MEDGOLD RESOURCES CORP.

FINANCIAL REVIEW

Fiscal Year Ended December 31, 2018

MEDGOLD
RESOURCES CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MEDGOLD RESOURCES CORP.

Opinion
We have audited the consolidated financial statements of Medgold Resources Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,291,313 during the year ended December 31, 2018. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Herve Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019

Medgold Resources Corp.
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
ASSETS		
Current assets		
Cash	$ 1,436,399	$ 1,038,406
Amounts receivable (Note 12)	182,887	204,937
Prepaid expenses and deposits (Note 12)	15,822	28,296
Total current assets	1,635,108	1,271,639
Non-current assets		
Long-term deposits (Note 12)	61,000	61,000
Exploration bonds (Note 7)	-	16,557
Property and equipment (Note 6)	145,990	179,919
Exploration and evaluation assets (Note 7)	43,020	43,020
Total non-current assets	250,010	300,496
	$ 1,885,118	**$ 1,572,135**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 71,917	$ 103,770
Due to related parties (Note 12)	14,958	19,400
Total liabilities	86,875	123,170
Shareholders' equity		
Share capital (Note 8)	13,829,198	12,313,267
Other equity reserves (Note 8)	1,220,092	1,095,432
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(13,093,095)	(11,801,782)
Total shareholders' equity	1,798,243	1,448,965
	$ 1,885,118	**$ 1,572,135**

APPROVED ON BEHALF OF THE BOARD ON APRIL 29, 2019:

"Simon Ridgway"
Simon Ridgway, Director

"Jeremy Crozier"
Jeremy Crozier, Director

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

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

	2018	**2017**
Exploration expenditures (Note 10)	$ 505,498	$ 1,349,910
General and administrative expenses		
Depreciation (note 6)	44,093	30,565
Foreign exchange gain	(21,840)	(29,552)
Legal and accounting	64,245	60,419
Management fees (Note 12)	110,400	126,320
Office and administration (Note 12)	72,896	97,079
Salaries and benefits (Note 12)	97,354	110,561
Shareholder communications (Note 12)	206,929	93,377
Share-based payments (Note 9)	139,948	128,554
Transfer agent and regulatory fees (Note 12)	16,131	21,235
Travel and accommodation (Note 12)	63,923	52,754
	794,079	691,312
Loss before other item	(1,299,577)	(2,041,222)
Other item		
Interest and other income	8,264	4,473
Loss from continuing operations	(1,291,313)	(2,036,749)
Loss from discontinued operations (Note 5)	-	(547,564)
Net loss for the year	**$ (1,291,313)**	**$ (2,584,313)**
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss:		
Unrealized gain on foreign exchange translation	-	15,172
Comprehensive loss for the year	**$ (1,291,313)**	**$ (2,569,141)**
Loss per share from continuing operations, basic and diluted	$(0.01)	$(0.02)
Loss per share from discontinued operations, basic and diluted	-	$(0.01)
Weighted average number of shares outstanding	90,762,890	84,953,661

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

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

			Other equity reserves				
	Number of common shares	**Share capital**	**Warrants reserve**	**Share-based payment reserve**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total shareholders' equity**
Balance, December 31, 2016	72,600,602	$ 9,264,500	$ 541,393	$ 949,957	$ (173,664)	$ (9,217,469)	$ 1,364,717
Loss for the year	-	-	-	-	-	(2,584,313)	(2,584,313)
Shares issued for services	215,557	43,000	-	-	-	-	43,000
Warrants exercised	16,700,073	2,481,295	-	-	-	-	2,481,295
Transfer of reserves on exercise of warrants	-	524,472	(524,472)	-	-	-	-
Share-based payments	-	-	-	128,554	-	-	128,554
Unrealized foreign exchange gain on disposal of subsidiary (Note 5)	-	-	-	-	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 year	-	-	-	-	-	(1,291,313)	(1,291,313)
Shares issued for private placement	4,902,800	1,421,812	49,028	-	-	-	1,470,840
Share issuance costs	-	(31,697)	-	-	-	-	(31,697)
Options exercised	370,000	61,500	-	-	-	-	61,500
Transfer of reserves on exercise of options	-	64,316	-	(64,316)	-	-	-
Share-based payments	-	-	-	139,948	-	-	139,948
Balance, December 31, 2018	**94,789,032**	**$ 13,829,198**	**$ 65,949**	**$ 1,154,143**	**$ (157,952)**	**$ (13,093,095)**	**$ 1,798,243**

