



FINANCIAL REVIEW

Third Quarter Ended September 30, 2018



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 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 nine months ended September 30, 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)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	\$ 519,462	\$ 1,038,406
Amounts receivable	191,218	204,937
Prepaid expenses and deposits (Note 12)	51,127	28,296
Total current assets	761,807	1,271,639
Non-current assets		
Long-term deposits (Note 12)	61,000	61,000
Exploration bonds	16,522	16,557
Property and equipment (Note 7)	161,142	179,919
Exploration and evaluation assets (Note 8)	43,020	43,020
Total non-current assets	281,684	300,496
	\$ 1,043,491	\$ 1,572,135
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 100,898	\$ 103,770
Due to related parties (Note 12)	39,970	19,400
Exploration advances (Note 12)	272,312	-
Total liabilities	413,180	123,170
Shareholders' equity		
Share capital (Note 9)	12,439,083	12,313,267
Other equity reserves (Note 9)	1,169,204	1,095,432
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(12,820,024)	(11,801,782)
Total shareholders' equity	630,311	1,448,965
	\$ 1,043,491	\$ 1,572,135

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 26, 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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Exploration expenditures (Note 11)	\$ 89,726	\$ 292,466	\$ 381,795	\$ 831,420
General and administrative expenses				
Depreciation	10,348	9,602	31,189	23,748
Foreign exchange loss (gain)	20,059	7,535	3,623	(8,816)
Office and administration (Note 12)	14,136	25,457	53,785	71,921
Legal and accounting	6,039	13,749	48,754	49,956
Management fees (Note 12)	27,600	36,200	82,800	90,120
Salaries and benefits (Note 12)	23,926	26,484	70,864	82,937
Shareholder communications (Note 12)	29,150	33,943	144,883	80,329
Share-based payments (Note 10)	107,634	128,554	138,088	128,554
Transfer agent and regulatory fees (Note 12)	1,439	1,389	13,882	17,048
Travel and accommodation (Note 12)	15,026	20,140	52,060	34,144
	255,357	303,053	639,928	569,941
Loss before other items	(345,083)	(595,519)	(1,021,723)	(1,401,361)
Other items				
Interest and other income	1,285	1,337	3,481	2,762
Loss from continuing operations	(343,798)	(594,182)	(1,018,242)	(1,398,599)
Loss on discontinued operations (Note 6)	-	(31,143)	-	(398,271)
Loss and comprehensive loss for the period	\$ (343,798)	\$ (625,325)	\$ (1,018,242)	\$ (1,796,870)
Loss per share from continuing operations, basic and diluted	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.02)
Loss per share from discontinued operations, basic and diluted	\$ -	\$(0.00)	\$ -	\$(0.01)
Weighted average number of shares outstanding	89,886,232	85,693,384	89,711,397	83,437,654

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 nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves				Deficit	Total shareholders' equity
			Warrants reserve	Share-based payment reserve	Accumulated other comprehensive income (loss)			
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	-	-	-	-	-	(1,796,870)	(1,796,870)	
Shares issued for services	97,727	21,500	-	-	-	-	21,500	
Warrants exercised	16,700,073	2,481,295	-	-	-	-	2,481,295	
Transfer of reserves on exercise of warrants	-	507,172	(507,172)	-	-	-	-	
Share-based payments	-	-	-	128,554	-	-	128,554	
Balance, September 30, 2017	89,398,402	12,274,467	34,221	1,078,511	(173,664)	(11,014,339)	2,199,196	
Loss for the period	-	-	-	-	-	(787,443)	(787,443)	
Shares issued for services	117,830	21,500	-	-	-	-	21,500	
Transfer of reserves on exercise of warrants	-	17,300	(17,300)	-	-	-	-	
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	-	-	-	-	-	(1,018,242)	(1,018,242)	
Options exercised	370,000	61,500	-	-	-	-	61,500	
Transfer of reserves on exercise of options	-	64,316	-	(64,316)	-	-	-	
Share-based payments	-	-	-	138,088	-	-	138,088	
Balance, September 30, 2018	89,886,232	\$ 12,439,083	\$ 16,921	\$ 1,152,283	\$ (157,952)	\$ (12,820,024)	\$ 630,311	

