



FINANCIAL REVIEW

Third Quarter Ended September 30, 2015



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2015

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2015. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

As at	September 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	\$ 519,492	\$ 499,464
Prepaid expenses and deposits (Note 11)	51,450	24,654
Sales tax receivable	18,448	19,082
Total current assets	589,390	543,200
Non-current assets		
Long-term deposits (Note 11)	61,000	61,000
Exploration bonds (Note 6)	494,820	405,834
Property and equipment (Note 5)	85,696	63,240
Exploration and evaluation assets (Note 6)	233,808	333,808
Total non-current assets	875,324	863,882
	\$ 1,464,714	\$ 1,407,082
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 305,554	\$ 542,977
Due to related parties (Note 11)	117,980	18,876
Total current liabilities	423,534	561,853
Non-current liability		
Due to related parties (Note 11)	-	53,310
Convertible debenture - liability component (Note 7)	190,796	151,146
Total non-current liabilities	190,796	204,456
Total liabilities	614,330	766,309
Shareholders' equity (deficit)		
Share capital (Note 8)	5,842,377	5,197,038
Other reserves (Note 8)	1,465,411	1,331,491
Share subscriptions received (Note 15)	290,000	-
Accumulated other comprehensive loss	(248,436)	(52,670)
Deficit	(6,498,968)	(5,835,086)
Total shareholders' equity (deficit)	850,384	640,773
	\$ 1,464,714	\$ 1,407,082

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 27, 2015:

"Simon Ridgway"
Simon Ridgway, Director

"Daniel James"
Daniel James, Director

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Exploration expenditures (Note 10)	\$ 150,852	\$ 262,465	\$ 361,701	\$ 589,884
General and administrative expenses				
Depreciation	3,716	35	10,130	4,195
Foreign exchange loss (gain)	(153,049)	25,477	(260,324)	7,038
Office and administration (Note 11)	20,451	18,606	55,027	66,689
Interest and bank charges	15,660	6,115	42,455	17,851
Legal and accounting	29,161	20,425	122,836	72,324
Management fees (Note 11)	37,094	31,737	113,587	103,136
Salaries and benefits (Note 11)	33,474	18,780	89,522	62,639
Shareholder communications (Note 11)	15,633	9,925	33,391	15,715
Share-based payments (Note 9)	-	-	46,468	486,570
Transfer agent and regulatory fees (Note 11)	2,967	1,703	18,706	19,860
Travel and accommodation (Note 11)	1,390	3,844	30,951	19,966
	6,497	136,647	302,749	875,983
Loss before other items	(157,349)	(399,112)	(664,450)	(1,465,867)
OTHER ITEMS				
Interest and other income	568	1,036	568	1,036
Net loss for the period	\$ (156,781)	\$ (398,076)	\$ (663,882)	\$ (1,464,831)
Other comprehensive gain (loss)				
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on foreign exchange translation	(93,346)	17,617	(195,766)	(2,680)
Comprehensive loss for the period	\$ (250,127)	\$ (380,459)	\$ (859,648)	\$ (1,467,511)
Loss per share, basic and diluted	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.05)
Weighted average number of shares outstanding	46,865,370	34,822,029	45,829,635	32,569,282

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, 2015 and 2014

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share subscriptions received	Other equity reserves			Equity portion of convertible debenture reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
				Warrants reserve	Share- based payment reserve					
Balance, December 31, 2013	17,472,029	\$ 2,690,798	\$ 50,000	\$ -	\$ -	\$ 842,680	\$ (64,569)	\$ (3,786,973)	\$ (268,064)	
Loss for the period	-	-	-	-	-	-	-	(1,464,831)	(1,464,831)	
Shares issued for private placement	16,550,000	1,655,000	(50,000)	-	-	-	-	-	1,605,000	
Shares issued for property acquisition	800,000	100,000	-	-	-	-	-	-	100,000	
Share issuance costs	-	(18,760)	-	2,241	-	-	-	-	(16,519)	
Share-based payments	-	-	-	-	486,570	-	-	-	486,570	
Unrealized foreign exchange loss	-	-	-	-	-	-	(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	
Loss for the period	-	-	-	-	-	-	-	(583,282)	(583,282)	
Warrants exercised	7,000,000	770,000	-	-	-	-	-	-	770,000	
Unrealized foreign exchange gain	-	-	-	-	-	-	14,579	-	14,579	
Balance, December 31, 2014	41,822,029	5,197,038	-	2,241	486,570	842,680	(52,670)	(5,835,086)	640,773	
Loss for the period	-	-	-	-	-	-	-	(663,882)	(663,882)	
Shares issued for private placement	4,372,728	373,409	-	86,591	-	-	-	-	460,000	
Shares issued for property acquisition	2,347,418	250,000	-	-	-	-	-	-	250,000	
Shares issued for services	326,640	34,298	-	-	-	-	-	-	34,298	
Share issuance costs	-	(12,368)	-	861	-	-	-	-	(11,507)	
Share subscriptions received	-	-	290,000	-	-	-	-	-	290,000	
Share-based payments	-	-	-	-	46,468	-	-	-	46,468	
Unrealized foreign exchange loss	-	-	-	-	-	-	(195,766)	-	(195,766)	
Balance, September 30, 2015	48,868,815	\$ 5,842,377	\$ 290,000	\$ 89,693	\$ 533,038	\$ 842,680	\$ (248,436)	\$ (6,498,968)	\$ 850,384	

