



FINANCIAL REVIEW

Fiscal Year Ended December 31, 2017



(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MEDGOLD RESOURCES CORP.

We have audited the accompanying consolidated financial statements of Medgold Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Medgold Resources Corp. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Smythe LLP

Chartered Professional Accountants

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April 25, 2018

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Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
ASSETS		
Current assets		
Cash	\$ 1,038,406	\$ 837,243
Amounts receivable	204,937	102,000
Prepaid expenses and deposits (Note 14)	28,296	36,875
Total current assets	1,271,639	976,118
Non-current assets		
Long-term deposits (Note 14)	61,000	61,000
Exploration bonds (Note 7)	16,557	408,593
Property and equipment (Note 6)	179,919	114,856
Exploration and evaluation assets (Note 7)	43,020	43,020
Total non-current assets	300,496	627,469
	\$ 1,572,135	\$ 1,603,587
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 103,770	\$ 206,110
Due to related parties (Note 14)	19,400	32,760
Total liabilities	123,170	238,870
Shareholders' equity		
Share capital (Note 10)	12,313,267	9,264,500
Other equity reserves (Note 10)	1,095,432	1,491,350
Accumulated other comprehensive loss	(157,952)	(173,664)
Deficit	(11,801,782)	(9,217,469)
Total shareholders' equity	1,448,965	1,364,717
	\$ 1,572,135	\$ 1,603,587

APPROVED ON BEHALF OF THE BOARD ON APRIL 25, 2018:

"Simon Ridgway"
Simon Ridgway, Director

"Daniel James"
Daniel James, Director

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

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
Exploration expenditures (Note 12)	\$ 1,349,910	\$ 1,101,460
General and administrative expenses		
Depreciation (Note 6)	30,565	7,388
Finance costs (Note 8)	-	20,176
Foreign exchange loss (gain)	(29,552)	10,399
Interest charges (Note 9)	-	112,852
Legal and accounting	60,419	54,086
Management fees (Note 14)	126,320	129,027
Office and administration (Note 14)	97,079	97,381
Salaries and benefits (Note 14)	110,561	119,715
Shareholder communications (Note 14)	93,377	54,874
Share-based payments (Note 11)	128,554	416,919
Transfer agent and regulatory fees (Note 14)	21,235	17,039
Travel and accommodation (Note 14)	52,754	15,131
	691,312	1,054,987
Loss before other items	(2,041,222)	(2,156,447)
Other items		
Interest and other income	4,473	1,004
Recovery of amounts payable	-	4,851
Loss from continuing operations	(2,036,749)	(2,150,592)
Loss from discontinued operations (Note 5)	(547,564)	(49,754)
Net loss for the year	\$ (2,584,313)	\$ (2,200,346)
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on foreign exchange translation	15,172	(126,461)
Comprehensive loss for the year	\$ (2,569,141)	\$ (2,326,807)
Loss per share from continuing operations, basic and diluted	\$(0.02)	\$(0.04)
Loss per share from discontinued operations, basic and diluted	\$(0.01)	\$(0.00)
Weighted average number of shares outstanding	84,953,661	60,921,535

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

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves				Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
			Warrants reserve	Share-based payment reserve	Equity portion of convertible debenture reserve				
Balance, December 31, 2015	51,877,695	\$ 6,037,899	\$ 191,193	\$ 533,038	\$ 842,680	\$ (47,203)	\$ (7,017,123)	\$ 540,484	
Loss for the year	-	-	-	-	-	-	(2,200,346)	(2,200,346)	
Shares issued for private placement	12,000,000	1,350,000	350,000	-	-	-	-	1,700,000	
Shares issued for debenture conversion	2,166,667	842,680	-	-	(842,680)	-	-	-	
Shares issued for services	300,000	46,875	-	-	-	-	-	46,875	
Share issuance costs	-	(11,508)	-	-	-	-	-	(11,508)	
Warrants issued for finance fee	-	-	17,300	-	-	-	-	17,300	
Warrants exercised	6,256,240	981,454	-	-	-	-	-	981,454	
Transfer of reserves on exercise of warrants	-	17,100	(17,100)	-	-	-	-	-	
Share-based payments	-	-	-	416,919	-	-	-	416,919	
Unrealized foreign exchange loss	-	-	-	-	-	(126,461)	-	(126,461)	
Balance, December 31, 2016	72,600,602	9,264,500	541,393	949,957	-	(173,664)	(9,217,469)	1,364,717	
Loss for the year	-	-	-	-	-	-	(2,584,313)	(2,584,313)	
Shares issued for services	215,557	43,000	-	-	-	-	-	43,000	
Warrants exercised	16,700,073	2,481,295	-	-	-	-	-	2,481,295	
Transfer of reserves on exercise of warrants	-	524,472	(524,472)	-	-	-	-	-	
Share-based payments	-	-	-	128,554	-	-	-	128,554	
Unrealized foreign exchange gain on disposal of subsidiary	-	-	-	-	-	15,712	-	15,712	
Balance, December 31, 2017	89,516,232	\$ 12,313,267	\$ 16,921	\$ 1,078,511	\$ -	\$ (157,952)	\$ (11,801,782)	\$ 1,448,965	

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

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss from continuing operations for the year	\$ (2,036,749)	\$ (2,150,592)
Items not involving cash:		
Shares issued for services	43,000	46,875
Recovery of amounts payable	-	(4,851)
Write-off of exploration bonds	-	14,255
Depreciation	30,565	7,388
Share-based payments	128,554	416,919
Warrants issued for finance costs	-	17,300
Foreign exchange	(5,611)	(16,448)
Convertible debenture accretion expense	-	112,852
	(1,840,241)	(1,556,302)
Changes in non-cash working capital balances:		
Amounts receivable	45,334	(73,208)
Prepaid expenses and deposits	(8,936)	1,721
Accounts payable and accrued liabilities	3,450	28,670
Due to related parties	(13,360)	(40,295)
Operating cash flow used by continuing operations	(1,813,753)	(1,639,414)
Operating cash flow provided from (used by) discontinued operations (Note 5)	(506,859)	121,812
Net cash used by operating activities	(2,320,612)	(1,517,602)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	2,481,295	2,669,946
Proceeds from short-term debt	-	100,000
Repayment of short-term debt	-	(100,000)
Interest paid	-	(319,054)
Net cash provided from financing activities	2,481,295	2,350,892
INVESTING ACTIVITIES		
Purchase of property and equipment	(115,586)	(79,186)
Exploration and evaluation asset acquisitions	-	(43,020)
Cash used by investing activities from continuing operations	(115,586)	(122,206)
Cash provided from (used by) investing activities from discontinued operations (Note 5)	136,780	(59,832)
Net cash provided from (used by) investing activities	21,194	(182,038)
Effect of changes in exchange rates on cash	19,286	(29,291)
Increase in cash	201,163	621,961
Cash, beginning of year	837,243	215,282
Cash, end of year	\$ 1,038,406	\$ 837,243

Supplemental Cash Flow Information – Note 18

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements of the Company as at December 31, 2017 and for the year then ended include the accounts of the Company and its subsidiaries (Note 3(a)).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At December 31, 2017, the Company had not yet achieved profitable operations, has accumulated losses of \$11,801,782 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Basis of Measurement

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

The consolidated financial statements are presented in Canadian dollars (“CAD”).

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

Details of the Company's principal subsidiaries as at December 31, 2017 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
MedgoldMinas Unipessoal Lda.	Portugal	100%	Exploration company
Medgold Istrazivanja d.o.o.	Serbia	100%	Exploration company

During the year ended December 31, 2017, Medgold Minera Sociedad Limitada ("Medgold Minera") was dissolved and MedCenterra Unipessoal Lda. ("MedCenterra") was disposed (note 5).

b) Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). 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 the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses on translation are included in profit and loss. As at January 1, 2017, the Company determined that the functional currency of all its foreign subsidiaries is the Canadian dollar and changed functional currencies for certain subsidiaries from the British pound sterling and euro to the Canadian dollar effective January 1, 2017. The change in functional currencies arose due to the change in sources of recent and expected future financings as those subsidiaries have become entirely dependent upon the Company for operating funds. The change in functional currency has been applied prospectively.

c) Exploration and Evaluation Assets

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Assets (continued)

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

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

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

d) Property, Equipment and Depreciation

Recognition and Measurement

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

Depreciation

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

Leasehold improvements	7 years straight-line
Vehicles	4 - 8 years straight-line
Furniture and equipment	6% - 25% declining-balance
Computer equipment	25% declining-balance

e) Impairment of Non-financial Assets

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of Non-financial Assets (continued)

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

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

f) Provisions

Rehabilitation Provision

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

As at December 31, 2017 and 2016, the Company had no asset retirement or rehabilitation obligations.