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss from continuing operations for the period	\$ (343,798)	\$ (594,182)	\$ (1,018,242)	\$ (1,398,599)
Items not involving cash:				
Shares issued for management fees	-	21,500	-	21,500
Depreciation	10,348	9,602	31,189	23,748
Share-based payments	107,634	128,554	138,088	128,554
	(225,816)	(434,526)	(848,965)	(1,224,797)
Changes in non-cash working capital balances:				
Amounts receivable	(26,291)	(2,373)	8,309	55,781
Prepaid expenses and deposits	(24,632)	(92,458)	(22,831)	(114,570)
Accounts payable and accrued liabilities	(57,756)	(16,294)	25,389	(7,514)
Due to related parties	737	6,250	20,570	23,617
Exploration advances	272,312	-	272,312	-
Operating cash flow used by continuing operations	(61,446)	(539,401)	(545,216)	(1,267,483)
Operating cash flow used by discontinued operations	-	(164,450)	(22,851)	(467,681)
Net cash used by operating activities	(61,446)	(703,851)	(568,067)	(1,735,164)
FINANCING ACTIVITIES				
Net proceeds from issuance of common shares	-	642,975	61,500	2,481,295
Net cash provided from financing activities	-	642,975	61,500	2,481,295
INVESTING ACTIVITIES				
Purchase of property and equipment	(10,097)	3,149	(12,412)	(111,236)
Cash provided from (used by) continuing operations	(10,097)	3,149	(12,412)	(111,236)
Cash provided from discontinued operations	-	25,022	-	25,022
Net cash provided from (used by) investing activities	(10,097)	28,171	(12,412)	(86,214)
Effect of changes in exchange rates on cash	374	(2,487)	35	(21,252)
Increase (decrease) in cash	(71,169)	(35,192)	(518,944)	638,665
Cash, beginning of period	590,631	1,511,100	1,038,406	837,243
Cash, end of period	\$ 519,462	\$ 1,475,908	\$ 519,462	\$ 1,475,908

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 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 September 30, 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 September 30, 2018, the Company had not yet achieved profitable operations, has accumulated losses of \$12,820,024 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 nine months ended September 30, 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 September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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 nine months ended September 30, 2018

(Expressed in Canadian Dollars)

6. DISCONTINUED OPERATIONS

During the 2017 fiscal year, the Company sold its 100% interest in its Portuguese subsidiary MedCenterra Unipessoal Lda. ("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 September 30, 2018. The Company was also entitled to receive a 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, of which €15,000 (\$22,479) was received during the period ended September 30, 2018 and €80,000 (\$119,008) was received subsequently.

The MedCenterra results of operations for the period ended September 30, 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. ("MedgoldMinas") and its dissolved Spanish subsidiary, Medgold Minera Sociedad Limitada, are also presented as discontinued operations for the period ended September 30, 2017.

There were no results from discontinued operations for the period ended September 30, 2018.

Results of discontinued operations	Nine months ended September 30,	
	2018	2017
Exploration expenditures	\$ -	\$ 384,740
Depreciation	-	11,919
Loss on disposal of equipment	-	1,612
Loss for the period	\$ -	\$ 398,271

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 nine months ended September 30, 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	-	-	-	12,412	12,412	
Balance, September 30, 2018	\$ 12,906	\$ 188,331	\$ 25,487	\$ 37,711	\$ 264,435	
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	1,350	22,109	4,194	3,536	31,189	
Balance, September 30, 2018	\$ 10,800	\$ 66,431	\$ 13,523	\$ 12,539	\$ 103,293	
Carrying amounts						
At December 31, 2017	\$ 3,456	\$ 144,009	\$ 16,158	\$ 16,296	\$ 179,919	
At September 30, 2018	\$ 2,106	\$ 121,900	\$ 11,964	\$ 25,172	\$ 161,142	

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 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 September 30, 2018:

		Serbia
Balance, December 31, 2016	\$	43,020
Balance, December 31, 2017		43,020
Balance, September 30, 2018	\$	43,020

Serbia

a) Exploration Licences

As of September 30, 2018, the Company held five granted exploration licences. Two of the licences, Donje Tlamino and Surlica-Dukat, comprise the Tlamino Project and the remaining three licences, Ljubata, Crnook, and Radovnica, comprise the Ljubata Project.

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 nine months ended September 30, 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.

During the period ended September 30, 2018, a total of 370,000 options were exercised for gross proceeds of \$61,500. The Company reallocated the fair value of these options previously recorded in the amount of \$64,316 from other equity reserve to share capital.

Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2017 to September 30, 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, September 30, 2018	-	-

As of September 30, 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 September 30, 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	50,000
February 23, 2024	\$0.15	3,230,000	-	-	-	3,230,000	3,230,000
June 28, 2026	\$0.15	2,170,000	-	(250,000)	-	1,920,000	1,920,000
July 24, 2027	\$0.20	645,000	-	(120,000)	(105,000)	420,000	420,000
February 7, 2028	\$0.20	-	150,000	-	-	150,000	150,000
July 24, 2028	\$0.37	-	300,000	-	-	300,000	300,000
		6,045,000	550,000	(370,000)	(105,000)	6,120,000	6,070,000
Weighted average exercise price		\$0.16	\$0.29	\$0.17	\$0.20	\$0.17	\$0.17

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 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 September 30, 2018 was \$0.21 per option.

The weighted average remaining contractual life of the options outstanding at September 30, 2018 is 6.60 (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 September 30, 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 September 30, 2018 was \$138,088 (2017: \$128,554).

As of September 30, 2018, unrecognized compensation costs related to unvested share-based payment awards totaled \$1,860 (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 September 30, 2018 and 2017.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

11. EXPLORATION EXPENDITURES

During the nine months ended September 30, 2018, the Company incurred the following exploration expenditures:

	Serbia			Total
	Tlmino Project	Ljubata Project	Other	
Assaying	\$ 123,363	\$ 5,452	\$ 8,923	\$ 137,738
Drilling	364,323	-	-	364,323
Field expenses	41,041	6,517	-	47,558
Geological and other consulting	220,127	102,097	460	322,684
Licenses, rights and taxes	24,985	35,749	17,738	78,472
Office and administration	76,050	37,399	2,524	115,973
Salaries and benefits	271,763	107,000	22,486	401,249
Travel	77,304	34,803	647	112,754
	1,198,956	329,017	52,778	1,580,751
Expense recoveries*	(1,198,956)	-	-	(1,198,956)
Balance, end of period	\$ -	\$ 329,017	\$ 52,778	\$ 381,795

During the nine months ended September 30, 2017, the Company incurred the following exploration expenditures:

	Continuing operations - Serbia			Discontinued operations Portugal
	Tlmino Project	Other	Total Serbia	
Assaying	\$ 27,511	\$ 36,705	\$ 64,216	\$ 1,989
Field expenses	33,967	25,123	59,090	-
Geological and other consulting	186,462	214,954	401,416	141,577
Geophysics	73,297	-	73,297	-
Licenses, rights and taxes	22,951	61,659	84,610	14,458
Office and administration	48,989	67,891	116,880	33,648
Salaries and benefits	173,363	216,016	389,379	190,131
Travel	45,536	99,836	145,372	18,163
	612,076	722,184	1,334,260	399,966
Expense recoveries*	(502,840)	-	(502,840)	(15,226)
Balance, end of period	\$ 109,236	\$ 722,184	\$ 831,420	\$ 384,740

* Expense recoveries for the Tlmino Project consist of funding from Fortuna per their option agreement with the Company (Note 8).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended September 30, 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
Mill Street Services Ltd. ("Mill Street")	Management services
Wellhead Management Ltd. ("Wellhead")	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 September 30, 2018 and 2017, the Company reimbursed Gold Group, a private company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
General and administrative expenses:				
Office and administration	\$ 13,763	\$ 22,046	\$ 52,246	\$ 65,251
Salaries and benefits	23,700	26,485	70,174	81,267
Shareholder communications	-	856	1,775	3,010
Transfer agent and regulatory fees	-	45	2,639	5,265
Travel and accommodation	4,443	1,221	8,970	11,662
	\$ 41,906	\$ 50,653	\$ 135,804	\$ 166,455

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 September 30, 2018 and 2017 include those for the Chief Financial Officer and the Corporate Secretary.

- b) During the period ended September 30, 2018, the Company reimbursed Radius, a company with a common director, \$12,079 (2017: \$101,304) for the services of a geological consultant.
- c) Prepaid expenses and deposits as at September 30, 2018 include an amount paid to Gold Group of \$3,551 (December 31, 2017: \$1,248) for administrative expenses paid in advance on the Company's behalf.
- d) Long-term deposits as of September 30, 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 September 30, 2018 consist of \$29,905 (December 31, 2017: \$19,400) owing to Gold Group and \$10,065 (December 31, 2017: \$ Nil) owing to the President of the Company for reimbursement of expenses. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amount for the President of the Company is unsecured, interest-free and has no specific terms of repayment.

