



FINANCIAL REVIEW

First Quarter Ended March 31, 2018



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2018

(Expressed in Canadian Dollars)

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

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	\$ 831,513	\$ 1,038,406
Amounts receivable	166,060	204,937
Prepaid expenses and deposits (Note 12)	66,357	28,296
Total current assets	1,063,930	1,271,639
Non-current assets		
Long-term deposits (Note 12)	61,000	61,000
Exploration bonds	17,455	16,557
Property and equipment (Note 7)	168,944	179,919
Exploration and evaluation assets (Note 8)	43,020	43,020
Total non-current assets	290,419	300,496
	\$ 1,354,349	\$ 1,572,135
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 180,757	\$ 103,770
Due to related parties (Note 12)	30,001	19,400
Total liabilities	210,758	123,170
Shareholders' equity		
Share capital (Note 9)	12,313,267	12,313,267
Other equity reserves (Note 9)	1,124,584	1,095,432
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(12,136,308)	(11,801,782)
Total shareholders' equity	1,143,591	1,448,965
	\$ 1,354,349	\$ 1,572,135

APPROVED ON BEHALF OF THE BOARD ON MAY 28, 2018:

"Simon Ridgway"
Simon Ridgway, Director

"Daniel James"
Daniel James, Director

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended March 31,	
	2018	2017
Exploration expenditures (Note 11)	\$ 188,967	\$ 344,093
General and administrative expenses		
Depreciation	10,975	4,740
Foreign exchange loss (gain)	(29,293)	478
Office and administration (Note 12)	19,808	20,440
Legal and accounting	2,271	2,555
Management fees (Note 12)	27,600	26,320
Salaries and benefits (Note 12)	22,954	27,054
Shareholder communications (Note 12)	43,482	20,386
Share-based payments (Note 10)	29,152	-
Transfer agent and regulatory fees (Note 12)	9,017	11,695
Travel and accommodation (Note 12)	10,854	10,296
	146,820	123,964
Loss before other items	(335,787)	(468,057)
Other item		
Interest and other income	1,261	664
Loss from continuing operations	(334,526)	(467,393)
Loss on discontinued operations (Note 6)	-	(178,212)
Net loss for the period	\$ (334,526)	\$ (645,605)
Loss per share from continuing operations, basic and diluted	\$(0.00)	\$(0.01)
Loss per share from discontinued operations, basic and diluted	-	\$(0.00)
Weighted average number of shares outstanding	89,516,232	79,537,758

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

Medgold Resources Corp.

(Exploration Stage Company)

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

For the three months ended March 31, 2018 and 2017

(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			
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 period	-	-	-	-	-	(645,605)	(645,605)
Warrants exercised	12,413,573	1,838,320	-	-	-	-	1,838,320
Transfer of reserves on exercise of warrants	-	371,009	(371,009)	-	-	-	-
Balance, March 31, 2017	85,014,175	11,473,829	170,384	949,957	(173,664)	(9,863,074)	2,557,432
Loss for the period	-	-	-	-	-	(1,938,708)	(1,938,708)
Shares issued for services	215,557	43,000	-	-	-	-	43,000
Warrants exercised	4,286,500	642,975	-	-	-	-	642,975
Transfer of reserves on exercise of warrants	-	153,463	(153,463)	-	-	-	-
Share-based payments	-	-	-	128,554	-	-	128,554
Unrealized foreign exchange gain	-	-	-	-	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
Loss for the period	-	-	-	-	-	(334,526)	(334,526)
Share-based payments	-	-	-	29,152	-	-	-
Balance, March 31, 2018	89,516,232	\$ 12,313,267	\$ 16,921	\$ 1,107,663	\$ (157,952)	\$ (12,136,308)	\$ 1,143,591