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

Medgold Resources Corp.
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss from continuing operations for the year	$ (1,291,313)	$ (2,036,749)
Items not involving cash:		
Shares issued for services	-	43,000
Depreciation	44,093	30,565
Share-based payments	139,948	128,554
Foreign exchange	-	(5,611)
	(1,107,272)	(1,840,241)
Changes in non-cash working capital balances:		
Amounts receivable	14,594	45,334
Prepaid expenses and deposits	12,474	(8,936)
Accounts payable and accrued liabilities	(4,140)	3,450
Due to related parties	(4,442)	(13,360)
Cash used in operating activities from continuing operations	(1,088,786)	(1,813,753)
Cash used in operating activities from discontinued operations (Note 5)	(20,257)	(506,859)
Net cash used in operating activities	(1,109,043)	(2,320,612)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	1,500,643	2,481,295
Net cash provided by financing activities	1,500,643	2,481,295
INVESTING ACTIVITIES		
Purchase of property and equipment	(10,164)	(115,586)
Cash used in investing activities from continuing operations	(10,164)	(115,586)
Cash provided by investing activities from discontinued operations (Note 5)	17,174	136,780
Net cash provided by investing activities	7,010	21,194
Effect of changes in exchange rates on cash	(617)	19,286
Increase in cash	397,993	201,163
Cash, beginning of year	1,038,406	837,243
Cash, end of year	**$ 1,436,399**	**$ 1,038,406**

Supplemental Cash Flow Information – Note 16

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements of the Company as at December 31, 2018 and for the year then ended include the accounts of the Company and its subsidiaries (Note 3(a)).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At December 31, 2018, the Company had not yet achieved profitable operations, has accumulated losses of $13,093,095 since its inception, and expects to incur further losses in the development of its business. As at December 31, 2018, the Company incurred a net loss of $1,291,313. The Company has been financed primarily through the issuance of equity instruments but management cannot be certain it will continue to be able obtain such funding. All of these conditions may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

Details of the Company's principal subsidiaries as at December 31, 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

The Company incorporated a subsidiary, Medbase Metals D.O.O in Serbia on April 26, 2018. During the year ended December 31, 2018, MedgoldMinas Unipessoal Lda. was dissolved and during the 2017 fiscal year, Medgold Minera Sociedad Limitada ("Medgold Minera") was dissolved and MedCenterra Unipessoal Lda. ("MedCenterra") was disposed of (note 5).

b) Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at 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.

c) Exploration and Evaluation Assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Assets (continued)

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

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

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

d) Property, Equipment and Depreciation

Recognition and Measurement

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

Depreciation

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

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

e) Impairment of Non-financial Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of Non-financial Assets (continued)

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

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

f) Provisions

Rehabilitation Provision

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

As at December 31, 2018 and 2017, the Company had no asset retirement or rehabilitation obligations.

Other Provisions

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

g) Income Taxes

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share Capital

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

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

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

i) Earnings/Loss Per Share

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

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

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

j) Share-based Payments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based Payments (continued)

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

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

k) Financial Instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial Liabilities

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

Accounts payable and accrued liabilities and amounts due to related parties represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid. Accounts payable and accrued liabilities are unsecured and are usually paid within 45 days of recognition.

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

Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Adoption of New Accounting Standards and Amendments (continued)

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 Company adopted IFRS 9 using the modified retrospective approach with no restatement of comparatives. The adoption of IFRS 9 did not have a material impact on 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.

m) New Standards and Interpretations Not Yet Adopted

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

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019.

Management does not expect the adoption of IFRS 16 to have a significant impact on its financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

This new Interpretation, issued by the IASB in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The interpretation is effective for the Company's annual period beginning January 1, 2019. The adoption of IFRIC 23 will not have a material impact on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the currency of the primary economic environment in which the entities operate.