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(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- f) Exploration advances as at September 30, 2018 total \$272,312 (December 31, 2017: \$Nil) for project funding received from Fortuna pursuant to the Tlamino Project option agreement (Note 8) but not yet expended by 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 September 30, 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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Management fees	\$ 27,600	\$ 36,200	\$ 82,800	\$ 91,248
Geological fees	33,900	46,800	101,700	114,373
Salaries and benefits	7,792	7,792	22,917	23,829
	\$ 69,292	\$ 90,792	\$ 207,417	\$ 229,450

Key management compensation includes management and geological fees paid to Mill Street, a company controlled by a director of the Company and Wellhead, a company controlled by the President of the Company.

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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2018, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at September 30, 2018, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2018			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 34,025	\$ 6,371	\$ -	\$ 149,778
Amounts receivable	-	-	120,160	66,855
Accounts payable and accrued liabilities	(13,991)	-	-	(59,657)
Net exposure	\$ 20,034	\$ 6,371	\$ 120,160	\$ 156,976

	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 September 30, 2018, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$30,400 (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 September 30, 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 nine months ended September 30, 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 September 30, 2018, the Company had working capital of \$348,627 (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 September 30, 2018 were calculated as follows:

	Balance at September 30, 2018	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 519,462	\$ 519,462	\$ -	\$ -

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 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 September 30, 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 did not expect its capital resources as of September 30, 2018 to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. As such, the Company raised additional capital by way of equity financing subsequent to the period end (Note 16).

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 September 30, 2018	Canada	England	Serbia	Total continuing operations
Exploration expenditures	\$ -	\$ -	\$ 381,795	\$ 381,795
Interest and other income	3,481	-	-	3,481
Net loss	640,101	2,435	375,706	1,018,242
Capital expenditures*	-	-	12,412	12,412

Period ended September 30, 2017	Continuing operations			Total continuing operations	Discontinued operations Portugal
	Canada	England	Serbia		
Exploration expenditures	\$ -	\$ -	\$ 831,420	\$ 831,420	\$ 384,740
Interest and other income	2,762	-	-	2,762	-
Net loss	411,617	46,443	940,539	1,398,599	398,271
Capital expenditures*	-	-	114,385	114,385	-

*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 nine months ended September 30, 2018

(Expressed in Canadian Dollars)

15. SEGMENTED REPORTING (continued)

As at September 30, 2018	Canada	England	Serbia	Portugal	Consolidated
Total current assets	\$ 379,317	\$ 154,462	\$ 228,028	\$ -	\$ 761,807
Total non-current assets	62,608	7,916	194,638	16,522	281,684
Total assets	\$ 441,925	\$ 162,378	\$ 422,666	\$ 16,522	\$ 1,043,491
Total liabilities	\$ 332,813	\$ 20,710	\$ 59,657	\$ -	\$ 413,180

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. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2018, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

The Company closed a private placement of 4,902,800 units at \$0.30 per unit for gross proceeds of \$1,470,840. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of \$0.40. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for ten consecutive trading days is \$0.60 or greater, the Company may give notice to the holders of the warrants that the warrants will expire thirty calendar days after receipt of such notice. The Company paid cash finder's fees totaling \$22,409 on a portion of this financing.



(the “Company”)

INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the Nine Months Ended September 30, 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 nine months ended September 30, 2018. The following information, prepared as of November 26, 2018, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for nine months ended September 30, 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 September 30, 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 optioning of the Tlamino Project to Fortuna in March 2017. As well, two significant gold anomalies have been identified at the Ljubata Project which is operated 100% by the Company.

Following drill programs conducted at the Tlamino Project in 2018, the Company and its partner, Fortuna, approved a \$2-million budget to continue drilling the Project in 2019.

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, and the adjacent Ljubata, Crnook and Radovnica licences which comprise the Ljubata Project. In addition to the granted licences, the Company has made several licence applications covering ground throughout the Oligo-Miocene igneous belt of Serbia.