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended March 31,	
	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss from continuing operations for the period	\$ (334,526)	\$ (467,393)
Items not involving cash:		
Depreciation	10,975	4,740
Share-based payments	29,152	-
	(294,399)	(462,653)
Changes in non-cash working capital balances:		
Amounts receivable	39,170	46,847
Prepaid expenses and deposits	(38,061)	(27,966)
Accounts payable and accrued liabilities	75,457	(35,110)
Due to related parties	10,601	9,022
Operating cash flow used by continuing operations	(207,232)	(469,860)
Operating cash flow provided from (used by) discontinued operations	1,237	(177,186)
Net cash used by operating activities	(205,995)	(647,046)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	-	1,838,320
Cash provided from financing activities	-	1,838,320
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(66,659)
Net cash used by investing activities	-	(66,659)
Effect of changes in exchange rates on cash	(898)	(2,550)
Increase (decrease) in cash	(206,893)	1,122,065
Cash, beginning of period	1,038,406	837,243
Cash, end of period	\$ 831,513	\$ 1,959,308

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These condensed interim consolidated financial statements of the Company as at March 31, 2018 and for the period then ended include the Company and its subsidiaries (Note 2).

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At March 31, 2018, the Company had not yet achieved profitable operations, has accumulated losses of \$12,136,308 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.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

The condensed interim consolidated financial statements are presented in Canadian dollars ("CAD").

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

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

Details of the Company's principal subsidiaries as at March 31, 2018 are as follows:

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

Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. 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.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS

The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2018:

Amendment to IFRS 2 Share-based Payment

IFRS 2 Share-based Payment clarifies the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features for withholding tax obligations and modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity settled. This amendment did not have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss (“ECL”) impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The adoption of IFRS 9 did not have a material impact the Company's classification and measurement of financial assets and liabilities. The standard also had no impact on the carrying amounts of our financial instruments as at the transition date of January 1, 2018.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 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*.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

In respect of costs incurred for its investment in exploration and evaluation assets, management has determined there are indicators of impairment. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

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

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

6. DISCONTINUED OPERATIONS

During the 2017 fiscal year, 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) of which €19,000 (\$28,041) of this amount was received during the period ended March 31, 2018. 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 (\$150,737).

The MedCenterra results of operations for the period ended March 31, 2017 are presented as discontinued operations.

Due to the Company's decision during the 2017 fiscal year 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 period ended March 31, 2017.

There were no results from discontinued operations for the period ended March 31, 2018.

Results of discontinued operations	Three months ended March 31,	
	2018	2017
Exploration expenditures	\$ -	\$ 174,285
Depreciation	-	3,927
Loss for the period	\$ -	\$ 178,212

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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
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
Additions	-	-	-	-	-
Balance, March 31, 2018	\$ 12,906	\$ 188,331	\$ 25,487	\$ 25,299	\$ 252,023
Accumulated amortization					
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
Charge for period for continuing operations	450	8,109	1,398	1,018	10,975
Balance, March 31, 2018	\$ 9,900	\$ 52,431	\$ 10,727	\$ 10,021	\$ 83,079
Carrying amounts					
At December 31, 2017	\$ 3,456	\$ 144,009	\$ 16,158	\$ 16,296	\$ 179,919
At March 31, 2018	\$ 3,006	\$ 135,900	\$ 14,760	\$ 15,278	\$ 168,944

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2017 to March 31, 2018:

		Serbia
Balance, December 31, 2016	\$	43,020
Balance, December 31, 2017		43,020
Balance, March 31, 2018	\$	43,020

Serbia

a) Exploration Licences

As of March 31, 2018, the Company held five granted exploration 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 2017 fiscal year, 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 during the 2017 fiscal year to earn up to a 70% interest in that project.

The Company and Fortuna have one common director.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

Common Shares

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

There was no share capital activity during the period ended March 31, 2018.

Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2017 to March 31, 2018 is as follows:

	Number of warrants	Weighted average exercise price
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	-	-
Balance, March 31, 2018	-	-

As of March 31, 2018 there were no share purchase warrants outstanding.