Other Provisions

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

g) Income Taxes

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

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

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share Capital

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

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

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

i) Earnings/Loss Per Share

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

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

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

j) Share-based Payments

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

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

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based Payments (continued)

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

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

k) Financial Instruments

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

Financial Assets

FVTPL

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

Held-to-Maturity Investments

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

Loans and Receivables

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

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For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

Available-for-Sale Investments

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

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

Impairment of Financial Assets

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

Financial Liabilities

Financial liabilities at FVTPL

Financial liabilities at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss.

Other financial liabilities

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

Classification

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

Cash	FVTPL
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

l) New Standards and Interpretations Not Yet Adopted

The Company will be required to adopt the following standards and amendments issued by the IASB as described below. There is no significant impact of the new standards and amendments on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

Issued by IASB July 2014

Effective for annual periods beginning January 1, 2018

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 Financial Instruments (continued)

- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

IFRS 16 Leases

Issued by IASB January 2016

Effective for annual periods beginning January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

Issued by IASB November 2016

Effective for annual periods beginning January 1, 2018

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

- a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the currency of the primary economic environment in which the entities operate.
- b) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

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

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

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- 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.
- e) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.
- f) The determination of whether disposal groups or cash-generating units represent a component of the entity, the results of which should be recorded in discontinued operations in the consolidated statements of loss and comprehensive loss and cash flows.

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

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

During the year ended December 31, 2017, the Company sold its 100% interest in its Portuguese subsidiary MedCenterra for a cash payment of €167,500 (\$243,741) (equivalent to the amount of exploration bonds previously paid by MedCenterra for the Boticas and Chaves licences). As of December 31, 2017, €19,000 (\$28,041) of this amount was not received but received after year-end. The Company is also entitled to receive an additional payment equal to any amounts recovered by MedCenterra from the Portuguese Mining Authority for exploration bonds previously paid by MedCenterra for the Valongo and Lagares licences, up to a maximum of €95,000 (\$140,207).

The MedCenterra results of operations for the years ended December 31, 2017 and 2016 are presented as discontinued operations.

Due to the Company's decision to cease all operations in Portugal, the results of operations for the Company's other Portuguese subsidiary, MedgoldMinas Unipessoal Lda. and its dissolved Spanish subsidiary, Medgold Minera, are presented as discontinued operations for the years ended December 31, 2017 and 2016.

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5. DISCONTINUED OPERATIONS (continued)

The loss on disposal of discontinued operations was determined as follows:

	2017
Cash consideration	\$ 243,741
Other consideration	140,207
Transaction costs	(112,887)
Total consideration received	271,061
Net assets disposed (other than cash):	
Trade and other receivables	(2,053)
Exploration bonds	(367,395)
Net assets disposed	(369,448)
Cumulative translation adjustments in accumulated other comprehensive income	(15,712)
Loss on disposal of subsidiary	\$ (114,099)

Results of discontinued operations	2017	2016
Foreign exchange gain (loss)	\$ (22,729)	\$ 594
Administrative expenses	(1,085)	(7,638)
Exploration recovery (expenditures)	(397,645)	238,303
Depreciation	(12,006)	(16,030)
Loss on disposal of subsidiary	(114,099)	-
Loss on disposal of property and equipment	-	(12,857)
Write-off of exploration and evaluation assets	-	(252,126)
Loss for the year	\$ (547,564)	\$ (49,754)

Medgold Resources Corp.

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5. DISCONTINUED OPERATIONS (continued)

	2017	2016
Cash provided from (used by) discontinued operations		
Operations:		
Net loss from discontinued operations	\$ (547,564)	\$ (49,754)
Items not involving cash:		
Write-off of exploration and evaluation assets	-	252,126
Depreciation	12,006	16,030
Loss on disposal of property and equipment	-	12,857
Loss on disposal of subsidiary	114,099	-
Foreign exchange loss	(15,049)	5,820
	(436,508)	237,079
Changes in non-cash working capital balances:		
Amounts receivable	17,924	(21,399)
Prepaid expenses and deposits	17,515	(6,791)
Accounts payable and accrued liabilities	(105,790)	(87,077)
Operating cash flow provided from (used by) discontinued operations	\$ (506,859)	\$ 121,812
INVESTING ACTIVITIES		
Proceeds on disposal of property and equipment	11,854	5,666
Proceeds on disposal of subsidiary, net	102,813	-
Exploration and evaluation asset acquisitions	-	(54,806)
Refund (purchase) of reclamation bonds	22,113	(10,692)
Cash provided from (used by) investing activities from discontinued operations	\$ 136,780	\$ (59,832)

In early 2015, the Company entered into an agreement whereby its subsidiary, MedgoldMinas, proposed to acquire, subject to certain conditions, an interest in a mineral property located in Portugal, in consideration for the assumption of certain debts owing by the property owner. The conditions were not met, and the transaction did not proceed. However, one of the creditors of the property owner subsequently filed a claim in Portugal against the owner for approximately €1.17 million. Upon request by the creditor, the court then added the Company and MedgoldMinas to be defendants in the event the property owner was found to be not liable to the creditor. The Company has vigorously contested being brought into this proceeding as the Company and MedgoldMinas did not consummate the transaction with the property owner, did not acquire any interest in the property, and therefore did not assume any liabilities of the owner. This proceeding is still ongoing; however, management considers any claim against the Company or MedgoldMinas to be completely without merit.

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6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2015	\$ 12,906	\$ 73,782	\$ 5,299	\$ 12,814	\$ 104,801
Additions	-	42,097	18,250	18,839	79,186
Disposals	-	(21,986)	-	-	(21,986)
Balance, December 31, 2016	12,906	93,893	23,549	31,653	162,001
Additions	-	113,648	1,938	-	115,586
Disposals	-	(19,210)	-	(6,354)	(25,564)
Balance, December 31, 2017	\$ 12,906	\$ 188,331	\$ 25,487	\$ 25,299	\$ 252,023
Accumulated amortization					
Balance, December 31, 2015	\$ 5,850	\$ 14,054	\$ 2,775	\$ 4,511	\$ 27,190
Charge for period for continuing operations	1,800	2,631	1,325	1,632	7,388
Charge for period for discontinued operations	-	14,172	-	1,858	16,030
Disposals	-	(3,463)	-	-	(3,463)
Balance, December 31, 2016	7,650	27,394	4,100	8,001	47,145
Charge for period for continuing operations	1,800	19,579	5,229	3,957	30,565
Charge for period for discontinued operations	-	10,584	-	1,422	12,006
Disposals	-	(13,235)	-	(4,377)	(17,612)
Balance, December 31, 2017	\$ 9,450	\$ 44,322	\$ 9,329	\$ 9,003	\$ 72,104
Carrying amounts					
At December 31, 2016	\$ 5,256	\$ 66,499	\$ 19,449	\$ 23,652	\$ 114,856
At December 31, 2017	\$ 3,456	\$ 144,009	\$ 16,158	\$ 16,296	\$ 179,919

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended December 31, 2017 and 2016:

	Serbia	Portugal			Total
		Klondike Project	Marrancos Project	Caramulo	
Balance, December 31, 2015	\$ -	\$ 197,320	\$ -	\$ -	\$ 197,320
Acquisition costs	43,020	-	36,852	17,954	97,826
Write-down of acquisition costs	-	(197,320)	(36,852)	(17,954)	(252,126)
Balance, December 31, 2016	43,020	-	-	-	43,020
Balance, December 31, 2017	\$ 43,020	\$ -	\$ -	\$ -	\$ 43,020

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Serbia

a) Exploration Licences

In 2016, the Company submitted applications for nine exploration licences in Serbia. As of December 31, 2017, six of these exploration licences have been granted. During the year ended December 31, 2017, the Company has registered interest, as the preliminary step before submitting a full application, for an additional twenty-plus licences.

b) Strategic Alliance

In 2016, in conjunction with an investment of \$1,500,000 in the Company by Fortuna Silver Mines Inc. ("Fortuna") by way of a private placement, the Company granted Fortuna the right to enter into an option agreement to earn up to a 70% interest in one of the geological target areas (a "Selected Property") identified by the Company's project generation and exploration work in Serbia.

During the year ended December 31, 2017, the strategic alliance was amended whereby Fortuna has the right to enter into separate option agreements to earn up to a 70% interest in two geological target areas (each a "Selected Property") identified by the Company's generative work. Fortuna can earn a 51% stake in each Selected Property by spending US\$3,000,000 on each Selected Property over three years. Once Fortuna has earned a 51% interest, it can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or it can elect to earn an additional 19% interest in the Selected Property by spending an additional US\$5,000,000 in qualified expenditures and completing a Preliminary Economic Assessment on the Selected Property.