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 the five contiguous exploration licences comprising the Tlamino Project and Ljubata Project, totalling 500 square kilometres in the southeast of the country, bordering Macedonia and Bulgaria.

The five 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 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 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 Prospect (Tlamino Project) 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.

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 metres in thickness, and the Company considers the exploration potential under the conglomerate, between the two showings, to be excellent.

Barje Prospect

Phase 1 Drill Program

In late April 2018, the Company commenced an initial drilling program at Tlamino comprised of 1,250 metres from 11 drill holes, to test the up-dip continuation of mineralization identified in the channel sampling, and to also test the large geophysical anomaly located to the west of the high-grade Barje outcrop. The drill program was fully funded by Fortuna and directed by a joint Fortuna-Medgold technical committee under the terms of the Tlamino Project Option Agreement between the Company and Fortuna.

The total area to be initially tested by the drilling is 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.

During May and June 2018, the Company completed seven drill holes, all of which intersected significant mineralization with a best intersection of 30 metres of 5.45 g/t Au and 11 g/t Ag (see Company press releases of June 11, June 18 and July 5, 2018). A summary table of significant intersections from this first phase of drilling is shown below:

Table 1 – Summary of Drill Results from Phase 1

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)
BAR001	2.38	33.20	30.82	2.06	54.7
BAR002	13.35	48.00	34.65	3.11	27.5
including			2.00	23.88	340
BAR003	2.00	28.10	26.10	2.44	219
including	3.60	9.60	6.00	4.20	754
BAR004	2.20	24.30	22.10	1.83	109
BAR005	1.60	102.40	100.80	0.52	5
including	82.15	102.40	20.25	1.08	11
BAR006	74.00	104.00	30.00	5.45	11
including	95.00	104.00	9.00	14.17	58
BAR007	89.50	101.60	12.10	3.37	12

Mineralization has been identified over an area of at least 300 metres by 200 metres, and demonstrates a close spatial correlation with the IP-chargeability anomaly, which extends at least 700 metres further to the west for a total of area of approximately 1,400 metres east-west and 500 metres north-south.

Gold-silver mineralization at Barje is associated with tectonic brecciation along a large regional detachment fault which is mostly hosted within the hangingwall schists. This brecciation has structurally prepared large volumes of porous and permeable rocks, suitable to host mineralization. Intense hydrothermal breccias, with sulphide mineralization groundmasses and altered schist clasts, typically form at the base of the hangingwall zones in close proximity to the detachment structure. These zones of intense brecciation, associated with sulphide mineralization, typically yield high-grade gold-silver intercepts. Brecciation, fracturing and sulphide mineralization is pervasive across large zones of the hanging wall schists and yields broad intersections of low-grade (>0.5 g/t Au) to moderate-grade (>1 g/t Au) gold plus silver mineralization.

Phase 2 Drill Program

Phase 2 of the drill program, designed to drill-test an area of 1,400 metres by 500 metres and test the IP anomaly to the west of holes 6 and 7, commenced at the end of July 2018. Drilling was completed in November 2018, and to date, the Company has reported assay results for holes BAR014 to BAR020 (see Table 1 below for full results), returning best intercepts of 33.0 metres @ 1.14 g/t Au and 8.2 metres @ 2.29 g/t Au. The Company and its partner, Fortuna, have approved a \$2-million budget for the project for 2019 to continue drilling at Barje and Karamanica.

Mineralization has now been confirmed over an area of 500 metres by 400 metres, east-west by north-south. The main zone of mineralized hydrothermal breccia and alteration has excellent lateral continuity between drill holes, is flat-lying to gently dipping, with a thickness of up to 30 m, but recent drilling extending outside of this area, yielded weaker mineralization.

Drilling stepped to the west across the Barje project, systematically testing a large chargeability anomaly identified by an induced polarization-resistivity geophysical survey completed in 2017. The anomaly measures 1,400 metres east-west by 400 metres north-south, and includes a second-order anomaly with a north-northeast axis overlying the Barje outcrop. The results received to date demonstrate the gold anomalism is weakening as drilling moved to the west away from the high-grade drill holes announced in June which were collared near the Barje discovery outcrop.