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

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

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

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

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

e) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

f) The determination of whether disposal groups or cash-generating units represent a component of the entity, the results of which should be recorded in discontinued operations in the consolidated statements of loss and comprehensive loss and cash flows.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

5. DISCONTINUED OPERATIONS

During the 2017 fiscal year, the Company sold its 100% interest in its Portuguese subsidiary MedCenterra Unipessoal Lda. (“MedCenterra”) for cash payments totalling €167,500 ($243,741) (equivalent to the amount of exploration bonds previously paid by MedCenterra for the Boticas and Chaves licences). €19,000 ($28,041) of this amount was received during the year ended December 31, 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 the entire €95,000 ($141,487) was received during the year ended December 31, 2018.

The MedCenterra results of operations for the year ended December 31, 2017 is presented as discontinued operations.

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

Results of discontinued operations		**2017**
Foreign exchange gain (loss)	$	(22,729)
Administrative expenses		(1,085)
Exploration expenditures (Note 10)		(397,645)
Depreciation		(12,006)
Loss on disposal of subsidiary		(114,099)
Loss for the year	**$**	**(547,564)**

(Expressed in Canadian Dollars)

5. DISCONTINUED OPERATIONS (continued)

The loss on disposal of discontinued operations during the 2017 fiscal year was determined as follows:

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

		2018		**2017**
Cash provided from (used by) discontinued operations				
OPERATING ACTIVITIES:				
Net loss from discontinued operations	$	-	$	(547,564)
Items not involving cash:				
Depreciation		-		12,006
Loss on disposal of subsidiary		-		114,099
Foreign exchange loss		-		(15,049)
		-		(436,508)
Changes in non-cash working capital balances:				
Amounts receivable		7,456		17,924
Prepaid expenses and deposits		-		17,515
Accounts payable and accrued liabilities		(27,713)		(105,790)
Operating cash flow used in discontinued operations	$	(20,257)	$	(506,859)
INVESTING ACTIVITIES				
Proceeds on disposal of property and equipment		-		11,854
Proceeds on disposal of subsidiary, net		-		102,813
Refund of reclamation bonds		17,174		22,113
Cash provided by investing activities from discontinued operations	$	17,174	$	136,780

(Expressed in Canadian Dollars)

5. DISCONTINUED OPERATIONS (continued)

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. Due to the dissolution of MedgoldMinas in late 2018, its sole shareholder, Medgold Resource Ltd., has replaced MedgoldMinas in these proceedings. 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 Medgold Resource Ltd. to be completely without merit and accordingly no amounts have been accrued.

6. 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	-	-	-	10,164	10,164
Balance, December 31, 2018	**$ 12,906**	**$ 188,331**	**$ 25,487**	**$ 35,463**	**$ 262,187**
Accumulated amortization					
Balance, December 31, 2016	$ 7,650	$ 27,394	$ 4,100	$ 8,001	$ 47,145
Charge for year for continuing operations	1,800	19,579	5,229	3,957	30,565
Charge for year 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 year	1,800	32,754	6,070	3,469	44,093
Balance, December 31, 2018	**$ 11,250**	**$ 77,076**	**$ 15,399**	**$ 12,472**	**$ 116,197**
Carrying amounts					
At December 31, 2017	$ 3,456	$ 144,009	$ 16,158	$ 16,296	$ 179,919
At December 31, 2018	**$ 1,656**	**$ 111,255**	**$ 10,088**	**$ 22,991**	**$ 145,990**

7. EXPLORATION AND EVALUATION ASSETS

Capitalized acquisition costs as of December 31, 2018 consist of $43,020 (2017: $43,020) relating to its Serbian mineral property interests.

Serbia

a) Exploration Licences

As of December 31, 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 / Tlamino Project Option

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 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. The option terms were fixed at the time the strategic alliance was entered into. This right expired on December 15, 2018.

Fortuna identified the Tlamino Project (comprised of the Donje Tlamino and Surlica-Dukat licences) as a Selected Property, and in March 2017, the Company and Fortuna signed an Option Agreement in connection therewith. To acquire an initial 51% interest in the Tlamino Project, Fortuna must spend a minimum of US$3,000,000 on the Tlamino Project 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 Tlamino Project; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Tlamino Project by completing a preliminary economic assessment on the Tlamino Project and spending an additional US$5,000,000 in qualified expenditures within three years following the date of the election by Fortuna.