In March 2017, Fortuna chose the Tlamino Project as its first Selected Property and as such, entered into an option agreement with the Company to earn up to a 70% interest in that project.

The Company and Fortuna have one common director.

Portugal

a) Centerra Option Licences

In 2014, the Company, through its wholly owned subsidiary, MedCenterra, entered into an agreement (the "Option Agreement") with Centerra Gold Corp. ("Centerra") whereby Centerra was granted an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licences (collectively called the Valongo Belt Property and considered part of the Klondike Project).

Under the Option Agreement, Centerra had the right to earn a 51% interest in the Valongo Belt Property by incurring expenditures on the Valongo Belt Property totaling US\$3,000,000 over three years, of which US\$500,000 was committed to be spent by Centerra. To keep the option in good standing, Centerra needed to incur US\$1,000,000 in the first year, a further US\$1,500,000 in the second year and a further US\$500,000 in the third year.

In 2015, the Ponte da Barca licence was relinquished and in 2016, the Balazar and Castelo de Paiva licences were relinquished. Also in 2016, the Option Agreement was amended to include the Company's Boticas-Chaves Project. In early 2017, the management decided to let the Lagares and Valongo licences lapse, and as a result, acquisition costs totaling \$197,320 were written off as of December 31, 2016.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal (continued)

a) Centerra Option Licences (continued)

During the year ended December 31, 2017, Centerra notified the Company that it had incurred a total of US\$3,000,000 in expenditures and therefore earned its 51% interest in the Valongo Belt Property and Boticas-Chaves Project. However, Centerra also advised that it was not interested in incurring further exploration expenditures pursuant to the Option Agreement and therefore wished to dispose of its 51% interest in the licences. Accordingly, the Company and Centerra signed an agreement on May 9, 2017 whereby the Option Agreement was terminated, Centerra relinquished its 51% interest in the licences in consideration of the sum of \$100,000 from the Company; and Centerra was granted a 1% net smelter return royalty on any future production from the licences.

The amount of \$100,000 was recorded as part of the transaction costs on disposal of MedCenterra, which was sold during the year ended December 31, 2017 (Note 5).

b) Caramulo Licence

In 2015, the Company submitted an application for the Caramulo exploration licence. During the year ended December 31, 2017, the management decided that it will let the Caramulo licence lapse, and as a result, the acquisition cost of \$17,954 was written off as of December 31, 2016.

The Company has in place with the Portugal mining authority an exploration bond of \$16,557 (€11,000) on the Caramulo licence.

c) Marrancos Gold Project

In 2016, the Company entered into an option agreement to acquire up to a 100% interest in the Marrancos Project located in northern Portugal from Lusorecursos SCPS ("Lusorecursos"), a private Portuguese company. The Company had the right to earn an initial 70% interest in the Project by making a cash payment to Lusorecursos of €25,000 (paid in 2016) and incurring exploration expenditures of €150,000 on or before 12 months following the agreement date.

During the year ended December 31, 2017, the Company terminated the option agreement. Acquisition costs of \$36,852 were written off as of December 31, 2016.

d) Vila de Rei

The Vila de Rei licence was located in central Portugal for which the Company had in place an exploration bond of \$163,988 (€116,359) to the Portugal mining authority. This licence was relinquished during the year ended December 31, 2016 and the Company was refunded the exploration bond in 2016.

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8. SHORT-TERM DEBT

On March 24, 2016, the Company obtained a short-term loan of \$100,000 to provide funding for general working capital requirements. The loan was repayable within six months and subject to interest at 8% per annum. In consideration for the loan, the Company issued to the lender share purchase warrants to purchase up to 500,000 common shares of the Company, exercisable for one year at \$0.09 per share. Transaction costs of \$18,434 were recorded, of which \$17,300 was the fair value of the warrants issued to the lender. The warrants were measured using the Black-Scholes option pricing model. The model inputs included an expected volatility factor of 111%, risk-free interest rate of 0.56%, expected life of one year, and expected dividend yield of 0%. These warrants were exercised during the year ended December 31, 2017 (Note 10). The short-term loan was repaid during the year ended December 31, 2016 and a total of \$1,742 in cash interest charges was charged to profit and loss in 2016.

9. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of \$975,000. The debenture was mandatorily 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 bore interest at the rate of 8% per annum, payable in arrears. In 2015, the maturity date was extended to April 11, 2017. The debenture, in whole or in part, was convertible into common shares at the holder's option at a rate of \$0.45 per share until the maturity date. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at \$0.45 per share until April 11, 2014. In 2013, the exercise price of the warrants was reduced to \$0.1665 per share. In 2014, the expiry date of the warrants was extended to April 11, 2015 and was extended further to April 11, 2016 during 2015. During the year ended December 31, 2016, the expiry date of the warrants was extended further to April 11, 2017 but then in accordance with the terms thereof, was accelerated to October 16, 2016. The warrants were exercised in full on October 14, 2016.

Also on October 14, 2016, the principal amount of the debenture of \$975,000 was converted into 2,166,667 shares and accrued interest totaling \$319,054 was paid in full settlement of the debt.

For accounting purposes, the convertible debenture was allocated into corresponding debt and equity components at the date of issue. The Company used the residual value method, which allocated 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 was subsequently accreted to face value of the convertible debenture at the effective interest rate.

During the year ended December 31, 2016, accretion of interest on the convertible debentures of \$112,852 was charged to profit or loss and is included in interest charges.

	Liability component	Equity component
Balance, December 31, 2015	\$ 206,202	\$ 842,680
Interest paid	(319,054)	-
Debenture converted to common shares	-	(842,680)
Accretion of discount	112,852	-
Balance, December 31, 2016 and 2017	\$ -	\$ -

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10. SHARE CAPITAL AND RESERVES

Common Shares

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

During the year ended December 31, 2017, the following share capital activity occurred:

- i) A total of 215,557 common shares with a value of \$43,000 were issued to the President of the Company for services rendered; and
- ii) A total of 16,700,073 share purchase warrants were exercised for gross proceeds of \$2,481,295. The Company reallocated the fair value of these share purchase warrants previously recorded in the amount of \$524,472 from other equity reserves to share capital.

During the year ended December 31, 2016, the following share capital activity occurred:

- i) On October 14, 2016, 2,166,667 common shares were issued upon the conversion of a \$975,000 convertible note (Note 9).
- ii) On June 17, 2016, the Company closed a private placement of 10,000,000 units at \$0.15 per unit to Fortuna. Each unit consists of one common share and one share purchase warrant entitling Fortuna to purchase an additional common share exercisable for one year at a price of \$0.15. Of the \$1,500,000 in gross proceeds, \$1,150,000 was allocated to share capital and \$350,000 to warrants. Share issuance costs associated with this financing totalled \$9,758.
- iii) On May 12, 2016, the Company closed a private placement of 2,000,000 units at \$0.10 per unit for gross proceeds of \$200,000. 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 \$0.12. The entire amount of the proceeds was allocated to share capital. Share issuance costs associated with this financing totalled \$1,750.
- iv) A total of 300,000 common shares with a value of \$46,875 were issued to the President of the Company for services rendered.
- v) A total of 6,256,240 share purchase warrants were exercised for gross proceeds of \$981,454. The Company reallocated the fair value of these share purchase warrants previously recorded in the amount of \$17,100 from other equity reserves to share capital.

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10. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2017 and 2016 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2015	19,069,895	\$0.15
Issued on private placement	12,000,000	\$0.15
Issued for finance fee	500,000	\$0.09
Exercised during the year	(6,256,240)	\$0.16
Expired during the year	(330,927)	\$0.16
Balance, December 31, 2016	24,982,728	\$0.15
Exercised during the year	(16,700,073)	\$0.15
Expired during the year	(8,282,655)	\$0.14
Balance, December 31, 2017	-	-

As of December 31, 2017 there were no share purchase warrants outstanding.

11. 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 Venture Exchange ("TSX-V"). Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V policies. The options are for a maximum term of ten years.

The following is a summary of changes in options for the year ended December 31, 2017:

Expiry date	Exercise price	Opening balance	During the year			Closing balance	Vested and exercisable
			Granted	Exercised	Forfeited/cancelled		
February 23, 2024	\$0.15	3,455,000	-	-	(225,000)	3,230,000	3,230,000
February 12, 2025	\$0.15	225,000	-	-	(225,000)	-	-
June 28, 2026	\$0.15	2,550,000	-	-	(380,000)	2,170,000	2,170,000
July 24, 2027	\$0.20	-	645,000	-	-	645,000	645,000
		6,230,000	645,000	-	(830,000)	6,045,000	6,045,000
Weighted average exercise price		\$0.15	\$0.20	-	\$0.15	\$0.16	\$0.16

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11. SHARE-BASED PAYMENTS (continued)

The following is a summary of changes in options for the year ended December 31, 2016:

Expiry date	Exercise price	Opening balance	During the year			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	-	-	(275,000)	225,000	225,000
June 28, 2026	\$0.15	-	2,580,000	-	(30,000)	2,550,000	2,550,000
		3,955,000	2,580,000	-	(305,000)	6,230,000	6,230,000
Weighted average exercise price	\$0.15	\$0.15	\$0.15	-	\$0.15	\$0.15	\$0.15

Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2017 was \$0.20 (2016: \$0.16) per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2017 is 7.36 (2016: 8.15) years.