10. SHARE-BASED PAYMENTS

Option Plan Details

The Company has in place a stock option plan (the "Plan"), which allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX 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 period ended March 31, 2018:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Forfeited/cancelled		
February 7, 2019	\$0.20	-	100,000	-	-	100,000	25,000
February 23, 2024	\$0.15	3,230,000	-	-	-	3,230,000	3,230,000
June 28, 2026	\$0.15	2,170,000	-	-	-	2,170,000	2,170,000
July 24, 2027	\$0.20	645,000	-	-	(75,000)	570,000	570,000
February 7, 2028	\$0.20	-	150,000	-	-	150,000	150,000
		6,045,000	250,000	-	(75,000)	6,220,000	6,145,000
Weighted average exercise price		\$0.16	\$0.20	-	\$0.20	\$0.16	\$0.16

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended March 31, 2018 was \$0.13 per option.

The weighted average remaining contractual life of the options outstanding at March 31, 2018 is 7.05 (December 31, 2017: 7.36) 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

The model inputs for options granted during the period ended March 31, 2018 included expected volatility factors ranging from 65% to 119%, risk-free interest rates ranging from 1.63% to 2.41%, expected life ranging from one to 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 condensed interim consolidated statements of comprehensive loss.

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

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

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based compensation during the period ended March 31, 2018 was \$29,152 (2017: \$Nil).

As of March 31, 2018, unrecognized compensation costs related to unvested share-based payment awards totaled \$4,478 (2017: \$Nil).

Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized during the periods ended March 31, 2018 and 2017.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

11. EXPLORATION EXPENDITURES

During the three months ended March 31, 2018, the Company incurred the following exploration expenditures:

	Serbia		Total
	Tlaminio	General	
Field expenses	\$ 3,925	\$ 707	\$ 4,632
Geological and other consulting	27,087	60,532	87,619
Licenses, rights and taxes	25,160	36,052	61,212
Office and administration	11,804	14,334	26,138
Salaries and benefits	46,699	67,200	113,899
Travel	16,624	10,142	26,766
	\$ 131,299	\$ 188,967	\$ 320,266
Expense recoveries	(131,299)	-	(131,299)
Balance, end of period	\$ -	\$ 188,967	\$ 188,967

During the three months ended March 31, 2017, the Company incurred the following exploration expenditures:

	Total continuing operations Serbia	Discontinued operations Portugal
Assaying	\$ -	\$ 1,989
Field expenses	7,939	-
Geological and other consulting	108,185	141,577
Licenses, rights and taxes	66,669	-
Office and administration	24,785	27,652
Salaries and benefits	92,810	5,733
Travel	43,705	12,560
	344,093	189,511
Expense recoveries	-	(15,226)
Balance, end of period	\$ 344,093	\$ 174,285

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended March 31, 2018 and 2017 with related parties who consisted of directors, officers and the following companies with common directors:

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

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

- a) During the periods ended March 31, 2018 and 2017, the Company reimbursed Gold Group for the following costs:

	Three months ended March 31,	
	2018	2017
General and administrative expenses:		
Office and administration	\$ 19,013	\$ 18,855
Salaries and benefits	22,954	26,777
Shareholder communications	1,469	2,132
Transfer agent and regulatory fees	760	2,716
Travel and accommodation	2,041	7,807
	\$ 46,237	\$ 58,287

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the periods ended March 31, 2018 and 2017 include those for the Chief Financial Officer and the Corporate Secretary. .

- b) During the period ended March 31, 2018, the Company reimbursed Radius, a company with a common director, \$12,079 (2017: \$33,927) for the services of a geological consultant.
- c) Prepaid expenses and deposits as at March 31, 2018 include an amount paid to Gold Group of \$623 (December 31, 2017: \$1,248) for administrative expenses paid in advance on the Company's behalf,
- d) Long-term deposits as of March 31, 2018 consists of \$61,000 (December 31, 2017: \$61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.
- e) Amounts due to related parties as of March 31, 2018 consist of \$17,922 (December 31, 2017: \$19,400) owing to Gold Group and \$12,079 (December 31, 2017: \$ Nil) owing to Radius. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amount for Radius is unsecured, interest-free and has no specific terms of repayment.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended March 31, 2018 and 2017 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended March 31,	
	2018	2017
Management fees	\$ 27,600	\$ 27,448
Geological fees	33,900	33,673
Salaries and benefits	6,875	6,875
	\$ 68,375	\$ 67,996