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,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (156,781)	\$ (398,076)	\$ (663,882)	\$ (1,464,831)
Items not involving cash:				
Shares issued for management fees	7,622	-	34,298	-
Depreciation	3,716	35	10,130	4,195
Share-based payments	-	-	46,468	486,570
Convertible debenture accretion expense	14,255	4,346	39,650	12,553
	(131,188)	(393,695)	(533,336)	(961,513)
Changes in non-cash working capital balances:				
Prepaid expenses and deposits	(37,361)	(2,938)	(26,796)	10,312
Sales tax receivable	(6,578)	(2,285)	634	(11,548)
Accounts payable and accrued liabilities	88,535	(7,456)	112,577	(283,981)
Due to related parties	(52,045)	240	45,794	(148,384)
	(138,637)	(406,134)	(401,127)	(1,395,114)
FINANCING ACTIVITIES				
Net proceeds from issuance of common shares	204,563	-	448,493	1,588,481
Share subscriptions received	290,000	-	290,000	-
	494,563	-	738,493	1,588,481
INVESTING ACTIVITIES				
Purchase of property and equipment	-	(2,229)	(32,586)	(23,499)
Exploration and evaluation asset acquisitions	-	-	-	(42,250)
Refund (purchase) of reclamation bonds	179,412	31,811	(45,733)	31,811
	179,412	29,582	(78,319)	(33,938)
Effect of changes in exchange rates on cash	(136,577)	20,160	(239,019)	(9,770)
Increase (decrease) in cash	398,761	(356,392)	20,028	149,659
Cash, beginning of period	120,731	542,814	499,464	36,763
Cash, end of period	\$ 519,492	\$ 186,422	\$ 519,492	\$ 186,422

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These condensed interim consolidated financial statements of the Company as at September 30, 2015 and for the period then ended include the Company and its subsidiaries (Note 2).

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2015, the Company had not yet achieved profitable operations, has accumulated losses of \$6,498,968 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

The preparation of condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 4.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

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

Details of the Company's subsidiaries as at September 30, 2015 are as follows:

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

Foreign Currency Translation

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

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

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

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

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2013	\$ 12,906	\$ -	\$ -	\$ -	\$ 12,906
Additions	-	41,196	5,299	12,814	59,309
Balance, December 31, 2014	12,906	41,196	5,299	12,814	72,215
Additions	-	32,586	-	-	32,586
Balance, September 30, 2015	\$ 12,906	\$ 73,782	\$ 5,299	\$ 12,814	\$ 104,801
Accumulated amortization					
Balance, December 31, 2013	\$ 2,250	\$ -	\$ -	\$ -	\$ 2,250
Charge for year	1,800	1,837	1,311	1,777	6,725
Balance, December 31, 2014	4,050	1,837	1,311	1,777	8,975
Charge for period	1,350	5,899	993	1,888	10,130
Balance, September 30, 2015	\$ 5,400	\$ 7,736	\$ 2,304	\$ 3,665	\$ 19,105
Carrying amounts					
At December 31, 2014	\$ 8,856	\$ 39,359	\$ 3,988	\$ 11,037	\$ 63,240
At September 30, 2015	\$ 7,506	\$ 66,046	\$ 2,995	\$ 9,149	\$ 85,696

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2014 to September 30, 2015:

	Spain		Portugal	Total
	Pinzas Project	Calzadilla	Klondike Project	
Balance, December 31, 2013	\$ 33,852	\$ 2,636	\$ -	\$ 36,488
Acquisition costs	-	-	297,320	297,320
Balance, December 31, 2014	33,852	2,636	297,320	333,808
Acquisition costs recovered	-	-	(100,000)	(100,000)
Balance, September 30, 2015	\$ 33,852	\$ 2,636	\$ 197,320	\$ 233,808

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

Portugal

a) Boticas Project

The Boticas licence is located in northern Portugal. During the period ended September 30, 2015, the Company paid an exploration bond of \$225,145 (€157,500) to the Portugal mining authority.

During the period ended September 30, 2015, the Company entered into an agreement with Koza Ltd. ("Koza"), a subsidiary of the Turkish gold mining company, Koza Altin Isletmeleri A.S., whereby Koza was granted an option to acquire up to a 75% interest in the Boticas gold project. Koza could have earned an initial 55% interest in the project by spending \$3,000,000 on exploration activities on the property over three years. In addition, Koza agreed to invest \$1,500,000 by way of an equity private placement in the Company. During the period ended September 30, 2015, this option agreement was terminated by mutual agreement as a result of a disagreement over the timing of the private placement.

b) Klondike Project

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

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

The acquisition of the Klondike Project included an exploration bond of \$187,800 (€135,000) of which \$179,412 (€120,000) was returned to the Company during the period ended September 30, 2015.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

c) Other Licences

During the period ended September 30, 2015, the Company has been granted an exploration licence for the Chaves property which completely surrounds the Boticas Project, and the Company submitted an application for a new licence called Caramulo.

During the period ended September 30, 2015, an exploration bond of \$14,951 (€10,000) was remitted to the Portugal mining authority.

7. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of \$975,000. The debenture was convertible into a maximum of 2,166,667 common shares of the Company at the rate of \$0.45 per share on or before April 11, 2015, and bears interest at the rate of 8% per annum, payable in arrears. During the period ended September 30, 2015, the maturity date was extended to April 11, 2017. The debenture, in whole or in part, can be converted into common shares at the holder's option at a rate of \$0.45 per share until the maturity date. At maturity, the principal not yet converted will be converted into shares at \$0.45 per share. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at \$0.45 per share until April 11, 2014. In September 2013, the exercise price of the warrants was reduced to \$0.1665 per share. During the year ended December 31, 2014, the expiry date of the warrants was extended to April 11, 2015 and during the period ended September 30, 2015, extended further to April 11, 2016.

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

During the period ended September 30, 2015, accretion of interest on the convertible debentures of \$39,650 (2014: \$8,207) was charged to profit or loss and is included in interest and bank charges.