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the year ended December 31, 2017 included an expected volatility factor of 120%, risk-free interest rate of 2.02%, expected life of ten years, and expected dividend yield of 0% (2016: expected volatility factor of 121%, risk-free interest rate of 1.12%, 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.

Medgold Resources Corp.

(Exploration Stage Company)

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(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (continued)

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based compensation during the year ended December 31, 2017 was \$128,554 (2016: \$416,919).

Total expenses arising from the share-based payment transactions recognized as part of management fees during the year ended December 31, 2017 was \$43,000 (2016: \$46,875).

12. EXPLORATION EXPENDITURES

During the year ended December 31, 2017, the Company incurred the following exploration expenditures:

	Continuing operations - Serbia		Total continuing operations Serbia	Discontinued operations Portugal
	Tlaminio	Other		
Assaying	\$ 74,646	\$ 83,840	\$ 158,486	\$ 1,989
Field expenses	53,006	44,475	97,481	-
Geological and other consulting	257,729	372,034	629,763	141,577
Geophysics	73,297	8,366	81,663	-
Licenses, rights and taxes	23,862	62,570	86,432	14,458
Office and administration	68,902	90,947	159,849	45,960
Salaries and benefits	245,370	337,028	582,398	190,131
Travel	62,688	127,164	189,852	18,756
	859,500	1,126,424	1,985,924	412,871
Expense recoveries	(636,014)	-	(636,014)	(15,226)
Balance, end of year	\$ 223,486	\$ 1,126,424	\$ 1,349,910	\$ 397,645

During the year ended December 31, 2016, the Company incurred the following exploration expenditures:

	Total continuing operations Serbia	Discontinued operations Portugal
Assaying	\$ 61,231	\$ 202,397
Drilling	-	745,141
Field expenses	22,572	33,285
Geological and other consulting	773,842	688,774
Licenses, rights and taxes	14,946	52,517
Office and administration	81,908	183,861
Travel	146,961	100,476
	1,101,460	2,006,451
Expense recoveries	-	(2,244,754)
Balance, end of year	\$ 1,101,460	\$ (238,303)

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13. INCOME TAXES

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

	2017	2016
Net loss for the year	\$ 2,584,313	\$ 2,200,346
Statutory income tax rate	26.00%	26.00%
Expected income tax recovery	(671,921)	(572,090)
Decrease (increase) resulting from:		
Non-deductible expenses and others	31,650	109,224
Differences between Canadian and foreign tax rates	180,791	93,905
Change in timing differences	42,741	92,958
Effect of change in tax rates	(153,241)	39,866
Effect of write-off of exploration and evaluation assets	-	(59,662)
Impact of foreign exchange on tax assets and liabilities	96,691	165,525
Unused tax losses and tax offsets on disposal of subsidiary	10,030	-
Unused tax losses and tax offsets not recognized	463,259	130,274
Income tax recoverable	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income for the recognition of deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Non-capital loss carry-forwards	\$ 10,349,569	\$ 8,571,251
Exploration and evaluation assets	10,318,338	10,444,554
Capital losses	17,100	-
Property and equipment	186,526	187,322
Share issuance cost	15,096	22,996
Unrecognized deductible temporary differences	\$ 20,886,629	\$ 19,226,123

Subject to certain restrictions, the Company has non-capital losses of \$4,838,494 (2016: \$4,599,030) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year	
2026	\$ 414,420
2027	505,632
2028	258,679
2029	188,071
2030	182,118
2031	197,734
2032	263,577
2033	485,883
2034	539,445
2035	680,434
2036	462,708
2037	659,793
	\$ 4,838,494

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(Expressed in Canadian Dollars)

13. INCOME TAXES (continued)

The Company also has non-capital losses for income tax purposes of \$3,213,506 (2016: \$3,071,678) available to reduce future UK taxable income, non-capital losses for income tax purposes of \$314,883 (2016: \$314,883) to reduce future Spanish taxable income, \$375,994 (2016: \$69,229) available to reduce future Portuguese taxable income and \$1,606,692 (2016: \$517,038) available to reduce future Serbian taxable income. The UK and Spain non-capital losses do not expire, the Portugal non-capital losses expire in twelve years and the Serbian non-capital losses expire in five years.

Resource Development Costs

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

14. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2017 and 2016 consist 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, personnel and administrative charges
Focus Ventures Ltd. ("Focus")	Shared administrative salary charges
Mill Street Services Ltd. ("Mill Street")	Management services
Fortuna	Investment in the Company and mineral property option agreement

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

- a) During the years ended December 31, 2017 and 2016, the Company reimbursed Gold Group for the following costs:

	<u>2017</u>	<u>2016</u>
General and administrative expenses:		
Office and administration	\$ 88,657	\$ 85,076
Salaries and benefits	108,890	108,817
Shareholder communications	3,081	1,241
Transfer agent and regulatory fees	6,918	4,249
Travel and accommodation	14,514	14,078
	<u>\$ 222,060</u>	<u>\$ 213,461</u>

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the years ended December 31, 2017 and 2016 include those for the Chief Financial Officer and the Corporate Secretary.

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14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- b) During the year ended December 31, 2017, the Company reimbursed Radius \$134,304 (2016: \$91,546) in shared salary and benefits for the services of a geological consultant.
- c) During the year ended December 31, 2017, the Company reimbursed Focus \$Nil (2016: \$9,150) in shared salary and benefits costs for a director.
- d) Prepaid expenses and deposits as at December 31, 2017 include an amount of \$1,248 (2016: \$1,122) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.
- e) Long-term deposits as of December 31, 2017 consist of \$61,000 (2016: \$61,000) paid to Gold Group as a deposit pursuant to the Gold Group Agreement.
- f) Amounts due to related parties as of December 31, 2017 consist of \$19,400 (2016: \$18,792) owing to Gold Group and \$Nil (2016: \$13,968) owing to Radius. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amount for Radius was unsecured, interest-free and had no specific terms of repayment.
- g) Fortuna acquired 10,000,000 common shares of the Company by way of exercising 10,000,000 share purchase warrants at a cost of \$1,500,000 (2016: acquired 10,000,000 common shares of the Company by way of a private placement for \$1,500,000 and entered into a strategic alliance relating to project generation in Serbia) (Notes 7 and 10).
- h) During the year ended December 31, 2016, Radius exercised 2,000,000 share purchase warrants at a cost of \$300,000 (Note 10), thereby acquiring 2,000,000 common of shares of the Company.

Key Management Compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the years ended December 31, 2017 and 2016 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.

	2017	2016
Management fees	\$ 126,320	\$ 29,027
Geological fees	162,301	148,541
Salaries and benefits	34,279	28,875
Value of stock option grants recorded as share-based payments	-	137,357
	\$ 322,900	\$ 443,800

During the year ended December 31, 2017, the Company issued in instalments, a total of 215,557 common shares of the Company (2016: 300,000 common shares) to Daniel James, a director and officer, in part consideration for his ongoing services as the Company's President during 2017. Included in management fees during the year ended December 31, 2017 is the total fair value of the share issuances of \$43,000 (2016: \$46,875).

There were no share-based payments to directors not specified as key management personnel during the year ended December 31, 2017 (2016: \$96,956 recorded as share-based based payments expense).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

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

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2017, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2017 and 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2017			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 209,858	\$ 9,134	\$ 10,990	\$ 106,854
Amounts receivable	-	-	5,410	24,866
Accounts payable and accrued liabilities	(30,491)	(724)	(20,474)	(8,283)
Net exposure	\$ 179,367	\$ 8,410	\$ (4,074)	\$ 123,437

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For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Foreign Currency Risk (continued)

	December 31, 2016			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 186,067	\$ 5,442	\$ 156,316	\$ 73,054
Amounts receivable	-	-	25,380	70,469
Accounts payable and accrued liabilities	(20,806)	-	(134,051)	(42,949)
Net exposure	\$ 165,261	\$ 5,442	\$ 47,645	\$ 100,574

Based on the above net exposures at December 31, 2017, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$30,700 (2016: \$31,900) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2017, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2017, the Company had working capital of \$1,148,469 (2016: \$737,248). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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).