Table 2 – Barje Drill Intercepts (BAR014 to BAR020)

Drill Hole	From	To	Interval *	Au	Ag	As	Pb	Zn
	(m)	(m)	(m)	(g/t)	(g/t)	(%)	(%)	(%)
BAR014	87.00	120.00	33.00	1.14	10	0.45	0.05	0.12
including	117.70	120.00	2.30	7.46	111	1.32	0.58	1.21
BAR015	135.00	143.20	8.20	2.29	19	1.62	0.40	1.06
BAR016	101.00	120.90	19.90	1.01	11	0.48	0.03	0.10
BAR017	No significant intervals of mineralization							
BAR018	No significant intervals of mineralization							
BAR019	154.90	167.90	13.00	0.74	5	0.58	0.10	0.26
and	201.00	208.60	7.60	0.81	4	0.72	0.06	0.17
BAR020	No significant intervals of mineralization							

* The mineralization is thought to be hosted along sub-horizontal to shallowly dipping structural zones and as such the true thickness of the reported intersections is estimated to vary between 60 and 100% of apparent width. However, due to the early stage of exploration, and the spacing between current drill holes, the Company is unable to accurately estimate true widths.

Management has concluded that as the Phase 2 drilling moved west, gold grades declined, suggesting that the chargeability anomaly is not necessarily diagnostic of the presence of high-grade gold mineralization, but more indicative of a broad halo of disseminated sulphide mineralization. The first 13 holes of Phase 2 identified an extensive zone of high-grade gold-silver-base-metal mineralization at Tlamino with excellent continuity of mineralization from hole to hole, which the Company will be studying over the winter to try to identify additional possible controls. The Company will also be looking to test the open-ground between Barje and Liska, which are over one kilometre apart, and aligned on a north-northeast axis, for potential blind targets beneath a conglomeratic unit.

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.

In 2017, the Company 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.

During the summer and fall of 2018, the Company completed a ground geophysical survey (IP-Resistivity) over the main prospective zones of anomalous soil and rock chip geochemistry at Karamanica, covering 32 line kilometres, with a line spacing of 200 metres. The survey identified two northwest-trending chargeability anomalies containing values of >30 mV/V. The first anomaly is located in the southwest-side of the survey, extending two kilometres northwest-southeast by up to 600 metres, and is coincident with an extension of a northwest-trending fault associated with mineralization in the polymetallic mine to the southeast. The second anomaly is located on the northeast-side of the survey, extending 750 metres northwest-southeast by 250 metres, and is open to the southeast. This shallow anomaly is coincident with mineralization observed within calcareous (limestone) units. Both of these anomalies require follow-up and will be drill tested in 2019.

The Ljubata Project

In the fall of 2017, the Company completed a ridge-and-spur soil sampling program on the Ljubata Project, which is comprised of the Ljubata, Crnook and Radovnica licences wholly-owned and operated 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/ljubata>

The Company has covered the primary targets of the Ljubata, with approximately 1,000 samples, via a program of grid-soil sampling. This follows on from the targets identified via the ridge-and-spur soil sampling. Samples have been submitted to the laboratory and assays are expected in the fall. Should significant targets be identified, ground geophysics over the main anomalies can be justified, and could be undertaken in the spring of 2019.

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.

Drilling is carried out using PQ and HQ size tooling. Drill core is cut in half by the Company using a rock saw with one half of the core then taken as a sample for analysis. Sample intervals are generally between 50 to 150 centimetres producing samples of between 2 to 9 kg. Approximately 4% of samples are duplicated by submitting primary and duplicate quarter-core samples. Half-core samples are delivered to the ALS Geochemistry laboratory facilities in Bor, Serbia. The samples are crushed and pulverised using method code PREP-31, are fire assayed for Au using method code Au-ICP21, and are analysed for multi-elements using method code ME-MS61 following a four-acid digestion. Overlimits are analysed using an appropriate method. The Company routinely inserts multi-element geochemical standards, blanks, and field duplicate samples into the drill core sample stream 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 September 30, 2018:

	Sep. 30, 2018 (\$)	June 30, 2018 (\$)	Mar. 31, 2018 (\$)	Dec. 31, 2017 (\$)	Sep. 30, 2017 (\$)	June 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)
Exploration expenditures from continuing operations	89,726	103,102	188,967	518,490	292,466	194,861	344,093	368,881
General and administrative expenses from continuing operations	255,357	237,751	146,820	121,371	303,053	142,924	123,964	260,406
Loss from continuing operations	(343,798)	(339,918)	(334,526)	(638,150)	(594,182)	(337,024)	(467,393)	(624,140)
Income (loss) from discontinued operations	-	-	-	(149,293)	(31,143)	(188,916)	(178,212)	165,584
Basic and diluted loss per share for continuing operations	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)
Basic and diluted income (loss) per share for discontinued operations	-	-	-	(0.00)	(0.01)	(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, 2018 and 2017 were significantly impacted by share-based payments charges of \$107,634 and \$128,554, respectively, which relate to the issuance of stock options.

