 was $100,000 (2013: $Nil).

(Expressed in Canadian Dollars)

11. EXPLORATION EXPENDITURES

During the period ended September 30, 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	$ 6,736	$ 153	$ 7,282	$ 9,764	$ 3,677	$ -	$ 323	$ 1,426	$ 29,361
Field expenses	7,104	1,716	6,685	3,506	3,506	2,181	2,181	1,104	27,983
Geological and other consulting	47,677	23,534	52,250	26,928	30,966	17,614	16,885	14,126	229,980
Legal and accounting	2,212	-	2,949	737	737	369	369	-	7,373
Licenses, rights and taxes	27,445	-	3,708	3,708	3,708	7,415	3,708	-	49,692
Office and administration	21,398	6,308	18,859	11,333	11,333	7,243	7,243	-	83,717
Salaries and benefits	16,856	908	20,810	6,224	6,224	3,339	3,339	-	57,700
Travel	25,926	11,246	18,997	12,800	16,138	8,377	8,377	2,217	104,078
Balance, end of period	**$ 155,354**	**$ 43,865**	**$ 131,540**	**$ 75,000**	**$ 76,289**	**$ 46,538**	**$ 42,425**	**$ 18,873**	**$ 589,884**

During the period ended September 30, 2013, the Company incurred the following exploration expenditures:

	Italy		Portugal		Spain	
	Pietratonda	**Frassine-Grasceta**	**Vila de Rei**	**Boticas**	**Pinzas**	**Total**
Assaying	$ 24,538	$ 20,996	$ -	$ -	$ -	$ 45,534
Field expenses	6,561	4,259	15,440	1,933	3,588	31,781
Geological and other consulting	68,885	42,939	87,092	17,516	40,442	256,874
Licenses, rights and taxes	-	-	-	14,127	-	14,127
Office and administration	-	-	4,199	4,199	2,123	10,521
Shipping and courier	9,830	9,830	4,145	-	-	23,805
Travel	32,858	31,404	63,316	23,113	5,895	156,586
Balance, end of period	**$ 142,672**	**$ 109,428**	**$ 174,192**	**$ 60,888**	**$ 52,048**	**$ 539,228**

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended September 30, 2014 and 2013 with related parties who consisted of directors, officers and the following companies with common directors:

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

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

a) During the periods ended September 30, 2014 and 2013, the Company reimbursed Gold Group for the following costs:

	Nine months ended September 30,	
	2014	**2013**
Office and administration	$ 52,805	$ 51,746
Salaries and benefits	44,858	77,470
Shareholder communications	4,388	18,086
Transfer agent and regulatory fees	4,509	3,661
Travel and accommodation	12,574	13,307
	$ 119,134	**$ 164,270**

Salaries and benefits for the period ended September 30, 2014 include those for the Chief Financial Officer and the Corporate Secretary (2013: include those for a director, the Chief Financial Officer and the Corporate Secretary). An office and administrative agreement was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company.

b) During the period ended September 30, 2014, the Company reimbursed Focus, a company with common directors, $16,892 (2013: $Nil) in shared salary and benefits costs for a director.

c) Prepaid expenses and deposits as of September 30, 2014 include an amount of $Nil paid to Gold Group for administrative expenses paid in advance on the Company's behalf (December 31, 2013: $61,000 paid Gold Group as a deposit pursuant to the office and administrative agreement).

d) Long term deposits as of September 30, 2014 consists of $61,000 (December 31, 2013: $Nil) paid to Gold Group as a deposit pursuant to the office and administrative agreement.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

e) Amounts due to related parties as of September 30, 2014 consist of $25,610 (December 31, 2013: $101,492) owing to Gold Group; $25,221 (December 31, 2013: $24,456) owing to David Hall, a director of the Company; $26,813 (December 31, 2013: $26,000) owing to Jeremy Martin, a director of the Company; $5,250 (December 31, 2013: $55,230) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company; $3,560 (December 31, 2013: $Nil) owing to Focus, $Nil (December 31, 2013: $19,047) owing to Radius; and $Nil (December 31, 2013: $8,613) to Daniel James, the President of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014. The amounts for Radius, Mill Street and Daniel James were unsecured, interest-free and had no specific terms of repayment.

f) 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. Subsequent to the period end, Radius acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 warrants at a cost of $330,000. The Company and Radius have two common directors.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 2014 and 2013 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Nine months ended September 30,			
		2014		**2013**
Management fees	$	103,136	$	117,000
Geological fees		78,205		22,500
Salaries and benefits		15,054		13,749
Share-based compensation		232,370		-
	$	**428,765**	**$**	**153,249**

Share-based payments to directors not specified as key management personnel during the period ended September 30, 2014 totaled $112,664 (2013: $Nil).