16. 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. There were no changes in the Company's capital management approach during the year ended December 31, 2017.

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 does not expect its capital resources as of December 31, 2017 to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

Medgold Resources Corp.

(Exploration Stage Company)

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For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

17. 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 country basis.

Year ended December 31, 2017	Canada	England	Serbia	Total continuing operations	Discontinued operations
Exploration expenditures	\$ -	\$ -	\$ 1,349,910	\$ 1,349,910	\$ 397,645
Interest and other income	4,473	-	-	4,473	-
Net income (loss)	(674,083)	57,647	(1,420,313)	(2,036,749)	(547,564)
Capital expenditures*	-	-	115,586	115,586	-

Year ended December 31, 2016	Canada	England	Serbia	Total continuing operations	Discontinued operations
Exploration expenditures (recovery)	\$ -	\$ -	\$ 1,101,460	\$ 1,101,460	\$ (238,303)
Exploration and evaluation assets written off	-	-	-	-	252,126
Interest and other income	1,004	-	-	1,004	-
Net loss	(1,030,506)	(32,690)	(1,087,649)	(2,150,592)	(49,754)
Capital expenditures*	-	3,630	118,576	122,206	54,806

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

As at December 31, 2017	Canada	England	Serbia	Portugal	Consolidated
Total current assets	\$ 732,449	\$ 380,531	\$ 142,259	\$ 16,400	\$ 1,271,639
Total non-current assets	63,958	2,326	206,282	27,930	300,496
Total assets	\$ 796,407	\$ 328,857	\$ 348,541	\$ 44,330	\$ 1,572,135
Total liabilities	\$ 56,295	\$ 30,491	\$ 8,123	\$ 28,261	\$ 123,170

As at December 31, 2016	Canada	England	Serbia	Portugal	Consolidated
Total current assets	\$ 440,621	\$ 186,067	\$ 150,219	\$ 199,211	\$ 976,118
Total non-current assets	96,110	5,873	84,142	441,344	627,469
Total assets	\$ 536,731	\$ 191,940	\$ 234,361	\$ 640,555	\$ 1,603,587
Total liabilities	\$ 39,341	\$ 20,806	\$ 44,672	\$ 134,051	\$ 238,870

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18. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
Shares issued on conversion of convertible debenture	\$ -	\$ 842,680
Consideration received for subsidiary disposal included in accounts receivable	\$ 168,248	\$ -
Interest paid – convertible debenture	\$ -	\$ 319,054
Interest paid – short-term loan	\$ -	\$ 1,742

19. CHANGE IN PRESENTATION

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.

20. EVENT AFTER THE REPORTING DATE

Subsequent to December 31, 2017, the following event, which has not been disclosed elsewhere in these consolidated financial statements has occurred:

- a) A total of 250,000 stock options with an exercise price of \$0.20 per share and exercisable for ten years were granted and a total of 75,000 stock options with an exercise price of \$0.20 per share were forfeited.



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2017

General

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2017. The following information, prepared as of April 25, 2018, should be read in conjunction with the December 31, 2017 consolidated financial statements. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

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

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

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

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

- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters;
- local community relationships;

- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions.

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

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

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

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

Business of the Company

The Company is a Vancouver based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. The Company is focusing on early- to mid-stage exploration projects in Europe in jurisdictions which are mining-friendly, with a strong mining code, and with excellent geological potential. The Company’s exploration activities are currently focused in Serbia.

Exploration Review

The Company is targeting gold (silver, lead and zinc) properties in the Oligo-Miocene igneous belt of Serbia. This belt of rocks runs NW-SE across much of the country, and is under-explored for gold and silver, despite an abundance of freely available geological data. Much of this information was generated by the Yugoslav government, predominantly through the 1960s and 1970s, through phases of national-scale geological mapping and systematic exploration for lead and zinc.

In mid-2016, the Company signed a strategic alliance with Fortuna Silver Mines Inc. (“Fortuna”), for the purposes of generating gold-silver exploration projects in Serbia. The Company has been granted several exploration licences, and is in the process of applying for more, following multiple phases of project generation work. The work led to the identification of the Tlamino Project, where some highly significant channel-chip results were obtained, and also led Fortuna to option the Tlamino Project in March 2017.

The Company’s exploration work in Portugal did not result in the identification of significant and large-scale mineralization, and in 2017, management decided that further expenditures are not warranted. Accordingly, the Company has closed down its Portugal operations, terminated its agreement with Lusorecursos for the Marrancos project, and relinquished all staff.

Serbia

The Company holds five granted exploration licences, each covering approximately 100 square kilometres, targeting gold-silver epithermal and gold-dominant porphyry systems associated with the Oligo-Miocene igneous belt in the central and southern parts of the country. The licences are located on the borders of Macedonia and Bulgaria, in the very south of the country, and include the Donje Tlamino and Surlica-Dukat licences, which comprise the Tlamino

Project optioned to Fortuna. In addition to the granted licences, the Company has made several licence applications covering ground throughout the Oligo-Miocene igneous belt of Serbia, and is expecting licence issuance of these in early 2018. The target areas were generated through the strategic alliance with Fortuna.

Strategic Alliance with Fortuna

In June 2016, the Company completed a \$1.5 million private placement to Fortuna by way of the issuance of 10.0 million units at \$0.15 per unit. Each unit consisted of one common share of the Company and one warrant entitling Fortuna to purchase one additional common share of the Company at \$0.15 for one year from closing.

The private placement was part of a broader strategic alliance between the Company and Fortuna to explore for precious metal deposits in Serbia. The Company was required to use a minimum of 80% of the financing proceeds on project-generating exploration in Serbia within 12 months, which the Company had completed by January 2017. In February 2017, Fortuna exercised all of its warrants at a total exercise price of \$1,500,000, and the Company was obligated to spend a minimum of \$1,200,000 (80% of the exercise proceeds) on further reconnaissance work in Serbia within 12 months following the date of the warrant exercise. The Company completed the expenditure of the \$1,200,000 during 2017.

Pursuant to the strategic alliance, as amended in January 2017, Fortuna has the right to enter into an option agreement to earn up to a 70% interest in up to two of the geological target areas (each a "Selected Property") identified by the Company's project generation and exploration work in Serbia. To acquire an initial 51% interest in the Selected Property, Fortuna must spend a minimum of US\$3.0 million on the Selected Property by no later than the third anniversary of the date of the option agreement. Once it has earned 51%, Fortuna can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Selected Property by completing a preliminary economic assessment on the Selected Property and spending an additional US\$5.0 million in qualified expenditures within three years following the date of the election by Fortuna.

In March 2017, Fortuna identified the Tlamino Project (comprised of the Donje Tlamino and Surlica-Dukat licences) as its first Selected Property, and the Company and Fortuna signed an Option Agreement in connection therewith.

Project Generative Work

The Company's field teams have been actively undertaking reconnaissance work on highly prospective ground in Serbia, including remote sensing and desktop GIS studies. In late 2016, the Company was granted five exploration licences as a block of five contiguous licences totalling 500 square kilometres in the southeast of the country, bordering Macedonia and Bulgaria. A sixth exploration licence, called Kalna, was granted in March 2017, but initial prospecting has failed to identify any significant anomalism and this licence was relinquished in late 2017. Further licence applications have been submitted to the Ministry of Mines in Serbia and the issuance of some of these licences is expected in early 2018.

The five granted contiguous licences are located in the Serbo-Macedonian Massif ("SMM"), a belt of crustal rocks that runs through Serbia along a north-south axis, extending southwards through Macedonia and Bulgaria and into Greece. In Serbia, the SMM is west of, but parallel to, the Carpatho-Balkanides, which includes the Timok Magmatic Complex (TMC), host to a number of copper-gold porphyry-epithermal deposits. The SMM is under-explored when compared to the TMC, having seen lead and zinc exploration work by the Yugoslav government in the 1960s and 1970s, but far less exploration post-2000. The five licences are located along the Macedonian and Bulgarian borders, approximately 40 kilometres southeast of the city of Vranje, in southeast Serbia. They cover areas of Palaeozoic metasediments, including calcareous schists and marbles, which have been intruded by a series of Oligo-Miocene porphyritic felsic igneous dykes, and locally covered with recent alluvial sediments. Contact zones between dykes and favourable country rock are responsible for many of the known base and precious metal showings within the licence areas. Fairly extensive exploration was completed by the Yugoslav government in the 1960s and 1970s for lead and zinc. Precious metals are often referenced in the historical and archival exploration documentation, but were not the focus of any exploration efforts, nor systematically documented. Today, it is recognized that these mineralized systems are intermediate-sulphidation epithermal in nature, and management believes that their lack of historical precious metal exploration presents significant upside potential for the Company.