	Liability component	Equity component
Balance, December 31, 2013	\$ 134,247	\$ 842,680
Accretion of discount	16,899	-
Balance, December 31, 2014	\$ 151,146	\$ 842,680
Accretion of discount	39,650	-
Balance, September 30, 2015	\$ 190,796	\$ 842,680

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES

Common Shares

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

During the period ended September 30, 2015, the following share capital activity occurred:

- i) On September 30, 2015, 108,880 common shares with a value of \$7,622 were issued to the President of the Company.
- ii) On September 21, 2015, the Company closed the first tranche of a private placement of 2,100,000 units at \$0.10 per unit for gross proceeds of \$210,000. Of the sale proceeds, \$157,500 was allocated to share capital and \$52,500 to warrants. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of \$0.15. Share issuance costs associated with this financing totalled \$5,437.
- iii) On June 30, 2015, 108,880 common shares with a value of \$16,332 were issued to the President of the Company.
- iv) On April 13, 2015, 108,880 common shares with a value of \$10,344 were issued to the President of the Company.
- v) On February 18, 2015, the Company closed a private placement of 2,272,728 units at \$0.11 per unit for gross proceeds of \$250,000. Of the sale proceeds, \$215,909 was allocated to share capital and \$34,091 to warrants. The Company paid \$660 cash and 42,000 warrants as finders' fees in connection with the financing. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for one year at a price of \$0.16. The finders' fee warrants have the same terms as the purchaser's warrants. The fair value of the 42,000 finders' fee warrants was \$861 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finder's fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 0.42%, dividend yield of 0%, volatility of 95% and expected life of one year. Other share issuance costs associated with this financing totalled \$5,410.
- vi) On February 13, 2015, the Company issued 2,347,418 common shares having a value of \$250,000 to Klondike as part of the Portuguese property acquisition (Note 6(b)).

Escrow Shares

As at September 30, 2015, there were 1,602,500 (December 31, 2014: 2,330,000) shares held in escrow. The shares held in escrow are released based on the passage of time, with the final release of 1,602,500 shares to occur on December 14, 2015.

Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2014 to September 30, 2015 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2013	2,166,667	\$0.1665
Issued on private placement	16,588,500	\$0.15
Exercised during the year	(7,000,000)	\$0.11
Balance, December 31, 2014	11,755,167	\$0.15
Issued on private placements	4,414,728	\$0.16
Balance, September 30, 2015	16,169,895	\$0.15

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants (continued)

Details of share purchase warrants outstanding as of September 30, 2015 are:

Expiry date	Number of warrants	exercise price
February 4, 2016 ⁽¹⁾	9,588,500	\$0.15
February 17, 2016	42,000	\$0.16
April 11, 2016 ⁽²⁾	2,166,667	\$0.1665
February 17, 2017 ⁽³⁾	2,272,728	\$0.16
September 20, 2017	2,100,000	\$0.15
	16,169,895	

- (1) In November 2014, the exercise price of 7,000,000 of these warrants was amended from \$0.15 to \$0.11 and those warrants were exercised at the reduced exercise price.
- (2) In March 2014, the expiry date of these warrants was extended from April 11, 2014 to April 11, 2015 and in April 2015, the expiry date extended further to April 11, 2016.
- (3) In August 2015, the expiry date of these warrants was extended from February 17, 2016 to February 17, 2017.

9. SHARE-BASED PAYMENTS

Option Plan Details

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

The following is a summary of changes in options for the period ended September 30, 2015:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Forfeited / cancelled		
February 23, 2024	\$0.15	3,455,000	-	-	-	3,455,000	3,455,000
February 12, 2025	\$0.15	-	500,000	-	-	500,000	500,000
		3,455,000	500,000	-	-	3,955,000	3,955,000
Weighted Average Exercise Price		\$0.15	\$0.15	-	-	\$0.15	\$0.15

Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended September 30, 2015 was \$0.09 per option (2014: \$0.14).

The weighted average remaining contractual life of the options outstanding at September 30, 2015 is 8.53 years.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Period (continued)

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the period ended September 30, 2015 included an expected volatility factor of 118%, risk-free interest rate of 1.43%, expected life of ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

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

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

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized as part of share-based compensation during the period ended September 30, 2015 was \$46,468 (2014: \$486,570).

Total expenses arising from the share-based payment transactions recognized as part of management fees during the period ended September 30, 2015 was \$34,298 (2014: \$Nil).

As of September 30, 2015 there were no unrecognized compensation costs related to unvested share-based payment awards.

Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the period ended September 30, 2015 (2014: \$100,000).

During the period ended September 30, 2015, share-based payment transactions that were capitalized as part of debt settlement was \$250,000 (2014: \$Nil).

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

10. EXPLORATION EXPENDITURES

During the nine months ended September 30, 2015, the Company incurred the following exploration expenditures:

	Portugal								Spain	Total
	Vila de Rei	Boticas	Lagares	Ponte da Barca	Valongo	Balazar	Castelo de Paiva	Other	Calzadilla	
Field expenses	\$ 5,499	\$ 10,759	\$ 4,782	\$ 1,195	\$ 717	\$ 478	\$ 478	\$ -	\$ -	\$ 23,908
Geological and other consulting	26,271	97,153	59,497	7,292	3,747	3,747	3,747	45,444	16,492	263,390
Office and administration	990	5,319	5,134	825	495	495	495	4,194	1,114	19,061
Travel	3,460	13,628	12,881	2,019	865	1,064	1,064	18,371	1,990	55,342
	\$ 36,220	\$126,859	\$ 82,294	\$ 11,331	\$ 5,824	\$ 5,784	\$ 5,784	\$68,009	\$ 19,596	\$ 361,701

During the nine months ended September 30, 2014, the Company incurred the following exploration expenditures:

	Portugal								Total
	Vila de Rei	Boticas	Lagares	Ponte da Barca	Valongo	Balazar	Castelo de Paiva	Other	
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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended September 30, 2015 and 2014 with related parties who consisted of directors, officers and the following companies with common directors:

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

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, 2015 and 2014, the Company reimbursed Gold Group, a company controlled by the Company's Chief Executive Officer, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
General and administrative expenses:				
Office and administration	\$ 20,568	\$ 16,156	\$ 54,375	\$ 52,805
Salaries and benefits	29,510	16,007	78,448	44,858
Shareholder communications	2,093	1,305	3,871	4,388
Transfer agent and regulatory fees	750	45	4,586	4,509
Travel and accommodation	1,131	1,517	10,331	12,574
	\$ 54,052	\$ 35,030	\$ 151,611	\$ 119,134
Exploration expenditures	\$ -	\$ -	\$ 2,634	\$ -

Salaries and benefits for period ended September 30, 2015 and 2014 include those for the Chief Financial Officer and the Corporate Secretary. An office and administrative agreement (the "Gold Group Agreement") was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company.