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at March 31, 2018, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at March 31, 2018, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	March 31, 2018			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 206,568	\$ 9,416	\$ 11,585	\$ 162,075
Amounts receivable	-	-	5,703	2,263
Accounts payable and accrued liabilities	(32,549)	-	(21,582)	(26,688)
Net exposure	\$ 174,019	\$ 9,416	\$ (4,294)	\$ 137,650

	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 March 31, 2018, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$31,700 (December 31, 2017: \$30,700) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at March 31, 2018, 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 March 31, 2018, the Company had working capital of \$853,172 (December 31, 2017: \$1,148,469). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

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

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

Fair Value Hierarchy

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

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

The fair values of the Company's financial assets measured at fair value on a recurring basis as of March 31, 2018 were calculated as follows:

	Balance at March 31, 2018	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 831,513	\$ 831,513	\$ -	\$ -

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity. There were no changes in the Company's capital management approach during the period ended March 31, 2018.

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 March 31, 2018 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.

15. SEGMENTED REPORTING

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

Period ended March 31, 2018	Canada	England	Serbia	Total continuing operations
Exploration expenditures	\$ -	\$ -	\$ 188,967	\$ 188,967
Interest and other income	1,261	-	-	1,261
Net income (loss)	133,047	(169,921)	(297,652)	(334,526)

Period ended March 31, 2017	Canada	England	Serbia	Total continuing operations	Discontinued operations
Exploration expenditures	\$ -	\$ -	\$ 344,093	\$ 344,093	\$ 174,285
Interest and other income	664	-	-	664	-
Net loss	(62,823)	(37,732)	(352,325)	(452,880)	(192,725)
Capital expenditures*	-	-	66,659	66,659	-

*Capital expenditures consists of additions of property and equipment

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

15. SEGMENTED REPORTING (continued)

As at March 31, 2018	Canada	England	Serbia	Portugal	Consolidated
Total current assets	\$ 511,688	\$ 359,240	\$ 175,714	\$ 17,288	\$ 1,063,930
Total non-current assets	63,7638	11,032	198,424	17,200	290,419
Total assets	\$ 575,451	\$ 370,272	\$ 374,138	\$ 34,488	\$ 1,354,349
Total liabilities	\$ 121,730	\$ 32,549	\$ 26,688	\$ 29,791	\$ 210,758

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

16. CHANGE IN PRESENTATION

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

17. EVENTS AFTER THE REPORTING DATE

Subsequent to March 31, 2018, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

- 250,000 stock options with an exercise price of \$0.15 and 120,000 stock options with an exercise price of \$0.20 were exercised and 30,000 stock options with an exercise price of \$0.20 were forfeited.



(the “Company”)

INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the Three Months Ended March 31, 2018

General

This interim Management’s Discussion and Analysis (“Interim MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2018. The following information, prepared as of May 28, 2018, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for three months ended March 31, 2018 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2017 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2018 condensed interim consolidated financial statements have not been reviewed by the Company’s auditors.

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

Forward Looking Information

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

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

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

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

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

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

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

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

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

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

Business of the Company

The Company is a Vancouver based 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.

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. As there was a significant delay in receiving a drill permit for the Project, 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.

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 anomalies were investigated in Q3 and Q4 2017 with a ridge-and-spur soil sampling program to document whether the detachment fault west and northwest of Barje is also prospective for gold-silver mineralization. Results are discussed below.

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 using a ridge-and-spur sampling approach to effectively cover 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.

Drill Program

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 drill program commenced in early May and is ongoing. The total area to be initially tested by the drilling will be approximately 200 metres east-west by 150 metres 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.

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.

Portugal

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 €95,000.