In 2016, the Company purchased an exploration dataset from Dundee Precious Metals which had in previous years conducted regional exploration campaigns over parts of these licence areas. The data includes regional stream

sediment sampling results and a number of fairly detailed soil sampling grids over historical showings and gold-anomalous stream sediment and rock chip results.

During the summer of 2017, the Company completed licence-wide reconnaissance over all licences, which has included a fine-fraction stream sediment sampling program, as well as ground-truthing a series of anomalies identified within the Dundee Precious Metals dataset. Geologically, the area is dominated by the central Crnook Dome (a metamorphic core complex measuring approximately 20 kilometres across), which forms a topographically high central core to the region. The dome is ringed by a major detachment fault, which at Barje is likely a principal control on mineralization. The regional stream sediment program has also highlighted a series of gold anomalies in the north and northwest of the dome-flanks, at the contact with the regional low-grade schists. These anomalous areas will now be the focus of follow-up work to determine the anomaly sources, via targeted ridge-and-spur soil geochemistry campaigns, and to document whether the Crnook Dome is bound here by a mineralization-associated detachment fault, as it is on the southern flanks of the complex at the Barje, Liska and Karamanica Prospects of the Tlamino Project.

The Crnook Licence Group

In the fall of 2017, the Company completed a ridge-and-spur soil sampling program on the Crnook Licence Group, which is comprised of the Ljubata, Crnook and Radovnica licences wholly-owned by the Company. A total of 2,096 soil samples were collected at a sample spacing of 100 metre along lines covering the trend of a major detachment fault. The Company has interpreted the fault to have an important association with both gold-silver and lead-zinc mineralization in the region. The fault separates the Vlasina Schists from the underlying basement rocks of the Crnook Dome. It is a low-angle structure, continuous for nearly 50 kilometres, and rings the Crnook Dome. The detachment fault is thought to be a significant control on the distribution of mineralization which is believed to occur along the fault hosted in breccias (e.g. at the Barje Prospect – part of Tlamino), and also in high angle structures (e.g. Karamanica – 10 kilometres northwest of Barje) parallel and proximal to the detachment.

The program identified two areas of strongly elevated multi-element geochemistry:

- A 3 kilometre by 1 kilometre Au+As+Pb+Zn anomaly, with 10 samples assaying greater than 100 ppb Au, located on the western flanks of the Crnook Dome, and within the Ljubata licence. It occurs in proximity to a calcareous schist, of the Vlasina Unit, and also a young porphyry unit, considered to be of a similar age to the mineralization in the region, and appears to be geologically similar to the Karamanica target, located approximately 15 kilometres to the southeast.
- A 2 kilometre by 1.5 kilometre Au+As+Cu+Pb+Zn anomaly, with 4 samples assaying greater than 100 ppb Au, located on the northern edge of the Crnook Dome, also with the Ljubata licence.

Maps showing the anomalies are available on our website at: <https://medgoldresources.com/projects/crnook>

The Company intends to continue work on these areas, as well as following-up on other smaller anomalies, in the spring of 2018 once the snow has cleared. Programs of grid-soil sampling are planned, and if justified, ground geophysics.

The Tlamino Gold Project

The Tlamino Gold Project is located in southern Serbia, and includes two historical showings: Liska and Barje. Both showings are associated with a regional east-west striking detachment fault, which in the vicinity of these showings has been overlain by conglomerates. Mineralization is located at the contact of the basement metamorphic rocks and the base of the conglomerate cover. Liska, located approximately 1.5 kilometres to the southwest of Barje, was drilled in the 1970s by Yugoslav state companies, and a lensoid-shaped mineralized volume of rock with 1-2 % combined Pb & Zn was found to strike NE towards Barje. The mineralization at Liska is located at the base of the conglomerate and parallel to the slope of the detachment fault. Liska was found to contain only anomalous concentrations of precious metals. At Barje, base metal contents are lower, but precious metals are found in much higher concentrations. The area between the two showings is overlain by a thin conglomerate cover likely in the range of 50 – 100 metre in thickness, and the Company considers the exploration potential under the conglomerate, between the two showings, to be excellent.

After identifying the project in the fall 2016, the Company completed a series of saw-cut surface channel samples over the outcrop at Barje, where approximately 70 metres x 25 metres of mineralized tectonic breccia is exposed on surface at the edge of the conglomerate cover.

Results from the first two phases of sampling (CH_BAR_01-11) creates a contiguous channel interval of 84 metres at 5.6 g/t Au and 105.2 g/t Ag (or 84 metres at 7.1 g/t AuEq, using a 70:1 Ag:Au price ratio). This channel, in combination with the other parallel and conjugate channels, clearly demonstrates a consistently high-grade mineralized zone extensive over a broad area. From a total of 205 samples, combining both phases of sampling, and applying a top-cut of 31 g/t Au (affects 4 samples) and 700 g/t Ag (affects 6 samples), the average grade is 5.6 g/t Au and 130 g/t Ag, and 198 samples (97%) returned assays greater than 1 g/t Au. The overall area sampled is approximately 100 metres by 30 metres. Mineralization appears open to the west, north, and east.

The third phase of channel sampling (CH_BAR_11-13) was from an adit at Barje was excavated by a Yugoslav state company in the 1950s as part of their regional exploration for Pb-Zn mineralization. The entire surface of the exposed outcrop was channel sampled by the Company. To properly sample a short interval of collapsed material in the adit, the channels were split into three intervals (channels 12-14), each contiguous with the others, with the result that the adit was sampled from start to end. The composited grade of the adit was 2.20 g/t Au and 88 g/t Ag, with 36 out of 52 samples assaying greater than 1 g/t Au, a minimum grade of 0.49 g/t Au, and a maximum grade of 25.3 g/t Au.

From these three phases of channel sampling a total of 298 samples were collected, which includes 41 Quality Assurance samples (blanks, standards and field duplicate). A summary of the channel intervals is shown below:

Channel	Length (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)	Pb (%)	Zn (%)
CH_BAR_01	30	6.64	137.1	8.60*	0.33	0.13
CH_BAR_02	40	8.32	193.0	11.08*	0.29	0.07
CH_BAR_03	11	5.55	189.3	8.25*	0.20	0.03
CH_BAR_04	12	8.63	351.8	13.66*	0.44	0.06
CH_BAR_05	18	5.71	207.1	8.67*	0.54	0.18
CH_BAR_06	14.5	3.23	59.6	4.08*	0.28	0.01
CH_BAR_07	7	7.05	82.0	8.22*	0.61	0.02
CH_BAR_08	3	6.88	291.7	11.05*	0.37	0.02
CH_BAR_09	4	0.81	2.8	0.85*	0.01	0.02
CH_BAR_10	22	4.35	59.7	5.20*	0.13	0.02
CH_BAR_11	44	3.13	25.5	3.49*	0.07	0.01
CH_BAR_12	27	2.50	92.5	3.73*	0.30	0.75
CH_BAR_13	2	0.70	41.6	1.25*	0.06	0.43
CH_BAR_14	23	1.98	87.2	3.14*	0.19	0.40

*Gold equivalent (AuEq) calculated for gold and silver using a gold:silver price ratio of 75:1.

The channel samples described here represent the sampling of an outcrop face. The Company's current exploration model for Barje is premised on the interpretation that the outcrop face represents a faulted oblique cross-section through 'strata-bound' mineralization striking NE-SW, and located at the base of the conglomerate sequence, directly analogous to the mineralization at Liska. However, the Company does not yet have direct observational evidence to suggest its interpretation is correct. The reader is cautioned therefore that the true thickness of the mineralization described here is unknown, and further work will be required before the true thickness of mineralization can be determined.

A plan map showing the locations of the channel samples has been posted on the Company's website at <https://medgoldresources.com/tlamino/>.

Following a detailed structural interpretation of the geology between the Barje and Liska prospects, the Company has completed an Induced Polarization / Resistivity (IP-Res) geophysical study which has identified a high chargeability anomaly which extends to the west of the Barje outcrop under cover for over 1 kilometre. Furthermore, recent saw-cut channel sampling from Barje, with the objective of extending channel samples previously reported, has yielded a best intersection of 44 metres at 3.1 g/t Au, which, when composited with the results of the channel which it extends, gives an overall intersection of 84 metres at 5.6 g/t Au.

The objective of the 39 line-kilometre IP-Resistivity program was to analyse an area covering 4 square kilometres, focusing on the Barje-Liska prospects, for near-surface sulphide-rich mineralization. The program commenced at the Liska prospect, which has been historically drill-tested for Pb-Zn mineralization by the former Yugoslav government in the 1950s and 1970s, and results from both the drilling and IP-Res survey confirm a geological model for areally extensive and flat-lying mineralization.