As there was a significant delay in receiving a drill permit for the Tlamino Project, the Company and Fortuna amended the Tlamino Project Option Agreement in September 2017 to remove the requirement that Fortuna spend US$1,000,000 by the first anniversary. As a result, Fortuna has until March 2020 to spend US$3,000,000 to acquire a 51% interest in the Tlamino Project.

The Company and Fortuna have one common director.

Portugal

a) Centerra Option Licences

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

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

7. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal (continued)

a) Centerra Option Licences (continued)

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

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

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

b) Caramulo Licence

In 2015, the Company submitted an application for the Caramulo exploration licence. During the 2017 fiscal year, the management decided to let the Caramulo licence lapse. The Company was refunded an exploration bond of $17,174 (€11,000) during the year ended December 31, 2018 which it had in place with the Portugal mining authority on this property.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES

Common Shares

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

During the year ended December 31, 2018, the following share capital activity occurred:

i) 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. 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. Of the $1,470,840 in gross proceeds, $1,421,812 was allocated to share capital and $49,028 to warrants. Share issuance costs associated with this financing totalled $31,697 of which $22,409 was cash finder's fees.

ii) 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.

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

iii) A total of 215,557 common shares with a value of $43,000 were issued to the President of the Company for services rendered; and

iv) A total of 16,700,073 share purchase warrants were exercised for gross proceeds of $2,481,295. The Company reallocated the fair value of these share purchase warrants previously recorded in the amount of $524,472 from other equity reserves to share capital.

Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2018 and 2017 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	-	-
Issued on private placements	4,902,800	$0.40
Balance, December 31, 2018	**4,902,800**	**$0.40**

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS

Option Plan Details

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

The following is a summary of changes in options for the year ended December 31, 2018:

			During the year				
Expiry date	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited/ cancelled**	**Closing balance**	**Vested and exercisable**
February 7, 2019	$0.20	-	100,000	-	-	100,000	100,000
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	6,120,000
Weighted average exercise price		$0.16	$0.29	$0.17	$0.20	$0.17	$0.17

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

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

Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2018 was $0.21 (2017: $0.20) per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2018 is 6.35 (2017: 7.36) years.

The weighted average market price on the date options were exercised during the year ended December 31, 2018 was $0.20 (2017: $nil) per option.

9. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Year (continued)

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the year ended December 31, 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% (2017: expected volatility factor of 120%, risk-free interest rate of 2.02%, expected life of ten years, and expected dividend yield of 0%). Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

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

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

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based compensation during the year ended December 31, 2018 was $139,948 (2017: $128,554).

Total expenses arising from the share-based payment transactions recognized as part of management fees during the year ended December 31, 2018 was $Nil (2017: $43,000).

(Expressed in Canadian Dollars)

10. EXPLORATION EXPENDITURES

During the year ended December 31, 2018, the Company incurred the following exploration expenditures:

	Serbia			
	Tlamino Project	**Ljubata Project**	**Other**	**Total**
Assaying	$ 278,426	$ 33,925	$ 8,879	**$ 321,230**
Drilling	653,838	-	-	**653,838**
Field expenses	53,272	6,661	-	**59,933**
Geological and other consulting	307,170	135,246	458	**442,874**
Geophysics	49,073	-	-	**49,073**
Licenses, rights and taxes	25,022	35,570	17,649	**78,241**
Office and administration	113,595	60,768	10,184	**184,547**
Salaries and benefits	399,237	124,767	23,227	**547,231**
Travel	107,466	39,430	8,734	**155,630**
	1,987,099	436,367	69,131	**2,492,597**
Expense recoveries*	(1,987,099)	-	-	**(1,987,099)**
	$ -	$ 436,367	$ 69,131	**$ 505,498**

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

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

* Expense recoveries for the Tlamino Project consist of funding from Fortuna per their option agreement with the Company (Note 7(a)).