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

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

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2014, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at September 30, 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2014			**December 31, 2013**		
	British Pound Sterling (CDN equivalent)	**US Dollars (CDN equivalent)**	**Euros (CDN equivalent)**	**British Pound Sterling (CDN equivalent)**	**US Dollars (CDN equivalent)**	**Euros (CDN equivalent)**
Cash	$ 37,450	$ 405	$ 53,767	$ 15,692	$ 248	$ 743
Accounts payable and accrued liabilities	(25,615)	-	(37,000)	(271,121)	-	(5,944)
Due to related parties	(52,033)	-	-	(46,569)	-	-
Net exposure	**$ (40,198)**	**$ 405**	**$ 16,767**	**$(301,998)**	**$ 248**	**$ (5,201)**

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at September 30, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $2,300 (December 31, 2013: $30,700) increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2014, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2014, the Company had a working capital deficiency of $245,516 available to apply against short-term business requirements (December 31, 2013: working capital deficiency of $417,776). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms except for $350,000 which is due by January 24, 2015 and does not bear interest.

Determination of Fair Value

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

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

Fair Value Hierarchy

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

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

(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 September 30, 2014 were calculated as follows:

	Balance at September 30, 2014	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 186,422	$ 186,422	$ -	$ -

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 September 30, 2014 are not sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. In order to carry out planned exploration programs and business objectives, the Company will need to raise additional capital. The Company believes it will be able to raise additional debt or equity capital as required, but recognized the uncertainty attached thereto.

(Expressed in Canadian Dollars)

15. SEGMENTED REPORTING

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

Details of identifiable assets by geographic segments are as follows:

Period ended September 30, 2014

	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	$ -	$ -	$ -	$ -	$ 589,884	$ 589,884
Loss before income taxes	812,715	36,090	-	26,142	589,884	1,464,831
Capital expenditures*	-	-	-	-	320,819	320,819

Period ended September 30, 2013

	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	$ -	$ -	$ 252,100	$ 52,048	$ 235,080	$ 539,228
Exploration and evaluation assets written off	-	-	32,433	-	-	32,433
Loss before income taxes	303,215	135,387	284,533	101,398	235,080	1,059,613
Capital expenditures*	-	-	-	33,852	-	33,852

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

As at September 30, 2014	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	$ 102,044	$ 158,666	$ -	$ 1,911	$ 53,736	$ 316,357
Total non-current assets	70,306	24,715	-	36,488	700,283	831,792
Total assets	**$ 172,350**	**$ 183,381**	**$ -**	**$ 38,399**	**$ 754,019**	**$ 1,148,149**
Total liabilities	**$ 594,024**	**$ 77,649**	**$ -**	**$ 3,326**	**$ 33,674**	**$ 708,673**

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

16. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2014, the following events which have not been disclosed elsewhere in these financial statements have occurred:

- A total of 7,000,000 share purchase warrants were exercised for proceeds of $770,000.

(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS
Third Quarter Report – September 30, 2014

General

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2014. The following information, prepared as of November 27, 2014, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for nine months ended September 30, 2014 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2013 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2014 condensed interim consolidated financial statements have not been reviewed by the Company’s auditors.

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

Forward Looking Information

This MD&A may contain “forward-looking statements” that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “will”, “may”, “should”, “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance.

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

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

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

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

Business of the Company

The Company is a Vancouver-based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. The Company is focusing its business on acquiring and exploring mineral properties in economically stressed, but politically stable European countries that are seeking foreign investment to invigorate the mining sector.

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

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

Exploration Review

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

Portuguese Projects

The Company is targeting orogenic gold systems in northern Portugal. The Company holds seven exploration licences covering over 1,000 square kilometres in Portugal: Vila de Rei and Boticas which are both 3-year permits covering a total of 406 square kilometres; and Balazar, Valongo, Lagares, Castelo de Paiva and Ponte da Barca, totaling 604 square kilometres, which were acquired from Klondike Gold Corp. ("Klondike") in January 2014. The Company has two further exploration licences currently under application. These will be subject to a public tender, expected in late 2014, with conclusions announced in early 2015.