At Barje, located 1.5 kilometres to the northeast of Liska, a large high-chargeability anomaly was identified. The anomaly measures approximately 1 kilometre east to west and approximately 400 metres north to south. The southern limit of the anomaly appears to track a large-scale regional detachment fault, which has been assumed to be a principal control on mineralization at both Barje and Liska, and its surface expression trends east-west. The anomaly continues northwards, which is considered to be the northerly extension of the same detachment fault, but beneath cover and steepening topography. Interestingly, the high-grade saw-cut channel sampling completed at the main Barje outcrop is located on the eastern flank of the chargeability anomaly. At this stage, it is unknown whether the chargeability anomaly is directly related to gold mineralization; however, it is clear that the surface rocks exposed in the area of the chargeability anomaly consist of schists which display similar alteration and mineralization as seen in the schist stratigraphically overlying the mineralization at Barje.

The mineral deposit model for the project continues to be that of intermediate sulphidation epithermal, as suggested by the Company's Technical Advisor, Dr. Richard Sillitoe, in September 2016. The principal control upon the mineralization is considered to be the low-angle detachment fault, generated following the uplift of the nearby Crnook Dome, and subsequent extensional faulting in the surrounding country rock. The faulting has created a significant thickness of tectonic breccia which has been favored by a mineralizing fluid due to its high permeability.

In April 2018, the Company was issued a drill permit for an initial drilling program comprised of 1,250 metres from 11 drill holes, which will initially test the up-dip continuation of mineralization identified in the channel sampling, and will also test the large geophysical anomaly located to the west of the high-grade Barje outcrop. The total area to be initially tested by the drilling will be approximately 200 metres east-west by 150m north-south. All the drill holes will be relatively shallow, less than 150 metres from surface, as the geological target is a flat-lying zone of intensely altered fault breccia associated with the large-scale detachment fault. Drilling is expected to commence early next week.

As there was a significant delay in receiving the drill permit, the Company and Fortuna amended the Tlamino Project Option Agreement in September 2017 to remove the requirement that Fortuna spend US\$1 million by the first anniversary. As a result, Fortuna has three years to spend US\$3 million to acquire a 51% interest in the Project.

Karamanica Prospect

The Karamanica prospect is located within the Tlamino Project, approximately eight kilometres to the northwest of Barje. Earlier in 2017, work at Karamanica identified high-grade mineralization and a best channel sample of 84 metres at 5.6 g/t Au (see news release of July 18, 2017). Karamanica is dominated by a series of large-scale northwest-trending faults, which cut packages of schists, calc-schists, and quartz-feldspar porphyry dykes.

The Company has recently completed a program of detailed mapping and rock sampling, plus grid-soil sampling at Karamanica, with samples collected on a 200 metre by 50 metre grid. Initial reconnaissance work has identified strongly altered and brecciated felsic volcanics, locally significant calcareous schists, graphitic schists, and limestones, and zones of galena-sphalerite and pyrite-silica mineralization. Despite poor outcrop exposure in the area, a total of 129 rock chip samples have been collected to date on the prospect, with 14 returning assays greater than 1 g/t Au. The rock chip samples returned highs of 11.1 g/t Au, 7.1 g/t Au and 5.5 g/t Au, typically associated with the pyrite-silica mineralization.

Results from the soil sampling program highlight two large gold-in-soil anomalies. The first extends over an area of approximately 1 kilometre by 1 kilometre, and is associated with a regional northwest-trending fault, which offsets felsic volcanic rocks from basement schists and calcareous schists. The second, located approximately 1 kilometre north of the first anomaly, extends over approximately 800 metres by 600 metres. Mineralization appears to be

associated with the presence of disseminated to massive sulphides within the host calcareous schists. The same fault structure hosts blind massive carbonate-replacement Pb-Zn-Ag mineralization.

The Company expects to complete in the summer of 2018 a ground geophysical survey over the main prospective zones of anomalous soil and rock chip geochemistry, with the aim of drill testing Karamanica in early 2019.

Portuguese Projects

The Board and Management of the Company decided in 2017 that no significant mineralization was identified on the Company's Portugal licences, no further work was justified, and Company expenditures would be more wisely spent on our rapidly developing projects in Serbia. Accordingly, the Company terminated all exploration work in Portugal, and relinquished the entire staff.

In mid-2017, the Company acquired all of the rights of Centerra Gold in the Company's Portugal licences originally optioned to Centerra, in consideration of the payment of \$100,000 and the granting of a 1% NSR royalty to Centerra. In October 2017, the Company sold its Portuguese subsidiary that held four of its Portugal licences (Boticas, Chaves, Valongo and Lagares) for €167,500 and the value of any bonds to be recovered for the Valongo and Lagares licences, to a maximum of €5,000.

In early 2015, the Company entered into an agreement whereby its subsidiary, MedgoldMinas Unipessoal Lda. ("MedgoldMinas"), proposed to acquire, subject to certain conditions, an interest in a mineral property located in Portugal, in consideration for the assumption of certain debts owing by the property owner. The conditions were not met and the transaction did not proceed. However, one of the creditors of the property owner subsequently filed a claim in Portugal against the owner for approximately €1.17 million. Upon request by the creditor, the court then added the Company and MedgoldMinas to be defendants in the event the property owner was found to be not liable to the creditor. The Company has vigorously contested being brought into this proceeding as the Company and MedgoldMinas did not consummate the transaction with the property owner, did not acquire any interest in the property, and therefore did not assume any liabilities of the owner. This proceeding is still ongoing; however management considers any claim against the Company or MedgoldMinas to be completely without merit.

Quality Assurance and Quality Control (QA-QC)

The Company follows industry best practices for its prospecting and geochemical sampling campaigns. Samples are delivered by Company personnel directly to the assay laboratory facilities in Bor, Serbia. Rock chip samples are analysed by ALS Chemex using analytical method codes Au-ICP21 and ME-MS61, with overlimits for gold and silver analysed by GRA21, and for Ag, Pb, and Zn by OG62. Stream sediment samples are sieved and dried, and analysed for gold and multi-elements using analytical method code Au-ICP21 and ME-MS61. Soil samples are sieved and dried and analysed for gold and multi-elements using analytical method code Au-TL43. The Company routinely inserts appropriate multi-element geochemical standards and blanks into its rock chip sample stream, and inserts regular field duplicate samples into the sample stream. For stream sediment and soil samples, regular field duplicates are collected to monitor laboratory performance.

Qualified Person

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

Selected Annual Information

The following table provides financial results for the years ended December 31, 2017, 2016 and 2015:

	2017 (\$)	2016 (\$)	2015 (\$)
Exploration expenditures from continuing operations	1,349,910	1,101,460	-
General and administrative expenses from continuing operations	691,312	1,054,987	677,105
Loss from continuing operations	2,036,749	2,150,592	635,951
Loss from discontinued operations	547,564	49,754	546,086
Basic and diluted loss per share from continuing operations	0.02	0.04	0.02
Basic and diluted loss per share from discontinued operations	0.01	0.00	0.01
Total assets	1,572,135	1,603,587	1,089,109
Total long-term liabilities	-	-	206,202
Cash dividends	-	-	-

As a result of the Company selling one of its Portuguese subsidiaries in October 2017, the dissolution of its subsidiary in Spain, and the cessation of operations in its other Portuguese subsidiary, the results of operations relating to Portugal and Spain have been re-classified as discontinued operations and presented as such in the Company's consolidated financial statements for the year ended December 31, 2017. The results of operations for prior periods presented in the Annual Information summary above have been restated as well.

There were no exploration expenditures from continuing operations for the 2015 fiscal year but there were exploration costs totaling \$512,331 included in discontinued operations for that year. General and administrative expenses for the 2016 fiscal year was higher than that for 2017 and 2015 due primarily to share-based payments expense relating to the granting of stock options. The share-based payment expense for 2016 was \$416,919 compared to \$128,554 for 2017 and \$46,468 for 2015. The long-term liability balance as of the end of the 2015 fiscal year was related to a convertible debenture that was settled during 2016.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2017:

	Dec. 31, 2017 (\$)	Sep. 30, 2017 (\$)	June 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)	Sep. 30, 2016 (\$)	June 30, 2016 (\$)	Mar. 31, 2016 (\$)
Exploration expenditures from continuing operations	518,490	292,466	194,861	344,093	368,881	486,585	157,211	88,783
General and administrative expenses from continuing operations	121,371	303,053	142,924	123,964	260,406	125,375	544,679	124,527
Loss from continuing operations	(638,150)	(594,182)	(337,024)	(467,393)	(624,140)	(611,252)	(701,890)	(213,310)
Income (loss) from discontinued operations	(149,293)	(31,143)	(188,916)	(178,212)	165,584	(113,917)	(31,024)	(70,397)
Basic and diluted loss per share for continuing operations	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Basic and diluted loss per share for discontinued operations	(0.00)	(0.01)	(0.00)	(0.00)	0.00	(0.00)	(0.00)	(0.00)

The results of operations for prior periods presented in the Quarterly Information summary above have been restated to reflect the operations relating to Portugal and Spain being re-classified as discontinued operations. Going forward, the removal of discontinued operations is not expected to have a significant impact on the Company's overall performance as exploration activities are currently focused on Serbia.