- b) During the period ended September 30, 2015, the Company reimbursed Focus, a company with common directors, \$11,074 (2014: \$16,892) in shared salary and benefits costs for a director.
- c) During the period ended September 30, 2015, the Company reimbursed Radius, a company with a common director, \$36,212 (2014: \$4,840) for geological consulting costs.
- d) Prepaid expenses and deposits as at September 30, 2015 include an amount of \$2,250 for administrative expenses paid in advance on the Company's behalf (December 31, 2014: \$2,243), paid to Gold Group.
- e) Long-term deposits as of September 30, 2015 consists of \$61,000 (December 31, 2014: \$61,000) paid to Gold Group as a deposit pursuant to the Gold Group Agreement.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2015 and 2014

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- f) Amounts due to related parties as of September 30, 2015 consist of \$99,716 (December 31, 2014: \$18,876) owing to Gold Group; \$10,500 (December 31, 2014: \$Nil) to Mill Street, a company controlled by the Chief Executive Officer of the Company; \$3,964 (December 31, 2014: \$Nil) owing to Focus; \$3,800 (December 31, 2014: \$Nil) owing to Radius; \$Nil (December 31, 2014: \$26,655) owing to David Hall, a director of the Company; and \$Nil (December 31, 2014: \$26,655) owing to Jeremy Martin, a director of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for Radius, Focus, and Mill Street were unsecured, interest-free and had no specific terms of repayment.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 2015 and 2014 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Management fees	\$ 37,094	\$ 31,737	\$ 113,587	\$ 103,136
Geological fees	33,142	25,107	102,881	78,205
Salaries and benefits	8,708	4,583	21,542	15,054
Share-based compensation	-	-	-	232,370
	\$ 78,944	\$ 61,427	\$ 238,010	\$ 428,765

There were no share-based payments to directors not specified as key management personnel during the period ended September 30, 2015 (2014: \$112,664).

On February 13, 2015, the Company agreed to issue a total of 435,520 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2015. The shares are to be issued in quarterly installments, with the first installment of 108,880 shares being issued on April 13, 2015, the second installment of 108,880 shares being issued on June 30, 2015, and the third installment of 108,880 shares being issued on September 30, 2015. Included in management fees are the fair values of the share issuances of \$10,344, \$16,332, and \$7,622 respectively.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

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

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2015, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at September 30, 2015, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2015			December 31, 2014		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	\$ 4,878	\$ 3,945	\$ 177,644	\$ 5,185	\$ 391	\$ 43,903
Accounts payable and accrued liabilities	(3,672)	-	(109,033)	(37,103)	-	(80,402)
Due to related parties	-	-	-	(53,310)	-	-
Net exposure	\$ 1,202	\$ 3,945	\$ 68,611	\$ (85,228)	\$ 391	\$ (36,499)

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at September 30, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$7,400 (December 31, 2014: \$12,100) increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2015, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2015, the Company had working capital of \$165,856 (December 31, 2014: working capital deficiency of \$18,653). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

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

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

Fair Value Hierarchy

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

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

Medgold Resources Corp.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Hierarchy (continued)

The fair values of the Company's financial assets measured at fair value on a recurring basis as of September 30, 2015 were calculated as follows:

	Balance at September 30, 2015	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 519,492	\$ 519,492	\$ -	\$ -

13. CAPITAL MANAGEMENT

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. The Company's capital resources as of September 30, 2015 are not sufficient to cover its corporate operating costs and carry out planned exploration activities for the next twelve months. In order to carry out its exploration programs and business objectives, the Company will need to raise additional capital. The Company believes it will be able to raise additional debt or equity capital as required, but recognizes the uncertainty attached thereto.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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14. SEGMENTED REPORTING

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

Details of identifiable assets by geographic segments are as follows:

Period ended September 30, 2015						
	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	\$ -	\$ -	\$ -	\$ 19,596	\$ 342,105	\$ 361,701
Loss before income taxes	206,216	38,472	-	35,844	383,350	663,882
Capital expenditures*	-	-	-	-	32,586	32,586

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

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

As at September 30, 2015						
	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	\$ 380,760	\$ 10,882	\$ -	\$ 37,989	\$ 159,759	\$ 589,390
Total non-current assets	68,506	32,674	22,927	40,980	710,237	875,324
Total assets	\$ 449,266	\$ 43,556	\$ 22,927	\$ 78,969	\$ 869,996	\$ 1,464,714
Total liabilities	\$ 457,313	\$ 3,672	\$ -	\$ 19,677	133,668	\$ 614,330

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

Medgold Resources Corp.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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15. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2015, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

On October 13, 2015, the Company closed the final tranche of a private placement of 2,900,000 units at \$0.10 per unit for gross proceeds of \$290,000. 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. The gross proceeds were received during the period ended September 30, 2015 and were recorded in equity as share subscriptions received as at September 30, 2015.



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS Third Quarter Report – September 30, 2015

General

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2015. The following information, prepared as of November 27, 2015, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for nine months ended September 30, 2015 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2014 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2015 condensed interim consolidated financial statements have not been reviewed by the Company’s auditors.

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

Forward Looking Information

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

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

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

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

- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;

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

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

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

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

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

Business of the Company

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

Exploration Review

The Company 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. The Company is focusing current exploration efforts on its key primary projects of Lagares, currently under a joint-venture agreement with Centerra Gold Corp., and Boticas.

Portuguese Projects

The Company is targeting orogenic gold systems in northern Portugal. The Company holds eight exploration licences covering over 1,500 square kilometres in Portugal: Boticas, Chaves and Vila de Rei which cover a total of 900 square kilometres; and Balazar, Valongo, Lagares, Castelo de Paiva and Ponte da Barca, totaling 600 square kilometres, which were acquired from Klondike Gold Corp. (“Klondike”) in January 2014. The Company has a further exploration licence currently under application in Portugal, called Caramulo, which is expected to be granted early in 2016.