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

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. 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.

Mapping and reconnaissance mapping has identified mineralization and alteration to be continuous over a strike-length of 4 km, orientated northwest-southeast. Four prospects have been defined along this corridor, which are, from north to south, Castromil North, Castromil, Serra da Quinta and Sao Domingos.

In June 2014, the Company announced results from recent sampling work largely focused on the Serra da Quinta area, with highlights of:

- Underground sampling yielded a composite of 4.60 metres @ 36.17g/t Au, from three samples individually assaying at 44.90, 10.10 and 54.60 g/t Au.
- Surface channel-chip sampling yielded 6.10 metres @ 4.78 g/t Au.
- Surface reconnaissance sampling over a strike length of 1.7 kilometres yielded results from trace gold to highs of 15.10, 9.88 and 9.33 g/t Au, within a newly extended mineralized corridor totaling 4 kilometres in strike.

Mineralization and alteration within the two key prospects are predominantly controlled by a series of northwest-trending faults, collectively called the "Railway Fault". Early explorers had interpreted the mineralization to be controlled by a major compressional reverse fault, but the Company's work has identified that the main northwest-trending fault is normal, and is a series of parallel faults, rather than a single fault. Furthermore, the Company's recent reinterpretation work has identified a series of orthogonal and northeast-trending faults which cross-cut the property but terminate at the Railway Fault, and appear associated with the distribution of gold mineralization. Mineralization at the intersection of these faults appears to be thicker and higher-grade. It was also previously thought that the footwall of the fault was unmineralized, but the Company's reinterpretation shows that some of the best and highest grade mineralization is located in the footwall, hosted in breccias and commonly bounded between the intrusive contact and the Railway Fault and perhaps related to the aforementioned crosscutting faults.

Subsequent reconnaissance sampling located north of the Castromil, at the Castromil North prospect, has yielded results from 0.016 g/t Au to 15.90 g/t Au. Seven rock-chip and rock-float samples were collected over a total strike length of 200 metres in an area of poor exposure, from altered granites and vein material similar to the mineralization and alteration style observed in the Castromil and Serra da Quinta prospects. The samples are located approximately one kilometre north of the northern-most point of the Castromil prospect, slightly offset from the main northwest-trending fault. The mineralization is orientated broadly northwest, implying either a lateral stepping of the mineralization, or, more likely, a second and parallel structure. Grades include a high of 15.90 g/t Au, plus four samples assaying between 1.61 and 1.03 g/t Au, with lows of 0.01 and 0.02 g/t Au.

The field teams have spent much of the year completing a series of detailed mapping and logging exercises, which have 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 has been digitized and validated. From this phase of mapping and logging a programme of channel-chip sampling has been prepared. The sample lines are spaced between 100 to 150 metres apart, and orientated northwest-southeast, with a planned sample interval of 1 to 2 metres. Sampling methodologies will resemble typical methodologies from a drill core sampling programme to best align samples from channels and core in future resource estimation work. The channel sampling programme is underway and results are pending.

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. In Q4 2014 this area will be followed-up with some detailed geological mapping and contiguous channel chip sampling. Results can be expected in Q1 2015.

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

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

Ponte da Barca Gold Project

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

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

A total of 50 rock samples have been collected throughout the project. The rock samples range from detection to 35.3 g/t Au with 26 rock samples grading greater than 1 g/t Au (52%) and 6 grading greater than 10 g/t Au (12%). The Company intends to conduct a significant follow-up work program of channel-chip and trench sampling to better define this zone of very high-grade mineralization in Q4 2014.

A remote sensing study has also been completed across the licence area, and has identified a major northeast-trending deformation zone, within which is a series of intensely deformed ‘shear pockets’. Coto de Cruz is located within one of these ellipsoidal shear pockets and a further four have been identified within the licence area. Ground-truthing these zones will be undertaken in Q4 2014.