General and administrative expense from continuing operations for the quarters ended September 30, 2017 and June 30, 2016 were higher than most other quarters presented due to share-based payments charges of \$128,554 and \$416,919, respectively, that relate to the issuance of stock options.

Results of Operations

Quarter ended December 31, 2017

For the quarter ended December 31, 2017, the Company had a net loss of \$787,443 compared to a net loss of \$458,556 for the quarter ended December 31, 2016, an increase of \$328,887. Exploration costs from continuing operations totaled \$518,490 for the current quarter compared to \$368,881 during the comparative quarter, an increase of \$149,609. Contributing to the lower net loss for the comparative quarter is an income of \$165,584 from

discontinued operations that resulted from exploration expense cost recoveries compared to a loss of \$149,293 from discontinued operations for the current quarter.

General and administrative expenses from continuing operations totaled \$121,371 for the current quarter compared to \$260,406 for the comparative quarter, a decrease of \$139,035. The general and administrative expenses for the comparative quarter were higher due to an interest expense of \$58,759 relating to a convertible note financing that was settled in 2016 and a foreign exchange loss of \$87,690 compared to no interest expense and a foreign exchange gain of \$20,736 for the current quarter.

Year ended December 31, 2017

For the year ended December 31, 2017, the Company had a net loss of \$2,584,313 compared to a net loss of \$2,200,346 for the year ended December 31, 2016, an increase of \$383,967. Exploration costs from continuing operations for the current year were \$1,349,910 compared to \$1,101,460 for the comparative year, an increase of \$248,450. Contributing to the higher net loss for the current year is a loss of \$547,564 from discontinued operations compared to \$49,754 from discontinued operations for the comparative year. As in the quarterly comparison, the discontinued operations for the comparative year were significantly lower due to exploration cost recoveries during that year.

General and administrative expenses from continuing operations totaled \$691,312 for the current year compared to \$1,054,987 for the comparative year, a decrease of \$363,675. This decrease is primarily due to a share-based payment expense of \$416,919 being recorded in the comparative year compared to \$128,554 in the current year, a difference of \$288,365. Similar to the quarterly comparison, the comparative year recorded interest charges of \$112,852 that related to convertible note financing as well as finance costs relating to a short-term loan which was also settled in 2016 whereas no such expenses were incurred in the current year. Notable cost increases for the current year were in shareholder communications and travel costs which were due to an increase in investor relations services and promotional activities.

Liquidity and Capital Resources

The Company's cash resource as at December 31, 2017 was \$1,038,406, an increase from \$837,243 as at December 31, 2016. At December 31, 2017, the Company had current assets totaling \$1,271,639 and current liabilities totaling \$123,170, for working capital of \$1,148,469.

During the year ended December 31, 2017, the Company received \$2,481,295 through the exercise of 16,700,073 share purchase warrants. Of these warrant proceeds, \$1,500,000 was from Fortuna, of which at least 80% was required to be used towards project generation and exploration activity in Serbia. The proceeds from other warrant exercises are being used for exploration work and general working capital requirements. The Company also received cash of \$215,700 during the current year and \$28,041 subsequent to year end relating to the sale of a Portuguese subsidiary.

The Company does not expect its capital resources as of December 31, 2017 to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors including potential property acquisitions and exploration activity.

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.

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 consolidated financial statements.

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

General Objectives, Policies and Processes:

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

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2017, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2017, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2017			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 209,858	\$ 9,134	\$ 10,990	\$ 106,854
Amounts receivable	-	-	5,410	24,866
Accounts payable and accrued liabilities	(30,491)	(724)	(20,474)	(8,283)
Net exposure	\$ 179,367	\$ 8,410	\$ (4,074)	\$ 123,437

Based on the above net exposures at December 31, 2017, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$30,700 (2016: \$31,900) increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2017, the Company does not have any borrowings. 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.

Related Party Transactions

The Company had transactions during the periods ended December 31, 2017 and 2016 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
Fortuna	Investment in the Company and mineral property option agreement

During the periods ended December 31, 2017 and 2016, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
General and administrative expenses:				
Office and administration	\$ 23,406	\$ 20,584	\$ 88,657	\$ 85,076
Salaries and benefits	27,623	28,410	108,890	108,817
Shareholder communications	71	-	3,081	1,241
Transfer agent and regulatory fees	1,653	100	6,918	4,249
Travel and accommodation	2,852	593	14,514	14,078
	\$ 55,605	\$ 49,687	\$ 222,060	\$ 213,461

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the years ended December 31, 2017 and 2016 include those for the Chief Financial Officer and the Corporate Secretary.

During the year ended December 31, 2017, the Company reimbursed Radius \$134,304 (2016: \$91,546) in shared salary and benefits for the services of a geological consultant.

During the year ended December 31, 2017, the Company reimbursed Focus \$Nil (2016: \$9,150) in shared salary and benefits costs for the Company's former vice-president.

Prepaid expenses and deposits as at December 31, 2017 include an amount of \$1,248 (2016: \$1,122) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.

Long-term deposits as of December 31, 2017 consists of \$61,000 (2016: \$61,000) paid to Gold Group as a deposit pursuant to an office and administrative agreement.

Amounts due to related parties as of December 31, 2017 consist of \$19,400 (2016: \$18,792) owing to Gold Group for accrued shared administrative costs and \$Nil (2016: \$13,968) owing to Radius for shared personnel costs. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amount for Radius was unsecured, interest-free and had no specific terms of repayment.

Fortuna acquired 10,000,000 common shares of the Company by way of exercising 10,000,000 share purchase warrants at a cost of \$1,500,000 (2016: acquired 10,000,000 common shares of the Company by way of a private placement for \$1,500,000 and entered into a strategic alliance relating to project generation in Serbia). As a result of its warrant exercise in 2017, Fortuna owns 20,000,000 common shares of the Company, or approximately 24% of the issued capital of the Company at the time of exercise. According to TSX Venture Exchange policies, Fortuna is deemed to be a control person of the Company as it owns more than 20% of the issued shares of the Company.

During the year ended December 31, 2016, Radius exercised 2,000,000 share purchase warrants at a cost of \$300,000 (Note 10), thereby acquiring 2,000,000 common shares of the Company.

Key Management Compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 2017 and 2016 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Management fees	\$ 35,072	\$ 35,820	\$ 126,320	\$ 129,027
Geological fees	47,928	46,230	162,301	148,541
Salaries and benefits	10,450	9,167	34,279	28,875
Value of stock option grants recorded as share-based payments	-	-	-	137,357
	\$ 93,450	\$ 91,217	\$ 322,900	\$ 443,800

During the year ended December 31, 2017, the Company issued in instalments, a total of 215,557 common shares of the Company (2016: 300,000 common shares) to Daniel James, a director and officer, in part consideration for his ongoing services as the Company's President during 2017. Included in management fees during the year ended December 31, 2017 is the total fair value of the share issuances of \$43,000 (2016: \$46,875).

There were no share-based payments to directors not specified as key management personnel during the year ended December 31, 2017 (2016: \$96,956 recorded as share-based based payments expense)..

Other Data

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

Share Position and Outstanding Options

As at April 25, 2018, the Company's outstanding share position is 89,516,232 common shares and the following stock options and share purchase warrants are outstanding:

No. of options	Exercise price	Expiry date
100,000	\$0.20	February 7, 2019
3,230,000	\$0.15	February 23, 2024
2,170,000	\$0.15	June 28, 2026
570,000	\$0.20	July 24, 2027
150,000	\$0.20	February 7, 2028
6,220,000		

Future Accounting Changes

The Company will be required to adopt the following standards and amendments issued by the IASB as described below. There is no significant impact of the new standards and amendments expected on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

Issued by IASB July 2014

Effective for annual periods beginning January 1, 2018

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

IFRS 16 Leases

Issued by IASB January 2016

Effective for annual periods beginning January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.

- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

Issued by IASB November 2016

Effective for annual periods beginning January 1, 2018

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share

price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues and corresponding effect on the Company's financial position.

Political, Regulatory and Currency Risks

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