The Company’s agreement signed in March 2015 with Koza Ltd., whereby the Company agreed to grant Koza an option to acquire up to a 75% interest in the Company’s Boticas gold project in northern Portugal and Koza agreed

to complete a \$1.5 million equity financing in the Company, was terminated by mutual agreement in July 2015 as a result of a disagreement over the timing of the equity investment by Koza in the Company.

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

Lagares Gold Project

The Lagares gold project is located on the central-eastern part of the Valongo Belt close to the town of Sobreira. Gold mineralization is fault-controlled and occurs along a granite-schist contact which was locally exploited in a series of underground adits and galleries. Four prospects have been defined along this corridor, which are, from north to south, Castromil North, Castromil, Serra da Quinta and Sao Domingos.

Option to Centerra Gold Corp. ("Centerra")

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

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

Exploration Programs

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

Castromil and Serra da Quinta are located along a northwest-trending faulted intrusive contact. Gold mineralization is granite-hosted and associated with pyrite and arsenopyrite. It is structurally controlled, occurring as zones of pervasive silicification and as discrete veins, within shallow northeast-dipping lenses that are bounded to the southwest by the Railway Fault, which is the dominant structural feature within the project area.

The field teams spent much of 2014 completing a series of detailed mapping and logging exercises, which led the Company to significantly revise the geological model for the prospects and the wider region. The Castromil and Serra da Quinta prospects were mapped to a scale of 1:500 via a programme of line-mapping. All of the available historical drill core stored in the governmental facility in Porto has been logged and all of the historical exploration data was digitized and validated. From this phase of mapping and logging a programme of channel-chip sampling was completed. The sample lines were spaced between 100 to 150 metres apart, and orientated northwest-southeast, with a sample interval of 1 to 2 metres. Sampling methodologies resembled typical methodologies from a drill core sampling programme to best align samples from channels and core in future resource estimation work.

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

Work in 2015 has focused on drill-testing the Castromil and Serra da Quinta prospects with our joint-venture partners, and conducting soil sampling programs aiming to extend the gold anomalies out under alluvial cover.

Diamond Drill Program

In late March 2015, the Company and Centerra commenced a diamond core drilling program on the Lagares Project, the Company's first drilling campaign in Portugal. An initial 3,000 metre program was planned to test the Castromil, Serra da Quinta and Castromil North mineralization identified from the channel-chip sampling program and detailed geological mapping. In late October 2015 a total of 31 drill holes were completed for a total of

2,988.05 metres. At Castromil a total of 1,429.95 metres were drilled from 13 drill holes, at Serra da Quinta a total of 1,384.64 metres were drilled from 16 drill holes, and at Castromil North a total of 173.45 metres were drilled from 2 drill holes.

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

Castromil

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

Serra da Quinta

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

A location map, cross-sections and core photographs can be found on Medgold's website, at the following location: <http://www.medgoldresources.com/s/lagares.asp>, plus full details of the drilling results.

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

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

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

Initial assay results received from sampling in the central part of the Valongo licence, has identified mineralization within a granodioritic intrusion, proximal to the contact with Silurian meta-sediments. The area is has been named the Guimarei prospect. A total of 54 soil sample results (including 3 QAQC samples) and 15 rock chip results (including 2 QAQC samples) have been received, plus a further 94 soil samples (including 6 QAQC samples) and 18 rock samples (including 2 QAQC samples) have been submitted for analysis with assays expected in December 2015.

At Guimarei, arsenopyrite, galena and pyrite mineralization, plus their weathered iron-oxide selvages, have been observed and are associated with silica-muscovite alteration. Conjugate quartz veins, orientated north-south and east-west, are associated with the sulphide mineralization. A gold- and arsenic-in-soil anomaly has been identified over an area of approximately 2 square kilometres. Infill soil sampling, continued reconnaissance rock sampling, and geological mapping is on-going in this area.

Regional reconnaissance work, following-up on stream sediment anomalies, will be undertaken in late 2015 at Castelo de Paiva. At Balazar a limited geophysical programme using a Ground Penetrating Radar (GPR) was completed in 2014. Two lines were placed across the key prospect of Lagao Negra in the north of the licence. The survey broadly defined a possible north-south trending structure. A programme of grid soil sampling at Balazar was completed in Q1 2015 with samples analyzed using a hand-held XRF. The results identify a broad semi-linear anomaly which will be the focus of a follow-up trenching programme to be undertaken in late 2015.

Boticas Gold Project

Boticas is located in northern Portugal, approximately 30 kilometres north of the Jales-Gralheira historical gold mine. The 106 square kilometre Boticas licence hosts orogenic-type mineralization hosted exclusively within granites. The Limarinho prospect, which has been the focus of ancient exploitation and historical exploration, is an

east-northeast-trending zone comprised of sericitic alteration and a series of gold mineralized lenses. Gold mineralization within the lenses is related to northeast-trending quartz veins which are slightly oblique to the main mineral trend. The mineralization is formed within a deformational prism that is the result of sinistral strike-slip faulting, and quartz veins are typically sheeted and commonly associated with arsenopyrite.

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

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

Current Exploration

A focused exploration program commenced in March 2015. A full review and reinterpretation of historical documents was undertaken, with due diligence work completed on existing historical drilling, soil, and rock sampling programs.

A grid-soil sampling program was completed across the Limarinho and Limarinho South zones. Three hundred samples were taken, which highlighted a gold- and arsenic-in-soil anomaly over 3 kilometres by 2 kilometres north-south to east-west and open to the north and south, which is far larger than the existing Limarinho zone.

A program of ground magnetics was completed in June focussed on the Limarinho prospect, with the aims of expanding the known extent of alteration and to identify any key structures. Preliminary results seem to identify an extensive NNW-trending magnetic-low, likely to be a representation of alteration, which is broadly coincident with the zones of historical mining and the gold-in-soil anomaly.

Forty-two reconnaissance rock chip samples were collected in conjunction with the soil sampling and geophysics program, yielding results from trace to 75.10 g/t Au, 6.91 g/t Au and 4.53 g/t Au. Recent rock chip sampling at Boticas (see the Company's July 21, 2015 news release) has yielded 15 new results from 0.01 g/t Au to 45.00 g/t Au, 13.90 g/t Au and 11.75 g/t Au.