Other Licences

The Company is undertaken limited exploration work at the Valongo, Castelo de Paiva and Balazar licences. Work at Valongo had previously focussed on the ancient Roman working at Santa Justa, with a programme of prospect-wide geological mapping completed, and reccie rock-chip sampling. At Castelo de Paiva historical stream sediment geochemical data undertaken by the BRGM was analysed and plotted against a regional Landsat-Aster image interpretation. Several anomalies have been identified and will be ground-truthed in Q4 2014. At Balazar a limited geophysical programme using a Ground Penetrating Radar (GPR) was completed. Two lines were placed across the key prospect of Lagao Negra in the north of the licence. The survey broadly defined a possible north-south trending structure. A programme of grid soil sampling is planned for Balazar. This will be undertaken in Q4 2014.

The Boticas Gold Project

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

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

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

Previous licence-wide exploration, undertaken by COGEMA of France in the 1980s, which involved detailed grid-soil sampling, identified 15 gold anomalies throughout the licence, of which only three were drill-tested. Drilling was undertaken by COGEMA in the late 1980s and Kernow Resources & Developments Ltd (“Kernow”) in the early and late 2000s, with both companies primarily focusing on the Limarinho prospect. Drilling defined gold mineralization over at least 600 metres in strike and 150 metres in width, remaining open in both directions, and drill-tested to a vertical depth of greater than 150 metres, yet also remains open at depth. Historical drilling results* reported by both companies include:

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

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

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

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

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

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

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

The project is currently under application for a "National Interest Project (PIN)" status. This falls under a government directive to increase new industry in Portugal, which includes expanding the mining sector, and the project designation is also recognized by the European Union (EU). The outcome of this designation is expected in early 2015. With a successful PIN designation the project is applicable for future funding grants from the EU.

Spanish Projects

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

The Calzadilla Gold Project

The Calzadilla project is located in the Extremadura province in central-west Spain. The Calzadilla permit was granted to the Company in Q4 2014 and is approximately 42 square kilometres. The project is located approximately 40 kilometres west of the town of Plasencia. The project has had limited recent exploration conducted, with a phase of panned concentrate soil sampling, licence-wide geological mapping, and trench sampling completed in the 1980s. The licence area is dominated by a package of Pre-Cambrian meta-sediments, typically greywackes, slates and conglomerates, with rare localities of granite. Mineralization appears to be fault-controlled and hosted by a series of north-trending quartz veins and associated fault breccia zones. A phase of reconnaissance sampling and mapping, combined with a compilation of historical work, will be conducted in early 2015.

The Pinzas Gold Project

The Company has applied for three contiguous exploration permits in northwest Spain, located in the southwest part of Galicia Province, and known as the Pinzas Gold Project. They are adjacent to an additional six pre-defined permit areas that the Company has applied for by a public tender which closed in March 2013. Despite ongoing lobbying with the provincial government of Galicia, the Company is still awaiting issuance of the six licences won via a public tender and the three licences applied for surrounding the public tender licences. As a result of non-action by the provincial government, the Company has withdrawn its applications for the three contiguous exploration permits. The Company has also withdrawn its application for five of the six public tender licences, with only one permit remaining called 'Vilachan'. However, if the Vilachan permit is not granted before the end of the year, the Company's application will be withdrawn.

Quality Assurance and Quality Control (QA-QC)

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

Qualified Person

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

Quarterly Information

The following table provides information for the eight fiscal quarters ended September 30, 2014:

	Sep. 30, 2014 ($)	**June 30, 2014 ($)**	**Mar. 31, 2014 ($)**	**Dec. 31, 2013 ($)**	**Sep. 30, 2013 ($)**	**June 30, 2013 ($)**	**Mar. 31, 2013 ($)**	**Dec. 31, 2012 ($)**
Exploration expenditures	262,465	161,314	166,105	221,602	162,239	155,496	221,493	143,515
General and administrative expenses	136,647	156,264	583,072	29,415	79,855	199,803	208,294	178,850
Net loss	398,076	317,578	749,177	267,177	274,527	355,299	429,787	1,254,459
Basic and diluted loss per share	0.01	0.01	0.03	0.02	0.02	0.02	0.02	0.15

The net loss for the quarter ended March 31, 2014 was significantly impacted by a share-based compensation charge of $486,570. The net loss for the quarter ended December 31, 2012 was significantly higher than other quarters presented because of a listing expense of $932,094 resulting from the acquisition of Medgold Resource Ltd. (the "Acquisition").

Results of Operations

Quarter ended September 30, 2014

For the quarter ended September 30, 2014, the Company had a net loss of $398,076 compared to a net loss of $274,527 for the quarter ended September 30, 2013, an increase of $123,549. Exploration costs for the current quarter were $262,465 compared to $162,239 for the comparative quarter, an increase of $100,226.