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 Interim MD&A.

Quarterly Information

The following table provides information for the eight fiscal quarters ended March 31, 2018:

	Mar. 31, 2018 (\$)	Dec. 31, 2017 (\$)	Sep. 30, 2017 (\$)	June 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)	Sep. 30, 2016 (\$)	June 30, 2016 (\$)
Exploration expenditures from continuing operations	188,967	518,490	292,466	194,861	344,093	368,881	486,585	157,211
General and administrative expenses from continuing operations	146,820	121,371	303,053	142,924	123,964	260,406	125,375	544,679
Loss from continuing operations	(334,526)	(638,150)	(594,182)	(337,024)	(467,393)	(624,140)	(611,252)	(701,890)
Income (loss) from discontinued operations	-	(149,293)	(31,143)	(188,916)	(178,212)	165,584	(113,917)	(31,024)
Basic and diluted loss per share for continuing operations	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Basic and diluted income (loss) per share for discontinued operations	-	(0.00)	(0.01)	(0.00)	(0.00)	0.00	(0.00)	(0.00)

As a result of the Company selling one of its Portuguese subsidiaries, the dissolution of its subsidiary in Spain, and the cessation of operations in its other Portuguese subsidiary during the 2017 fiscal year, the results of operations relating to Portugal and Spain were re-classified as discontinued operations in 2017. The results of operations for prior periods presented in the Quarterly Information summary above were restated as well.

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 March 31, 2018

For the quarter ended March 31, 2018, the Company had a net loss of \$334,526 compared to a net loss of \$645,605 for the quarter ended March 31, 2017, a decrease of \$311,079. This decrease is due to exploration costs of \$188,967 being recorded in the current quarter compared to \$344,093 in exploration costs for continuing operations during the comparative quarter, a decrease of \$155,126, and costs for discontinued operations totaling \$178,212 for the comparative period compared to none for the current period. Exploration costs for the current quarter were also less than the comparative period because of a cost recovery of \$131,299 relating to funding from Fortuna pursuant to their option agreement with the Company on the Tlamino Project in Serbia.

General and administrative expenses totaled \$146,820 for the current quarter compared to \$123,964 for the comparative quarter, an increase of \$22,856. General and administrative costs for the current quarter included a foreign exchange gain of \$29,293 which was offset by a share-based payments expense of \$29,152. The share-based payments expense relates to the granting of stock options during the current period. There was no share-based payments expense recorded in the comparative quarter and a minimal foreign exchange loss of \$478. A notable cost increase in the current quarter was \$23,096 in shareholder communications which was due to the Company entering into an investor relations services agreement during the current quarter.

Liquidity and Capital Resources

The Company's cash resource as at March 31, 2018 was \$831,513, a decrease from \$1,038,406 as at December 31, 2017. At March 31, 2018, the Company had current assets totaling \$1,063,930 and current liabilities totaling \$210,758, for working capital of \$853,172.

During the 2017 fiscal year, 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 2017 fiscal year and \$28,041 during the period ended March 31, 2018 relating to the sale of a Portuguese subsidiary in 2017.

The Company does not expect its capital resources as of March 31, 2018 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.

Related Party Transactions

See Note 12 of the condensed interim consolidated financial statements for the three months ended March 31, 2018 for details of other related party transactions which occurred in the normal course of business.

Other Data

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

Share Position and Outstanding Options

As at May 28, 2018, the Company's outstanding share position is 89,886,232 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
1,920,000	\$0.15	June 28, 2026
420,000	\$0.20	July 24, 2027
150,000	\$0.20	February 7, 2028
5,820,000		

Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2017. The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2018:

Amendment to IFRS 2 Share-based Payment

IFRS 2 Share-based Payment clarifies the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features for withholding tax obligations and modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity settled. This amendment did not have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments

The Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss (“ECL”) impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not have a material impact the Company's classification and measurement of financial assets and liabilities. The standard also had no impact on the carrying amounts of our financial instruments as at the transition date of January 1, 2018.

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.