The high-grade results were from samples collected outside of the original area of interest, and add significantly to the strike and width potential. Furthermore, the highest-grade sample to date of 75.10 g/t Au is distinct from the previously described mineralization, consisting of a silica-poor, highly friable, intensely-altered clay- and arsenic-rich material within a linear fracture. This style of mineralization may also have been a focus of ancient miners due to the presence of high-grade free-gold within easily mineable rock.

The newly discovered Casas Novas zone is located approximately 3 kilometres southeast of the Limarinho zone. The prospect was discovered by the Company through remote sensing and grid-soil sampling. Previously reported results from soil sampling identified a coincident gold- and arsenic-in-soil anomaly of approximately 3 kilometres by 2 kilometres. Recent rock sampling has yielded 4 new results from 0.02 g/t Au to highs of 71.90 g/t Au and 5.20 g/t Au in float samples. Previous sampling yielded highs of 5.53 g/t Au and 1.63 g/t Au in outcrop samples. This area is now a high-priority target and will be the focus of detailed grid-soil sampling programs.

The Leiranco zone, which was previously known only to academics from the Universities of Porto and Oviedo, was recently studied by the Company's geologists. It is located approximately 5 kilometres to the west of Limarinho and is an outcropping vein swarm covering an area of approximately 300 metres by 300 metres. Reconnaissance rock chip samples yielded 9 new results from 0.06 g/t Au to highs of 22.40 g/t Au, 4.80 g/t Au and 3.75 g/t Au. This area will be the focus of detailed channel-chip sampling in early 2016.

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

Previous Work

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

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

** Historical reports indicate a total of 3839 metres of diamond drilling was completed in 32 holes. These are historical data provided for information purposes and the Company has not completed sufficient work to verify these results.*

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

Chaves Gold Project

The Chaves licence was granted by the Portuguese government on 17th August 2015. It is approximately 500 square kilometres. The licence was acquired to increase the Company’s landholding in the region, completely enveloping the Boticas licence, and it covers several major crustal structures which are considered to be associated with gold mineralization. The area also covers multiple stream sediment (BLEG) anomalies identified from historical work completed in early 2000s. The Company has conducted a lineament analysis over the area, which was combined with a broad hyperspectral analysis for alteration (iron, silica and clay). The work has identified several coincident structural and alteration anomalies that have been reviewed in the field.

Located approximately 20 kilometres due east of the Limarinho anomaly, and located within the Chaves licence, is the Carvela zone. The area is a contact zone between the Hercynian granites and Ordovician metasediments, and was the focus of a phase of exploration completed by COGEMA in the 1980s. A total of 37 diamond drill holes were completed for a reported total of 3,000 metres. From a review of the historical drill logs, mineralization appears to be controlled by a major shear structure, and COGEMA’s drilling campaign successfully hit gold mineralization in 62% of their drill holes, and best intercepts were: 1.0m @ 14.0 g/t Au on CAR03 and 1.8 metres @ 10.5 g/t Au in CAR13*. While these intercepts are narrow, we are reviewing the historical data and comparing with our recent geological mapping, and structural models developed at the Limarinho Zone. Outcropping mineralization at Carvela extends over approximately 8 kilometres of strike, with only 3.5 kilometres of strike being previously drill-tested. Our objective is to study the structural controls of the mineralization to determine any potential inflexion points both in the down-dip projection of the shear, and along strike. As at Limarinho, these inflexion points, which commonly generate prisms of low-strain and dilation, are a point of preferred vein development and mineralization.

** These are historical data provided for information purposes and, while the Company feels the historical data are reliable, it has not completed sufficient work to verify these results.*

A grid-soil sampling program has been undertaken over the Cavela Zone, covering a strike length of 8 kilometres, with nine 1 kilometre-spaced soil lines, and with sample intervals at 50 metres. A total of 297 samples (including 9 QAQC samples) have been collected and pending assay results. In addition 7 reconnaissance rock chip samples were collected which yielded best results of 8.39 g/t Au, 4.26 g/t Au, 1.91 g/t Au and 1.40 g/t Au. Follow-up work will include semi-detailed geological mapping over the 8 kilometre zone, and if warranted, infill soil sampling.

In addition to the Carvela prospect, four new prospects have also been identified, through the combined use of historical BLEG samples and remote sensing techniques. These zones will be reconnoitered in early 2016, with the collection of rock chip samples, and if warranted, grid-soil sampling.

Vila de Rei Gold Project

A stream sediment survey was completed at the Vila de Rei gold project in central Portugal in Q2 2014, covering the entire 300 square kilometre licence area. A total of 150 samples were submitted for gold and multi-element analysis. The results highlight a positive correlation between gold, arsenic and lead, which is echoed in the rock sampling results. The combination of these three elements has confirmed known prospects, but more importantly, have identified new zones. A stream sediment anomaly has identified a new area called Pombeira, where a zone of intense silica-pyrite alteration has been identified which extends over an apparent thickness of approximately 300 metres, and is broadly analogous to the Pampilhal anomaly. Results from a brief program of channel-chip sampling across the key zones of mineralization, yielded only weak to weak-to-moderate gold anomalism. The majority of results yielded values less than 0.1 g/t Au and a high of 0.78 g/t Au. Rock chip sampling, completed prior to the channel sampling, yielded a single high-value of 3.66 g/t Au, but this wasn't repeated in the channel sampling.

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

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

The licence will have been held for three years in February 2016, and under the laws of Portugal, the Company has the option to relinquish the licence through a mechanism of non-renewal. Therefore, the Vila de Rei licence will not be renewed, and will be relinquished in February 2016. No further work is planned or scheduled other than the preparation and delivery to the government an Annual Report for 2015.

Ponte da Barca Gold Project

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

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

A total of 50 rock samples have been collected throughout the project. The rock samples range from detection to 35.3 g/t Au with 26 rock samples grading greater than 1 g/t Au (52%) and 6 grading greater than 10 g/t Au (12%).