General and administrative expenses totaled $136,647 for the current quarter compared to $79,855 for the comparative quarter, an increase of $56,792. However, the general and administrative costs for the current quarter were impacted by a foreign exchange loss of $25,477 compared to a foreign exchange gain of $16,555 for the comparative quarter. When excluding foreign exchange gains/losses, the current quarter costs were just $14,760 higher than the comparative quarter. Notable cost increases in the current quarter were $13,875 in legal and accounting, $7,737 in management fees, and $7,288 in shareholder communications. Management fees were higher due to the Chief Executive Officer's monthly compensation being increased in the last quarter of the comparative year. Shareholder communication costs were higher due in part to a revamping of the Company website. The only notable cost decrease for the current quarter was $15,744 in travel and accommodation as there was less travel between the corporate head office and Europe.

Nine months ended September 30, 2014

For the nine month period ended September 30, 2014, the Company had a net loss of $1,464,831 compared to a net loss of $1,059,613 for the nine month period ended September 30, 2013, an increase of $405,218. Exploration costs for the current period were $589,884 compared to $539,228 for the comparative period, an increase of $50,656.

General and administrative expenses totaled $875,983 for the current period compared to $487,952 for the comparative period, an increase of $388,031. This increase was the result of a share-based compensation charge of $486,570 relating to the granting of stock options during the current period whereas there was no such charge in the comparative period. General and administrative expenses for the current period included a foreign exchange loss of $7,038 compared to a gain of $19,054 for the comparative period. When excluding the non-cash share-based compensation charges and foreign exchange gains/losses, the general and administrative costs for the current period are $124,631 less than the comparative period. Notable cost decreases were $33,537 in legal and accounting, $32,431 in travel and accommodation, $30,120 in salaries and benefits, $22,435 in shareholder communications, and $13,864 in management fees. Legal and accounting costs were higher in the comparative period due to the Acquisition completed in December 2012. Salaries and benefits, travel and accommodation, and shareholder communications costs were lower due in part to cost cutting measures implemented in the latter part of 2013. Management fees were lower in the current period due to a portion of the compensation to the President of the Company being allocated to exploration expenditures.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the period ended September 30, 2014 is as follows:

Portugal – A total of $589,884 was incurred on the Vila de Rei, Boticas, Lagares, Ponte da Barca, Valongo, Balazar, and Castelo de Paiva properties with $229,980 of that amount being spent on geological consulting costs.

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

Liquidity and Capital Resources

The Company's cash resources increased from $36,763 as at December 31, 2013 to $186,422 as at September 30, 2014. During the current period, the Company raised gross proceeds of $1,655,000 by way of a private placement. The private placement proceeds are being used for exploration expenditures and general working capital. At September 30, 2014, the Company had a working capital deficiency of $245,516. Subsequent to September 30, 2014, the Company raised $770,000 through the exercise of share purchase warrants and is using these funds for exploration expenditures and general working capital as well.

The Company's current capital resources are not considered sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. In order to carry out planned exploration programs and business objectives, the Company will need to raise additional capital. Actual funding requirements may vary from those planned due to a number of factors including potential property acquisitions and exploration activity. Management is actively looking for opportunities to raise additional equity capital and believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

Capital Management

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

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

Financial Instruments and Risk Management

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

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other business, the Company is exposed to risks that arise from 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 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 September 30, 2014, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at September 30, 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2014			**December 31, 2013**		
	British Pound Sterling (CDN equivalent)	**US Dollars (CDN equivalent)**	**Euros (CDN equivalent)**	**British Pound Sterling (CDN equivalent)**	**US Dollars (CDN equivalent)**	**Euros (CDN equivalent)**
Cash	$ 37,450	$ 405	$ 53,767	$ 15,692	$ 248	$ 743
Accounts payable and accrued liabilities	(25,615)	-	(37,000)	(271,121)	-	(5,944)
Due to related parties	(52,033)	-	-	(46,569)	-	-
Net exposure	**$ (40,198)**	**$ 405**	**$ 16,767**	**$ (301,998)**	**$ 248**	**$ (5,201)**

Based on the above net exposures at September 30, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $2,300 (December 31, 2013: $30,700) increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2014, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms except for $350,000 which is due before January 24, 2015 and does not bear interest.