Results of Operations

Quarter ended September 30, 2018

For the quarter ended September 30, 2018, the Company had a net loss of \$343,798 compared to a net loss of \$625,325 for the quarter ended September 30, 2017, a decrease of \$281,527. This decrease is partly due to exploration costs of \$89,726 being recorded in the current quarter compared to \$292,466 in exploration costs for continuing operations during the comparative quarter, a decrease of \$202,740, and costs for discontinued operations totaling \$31,143 for the comparative quarter compared to none for the current quarter. Exploration costs for the current quarter were less than the comparative quarter because most activity was on properties in Serbia optioned to Fortuna and which Fortuna reimbursed the Company for those costs.

General and administrative expenses totaled \$255,357 for the current quarter compared to \$303,053 for the comparative quarter, a decrease of \$47,696. Notable cost increases in the current quarter were \$20,920 in share-based payments, \$11,321 in office and administration, and \$8,600 in management fees. The share-based payments expense relates to the granting of stock options. Office and administration expenses were less due to the Company being charged a lesser portion of shared administrative costs. Management fees for the comparative quarter were higher as the value of shares issued to the President of the Company during that period was included in management fees whereas there were no shares issued as part of his compensation during the current quarter.

Nine months ended September 30, 2018

For the nine month period ended September 30, 2018, the Company had a net loss of \$1,018,242 compared to a net loss of \$1,796,870 for the nine month period ended September 30, 2017, a decrease of \$778,628. Exploration costs from continuing operations for the current period were \$381,795 compared to \$831,420 for the comparative period, a decrease of \$449,625. As with the quarterly comparison, the comparative period recorded costs of \$398,271 from discontinued operations compared to none for the current period.

General and administrative expenses totaled \$639,928 for the current period compared to \$569,941 for the comparative period, an increase of \$69,987. General and administrative costs for the current period included a foreign exchange loss of \$3,623 compared to a foreign exchange gain of \$8,816 in the comparative period. Most notable cost increases during the current period were \$64,554 in shareholder communications and \$17,916 in travel and accommodation. These costs were higher due to more investor relations services being used and more promotional activities. Notable costs decreases during the current period were \$18,136 in office and administration and \$12,073 in salaries and benefits which, as with the quarterly comparison, were due to the Company being

charged a lessor portion of shared administrative costs. Both the current and comparative periods recorded share-based payments expenses of \$138,088 and \$128,554, respectively, relating to the granting of stock options.

Liquidity and Capital Resources

The Company's cash resource as at September 30, 2018 was \$519,462, a decrease from \$1,038,406 as at December 31, 2017. At September 30, 2018, the Company had current assets totaling \$761,807 and current liabilities totaling \$413,180, for working capital of \$348,627. Included in current liabilities is an exploration advance of \$272,312 provided by Fortuna during the period ended September 30, 2018 for Tlamino Project exploration but expended by the Company subsequent to the period-end.

On October 17, 2018, the Company closed a private placement of 4,902,800 units at \$0.30 per unit for gross proceeds of \$1,470,840. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of \$0.40. During the period ended September 30, 2018 the Company received proceeds of \$61,500 from the exercise of 370,000 stock options. During the 2017 fiscal year, the Company received \$2,481,295 through the exercise of 16,700,073 share purchase warrants. Current cash resources are being used for exploration work and general working capital requirements.

With the recently completed private placement, the Company expects its capital resources to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. However, actual funding requirements may vary from those planned due to a number of factors including potential property acquisitions and exploration activity. As such, the Company may need to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

Related Party Transactions

See Note 12 of the condensed interim consolidated financial statements for the nine months ended September 30, 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 November 26, 2018, the Company's outstanding share position is 94,789,032 common shares and the following stock options are outstanding:

<u>No. of options</u>	<u>Exercise price</u>	<u>Expiry date</u>
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
300,000	\$0.37	July 24, 2028
<u>6,120,000</u>		

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.