A remote sensing study has also been completed across the licence area, and has identified a major northeast-trending deformation zone, within which is a series of intensely deformed 'shear pockets'. Coto de Cruz is located within one of these ellipsoidal shear pockets and a further four have been identified within the licence area. Despite the good geochemical results, as detailed above, recent results from a channel-chip sampling programme over the Coto de Cruz area identified only low-level gold results. Furthermore, land use in the area was recently reclassified, with the protective area of the nearby reservoir expanded to cover the key anomaly areas. Based on these two points of poor recent geochemical results and conflicting land use, the licence is in the process of formal relinquishment. The licence is expected to be fully relinquish by the end of 2015.

Spanish Projects

The Company has been reviewing gold projects in Spain since 2012. It currently holds a single licence in the Extremadura Region of central Spain called the Calzadilla Gold Project. In late 2012 the company applied for several contiguous licences in Galicia, collectively called the Pinzas Gold Project, through both direct licence application and through public tenders. Due to extreme reticence by the Junta de Galicia, no licences have ever been issued to the Company, despite the Company being awarded the Vilachan licence through a public tender process. The Company has since withdrawn all interests in Galicia and waved any right or future option to the Pinzas licences. No work is currently scheduled for any Spanish projects in 2016, with the exception of project review and evaluation, which the Company remains committed to in the Castille y Leon, Extremadura and Andalucía regions, which it considers as favourable mining destinations.

Calzadilla Gold Project

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

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

Based on these results no further work is planned and the licence will be relinquished in early 2016.

The Pinzas Gold Project

The Company applied for three contiguous exploration permits in northwest Spain, located in the southwest part of Galicia Province, and known as the Pinzas Gold Project. They are adjacent to an additional six pre-defined permit areas that the Company applied for by a public tender which closed in March 2013. Despite ongoing lobbying with the provincial government of Galicia, none of these licences have been issued to date. As a result of non-action by the government, the Company has withdrawn its applications for the three contiguous permits and for five of the six public tender licences. Following strong yet unsuccessful lobbying of the Junta de Galicia, the Company has relinquished any right or option to the last remaining permit, called the 'Vilachan' permit. A serious reticence by the Junta towards gold exploration in the region was cited as the underlying reason for the Company's withdrawal of all of its permits in Galicia.

Quality Assurance and Quality Control (QA-QC)

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

Qualified Person

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

Quarterly Information

The following table provides information for the eight fiscal quarters ended September 30, 2015:

	Sep. 30, 2015 (\$)	June 30, 2015 (\$)	Mar. 31, 2015 (\$)	Dec. 31, 2014 (\$)	Sep. 30, 2014 (\$)	June 30, 2014 (\$)	Mar. 31, 2014 (\$)	Dec. 31, 2013 (\$)
Exploration expenditures	150,852	92,263	118,586	350,735	262,465	161,314	166,105	221,602
General and administrative expenses	6,497	90,439	206,209	132,254	136,647	156,264	583,072	29,415
Net loss	156,781	182,702	324,399	583,282	398,076	317,578	749,177	267,177
Basic and diluted loss per share	0.00	0.00	0.01	0.01	0.01	0.01	0.03	0.02

The general and administrative expenses and net losses for the quarters ended September 30, 2015 and June 30, 2015 were significantly reduced due to foreign exchange gains of \$153,049 and \$92,868, respectively, while those items for the quarter ended March 31, 2014 were significantly impacted by a share-based compensation charge of \$486,570. As a result of Centerra conducting exploration work on the Lagares Project, exploration expenditures incurred by the Company during the three most recent quarters have been less than the preceding quarters.

Results of Operations

Quarter ended September 30, 2015

For the quarter ended September 30, 2015, the Company had a net loss of \$156,781 compared to a net loss of \$398,076 for the quarter ended September 30, 2014, a decrease of \$241,295. Exploration costs for the current quarter were \$150,852 compared to \$262,465 for the comparative quarter, a decrease of \$111,613.

General and administrative expenses totaled \$6,497 for the current quarter compared to \$136,647 for the comparative quarter, a decrease of \$130,150. The general and administrative costs for the current quarter were significantly less due to a foreign exchange gain of \$153,049 compared to a foreign exchange loss of \$25,477 for the comparative quarter. Notable cost increases in the current quarter involved salaries and benefits, interest charges, legal and accounting, shareholder communications, and management fees. Salaries and benefits were higher due to an increased need and reallocation of shared personnel resources. Legal and accounting fees were higher due to more legal services relating to the mineral property agreements while shareholder communication costs included more promotional activities. Interest charges were higher as a result of a convertible debenture being extended by two years. The increase in management fees is due to shares being issued to the President of the Company as part of his compensation during the current quarter but not during the comparative period.

Nine months ended September 30, 2015

For the nine month period ended September 30, 2015, the Company had a net loss of \$663,882 compared to a net loss of \$1,464,831 for the nine month period ended September 30, 2014, a decrease of \$800,949. Exploration costs for the current period were \$361,701 compared to \$589,884 for the comparative period, a decrease of \$228,183.

General and administrative expenses totaled \$302,749 for the current period compared to \$875,983 for the comparative period, a decrease of \$573,234. As in the quarterly comparison, the general and administrative costs for

the current period were impacted by a foreign exchange gain of \$260,324 compared to a foreign exchange loss of \$7,038 for the comparative period. General and administrative expenses were also significantly lower in the current period due to share-based payments which was \$46,468 in the current period compared to \$486,570 in the comparative period. The share-based payments expense for both quarters resulted from the granting of stock options. Notable cost increases in the current period involved legal and accounting, salaries and benefits, interest charges, and shareholder communications. All of these expenses were higher for the same reasons provided in the quarterly comparison.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the period ended September 30, 2015 is as follows:

Portugal – Exploration expenditures incurred during the current period totaled \$361,701 with \$126,859 spent on Boticas, \$82,294 on Lagares, \$36,220 on Vila de Rei, and the remainder for property investigation and care and maintenance of other properties. Most significant overall expenditures incurred were \$263,390 on geological consulting costs and \$55,342 on travel.