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

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

The fair values of the Company's financial assets as of September 30, 2014 were calculated as follows:

	Balance at September 30, 2014	**Level 1**	**Level 2**	**Level 3**
Financial Asset:				
Cash	$ 186,422	$ 186,422	$ -	$ -

<u>Related Party Transactions</u>

The Company had transactions during the three and nine month periods ended September 30, 2014 and 2013 with related parties who consisted of directors, officers and the following companies with common directors:

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

During the three and nine month periods ended September 30, 2014 and 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Office and administration	$ 16,156	$ 18,517	$ 52,805	$ 51,746
Salaries and benefits	16,007	15,778	44,858	77,470
Shareholder communications	1,305	532	4,388	18,086
Transfer agent and regulatory fees	45	795	4,509	3,661
Travel and accommodation	1,517	4,107	12,574	13,307
	$ 35,030	**$ 39,729**	**$ 119,134**	**$ 164,270**

An office and administrative agreement was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salary and benefits for the period ended September 30, 2014 include those for the Chief Financial Officer and the Corporate Secretary whereas the period ended September 30, 2013 also includes that for Ralph Rushton, a Director.

During the period ended September 30, 2014, the Company reimbursed Focus, a company with common directors, $16,892 (2013: $Nil) in shared salary and benefits costs for Ralph Rushton, a director.

Prepaid expenses and deposits as of September 30, 2014 include an amount of $Nil paid to Gold Group for administrative expenses paid in advance on the Company’s behalf. (December 31, 2013: $61,000 paid Gold Group as a deposit pursuant to the office and administrative agreement).

Long term deposits as of September 30, 2014 consists of $61,000 (December 31, 2013: $Nil) paid to Gold Group as a deposit pursuant to the office and administrative agreement. This deposit was reclassified from prepaid expenses and deposit to a long-term deposit during the current period.

Amounts due to related parties as of September 30, 2014 consist of $25,610 (December 31, 2013: $101,492) owing to Gold Group for accrued shared administrative costs, $25,221 (December 31, 2013: $24,456) owing to David Hall, a Director of the Company for accrued management fees, $26,813 (December 31, 2013: $26,000) owing to Jeremy Martin, a Director of the Company for accrued management fees, $5,250 (December 31, 2013: $55,230) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company for accrued management fees, $3,560 (December 31, 2013: $Nil) owing to Focus, $Nil (December 31, 2013: $19,047) owing to Radius for shared administrative, leasehold improvement and equipment costs, and $Nil (December 31, 2013: $8,613) to Daniel James, the President of the Company, for salary owing. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014. The amounts for Radius, Mill Street, and Daniel James were unsecured, interest free and had no specific terms of repayment.

Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of a private placement that closed on February 5, 2014 at a cost of $500,000. Subsequent to September 30, 2014, Radius acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 warrants at a cost of $330,000. The Company and Radius have two common directors.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the three and nine month periods ended September 30, 2014 and 2013 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Management fees	$ 31,737	$ 24,000	$ 103,136	$ 117,000
Geological fees	25,107	22,500	78,205	22,500
Salaries and benefits	4,583	3,208	15,054	13,749
Share-based compensation	-	-	232,370	-
	$ 61,427	**$ 49,708**	**$ 428,765**	**$ 153,249**

Share-based payments to directors not specified as key management personnel during the period ended September 30, 2014 totaled $112,664 (2013: $Nil).

Other Data

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

Share Position, Outstanding Options, Warrants and Convertible Debentures

As at November 27, 2014, the Company's outstanding share position is 41,822,029 common shares and the following stock options, share purchase warrants, and convertible debentures are outstanding:

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

No. of warrants	Exercise price	Expiry date
2,166,667	$0.1665[1]	April 11, 2015[2]
9,586,500[3]	$0.15	February 4, 2016
11,753,167		

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

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

[3] In October 2014 the exercise price of 7,000,000 of these warrants was amended from $0.15 to $0.11 and those warrants were exercised at the reduced exercise price.

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

Adoption of New and Amended IFRS Pronouncements

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

IAS 36 Impairment of Assets

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

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

Future Accounting Changes

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

IFRS 9 Financial Instruments

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

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

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

Insured and Uninsured Risks

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

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

Environmental and Social Risks

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

Competition

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