As a result of Centerra paying \$100,000 to Klondike to settle the remaining portion of the Company's debt to Klondike for the 2014 acquisition of Klondike's Portuguese assets, the Company recorded a recovery of acquisition costs of \$100,000 during the period ended September 30, 2015.

Liquidity and Capital Resources

The Company's cash resources increased from \$499,464 as at December 31, 2014 to \$519,492 as at September 30, 2015. During the current period, the Company has raised gross proceeds totalling \$750,000 by way of private placements, and the Company received a refund of a portion of its exploration bonds held with the Portugal mining authority totaling \$179,412. The Company has been using these funds for exploration expenditures and general working capital. At September 30, 2015, the Company had current assets totaling \$589,390 and current liabilities totaling \$423,534, for working capital of \$165,856.

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

Capital Management

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

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

Financial Instruments and Risk Management

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

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other business, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used

to measure them. Further quantitative information in respect of these risks is presented throughout the condensed interim consolidated financial statements.

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

General Objectives, Policies and Processes:

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

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2015, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at September 30, 2015, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2015			December 31, 2014		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	\$ 4,878	\$ 3,945	\$ 177,644	\$ 5,185	\$ 391	\$ 43,903
Accounts payable and accrued liabilities	(3,672)	-	(109,033)	(37,103)	-	(80,402)
Due to related parties	-	-	-	(53,310)	-	-
Net exposure	\$ 1,202	\$ 3,945	\$ 68,611	\$ (85,228)	\$ 391	\$ (36,499)

Based on the above net exposures at September 30, 2015, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$7,400 (December 31, 2014: \$12,100) increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2015, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

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

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

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

The fair values of the Company's financial assets as of September 30, 2015 were calculated as follows:

	Balance at September 30, 2015	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 519,492	\$ 519,492	\$ -	\$ -

Related Party Transactions

The Company had transactions during the periods ended September 30, 2015 and 2014 with related parties who consisted of directors, officers and the following companies with common directors:

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

During the periods ended September 30, 2015 and 2014, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
General and administrative expenses:				
Office and administration	\$ 20,568	\$ 16,156	\$ 54,375	\$ 52,805
Salaries and benefits	29,510	16,007	78,448	44,858
Shareholder communications	2,093	1,305	3,871	4,388
Transfer agent and regulatory fees	750	45	4,586	4,509
Travel and accommodation	1,131	1,517	10,331	12,574
	\$ 54,052	\$ 35,030	\$ 151,611	\$ 119,134
Exploration expenditures	\$ -	\$ -	\$ 2,634	\$ -

An office and administrative agreement was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the periods ended September 30, 2015 and 2014 include those for the Chief Financial Officer and the Corporate Secretary.

During the period ended September 30, 2015, the Company reimbursed Focus, a company with common directors, \$11,074 (2014: \$16,892) in shared salary and benefits costs for Ralph Rushton, a director.

During the period ended September 30, 2015, the Company reimbursed Radius, a company with common directors, \$36,212 (2014: \$4,840) for geological consulting costs.

Prepaid expenses and deposits as at September 30, 2015 include an amount of \$2,250 for administrative expenses paid in advance on the Company's behalf (December 31, 2014: \$2,243), paid to Gold Group.

Long-term deposits as of September 30, 2015 consists of \$61,000 (December 31, 2014: \$61,000) paid to Gold Group as a deposit pursuant to the office and administrative agreement.

Amounts due to related parties as of September 30, 2015 consist of \$99,716 (December 31, 2014: \$18,876) owing to Gold Group for accrued shared administrative costs; \$10,500 (December 31, 2014: \$Nil) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management services; \$3,964 (December 31, 2014: \$Nil) owing to Focus; \$3,800 (December 31, 2014: \$Nil) owing to Radius for shared personnel costs; \$Nil (December 31, 2014: \$26,655) owing to David Hall, a Director of the Company for accrued management fees, and \$Nil (December 31, 2014: \$26,655) owing to Jeremy Martin, a Director of the Company for accrued management fees. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for Radius, Focus, and Mill Street were unsecured, interest-free and had no specific terms of repayment.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 2015 and 2014 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Management fees	\$ 37,094	\$ 31,737	\$ 113,587	\$ 103,136
Geological fees	33,142	25,107	102,881	78,205
Salaries and benefits	8,708	4,583	21,542	15,054
Share-based compensation	-	-	-	232,370
	\$ 78,944	\$ 61,427	\$ 238,010	\$ 428,765

On February 13, 2015, the Company agreed to issue a total of 435,520 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2015. The shares are to be

issued in quarterly installments, with the first installment of 108,880 shares being issued on April 13, 2015, the second installment of 108,880 shares being issued on June 30, 2015, and the third installment of 108,880 shares being issued on September 30, 2015. Included in management fees are the fair values of the share issuances of \$10,344, \$16,332, and \$7,622 respectively.

There were no share-based payments to directors not specified as key management personnel during the period ended September 30, 2015 (2014: \$112,664).

Other Data

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

Share Position, Outstanding Options, Warrants and Convertible Debentures

As at November 27, 2015, the Company's outstanding share position is 51,768,815 common shares and the following stock options, share purchase warrants, and convertible debentures are outstanding:

No. of options	Exercise price	Expiry date
3,455,000	\$0.15	February 23, 2024
500,000	\$0.15	February 12, 2025
3,955,000		

No. of warrants	Exercise price	Expiry date
9,588,500 ⁽¹⁾	\$0.15	February 4, 2016
42,000	\$0.16	February 17, 2016
2,166,667	\$0.1665 ⁽²⁾	April 11, 2016 ⁽³⁾
2,272,728 ⁽⁴⁾	\$0.16	February 17, 2017
2,100,000	\$0.15	September 20, 2017
2,900,000	\$0.15	October 12, 2017
19,069,895		

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

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

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

⁽⁴⁾ In August 2015, the expiry date of these warrants was extended from February 17, 2016 to February 17, 2017.

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

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

Future Accounting Changes

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

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial

statements for the effects of applying IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

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

Insured and Uninsured Risks

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

properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

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

Environmental and Social Risks

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

Competition

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