(Expressed in Canadian Dollars)

11. INCOME TAXES

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

		2018		2017
Net loss for the year	$	(1,291,313)	$	(2,584,313)
Statutory income tax rate		27.00%		26.00%
Expected income tax recovery		(348,655)		(671,921)
Decrease (increase) resulting from:				
Non-deductible expenses and others		37,786		31,650
Differences between Canadian and foreign tax rates		267,119		180,791
Change in timing differences		1,525		42,741
Effect of change in tax rates		-		(153,241)
Impact of foreign exchange on tax assets and liabilities		(27,903)		96,691
Unused tax losses and tax offsets on disposal of subsidiary		-		10,030
Under provided in prior years		59,875		
Unused tax losses and tax offsets not recognized		10,253		463,259
Income tax recoverable	$	**-**	$	**-**

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

		2018		2017
Non-capital loss carry-forwards	$	10,994,333	$	10,349,569
Exploration and evaluation assets		10,225,930		10,318,338
Capital losses		-		17,100
Property and equipment		178,944		186,526
Share issuance cost		31,956		15,096
Unrecognized deductible temporary differences	**$**	**21,431,163**	**$**	**20,886,629**

Subject to certain restrictions, the Company has non-capital losses of $3,745,083 (2017: $4,838,494) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year		
2026	$	549,245
2028		57,142
2029		184,122
2032		263,577
2033		485,883
2034		539,445
2035		680,434
2036		462,708
2037		522,527
	$	**3,745,083**

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

The Company also has non-capital losses for income tax purposes of $3,535,236 (2017: $3,213,506) available to reduce future UK taxable income, non-capital losses for income tax purposes of $3,714,014 (2017: $1,606,692) available to reduce future Serbian taxable income. The UK non-capital losses do not expire, and the Serbian non-capital losses expire in five years.

Resource Development Costs

The Company has resource development costs of $10,285,782 available to offset future taxable income in Canada, deductible at various declining-balance rates.

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2018 and 2017 consist of directors, officers and the following companies with common directors:

Related party	**Nature of transactions**
Radius Gold Inc. ("Radius")	Exploration related charges and investment in the Company
Gold Group Management Inc. ("Gold Group")	Shared office, personnel and administrative charges
Mill Street Services Ltd. ("Mill Street")	Management and geological services
Wellhead Management Ltd. ("Wellhead")	Management and geological services
Fortuna	Investment in the Company and mineral property option agreement

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

a) During the years ended December 31, 2018 and 2017, the Company reimbursed Gold Group for the following costs:

		2018		**2017**
General and administrative expenses:				
Office and administration	$	67,861	$	88,657
Salaries and benefits		96,663		108,890
Shareholder communications		1,775		3,081
Transfer agent and regulatory fees		2,639		6,918
Travel and accommodation		11,516		14,514
	$	**180,454**	**$**	**222,060**

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

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) During the year ended December 31, 2018, the Company reimbursed Radius $12,079 (2017: $134,304) in shared salary and benefits for the services of a geological consultant.

c) Amounts receivable as at December 31, 2018 include $130,376 (December 31, 2017: $Nil) due from Fortuna for project funding pursuant to the Tlamino Project option agreement (Note 7).

d) Prepaid expenses and deposits as at December 31, 2018 include an amount of $2,902 (2017: $1,248) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.

e) Long-term deposits as of December 31, 2018 consist of $61,000 (2017: $61,000) paid to Gold Group as a deposit pursuant to an agreement with Gold Group.

f) Amounts due to related parties as of December 31, 2018 consists of $14,958 (2017: $19,400) owing to Gold Group. The amount for Gold Group is due on a monthly basis and secured by a deposit.

g) During the year ended December 31, 2017, Fortuna acquired 10,000,000 common shares of the Company by way of exercising 10,000,000 share purchase warrants at a cost of $1,500,000.

Key Management Compensation

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

	2018	**2017**
Management fees	$ 110,400	$ 126,320
Geological fees	135,600	162,301
Salaries and benefits	30,709	34,279
	$ 276,709	**$ 322,900**

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 former President of the Company.

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

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

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

a) Market Risk

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

Foreign Currency Risk

As at December 31, 2018 and 2017, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2018			
	British Pound Sterling (CDN equivalent)	**US Dollars (CDN equivalent)**	**Euros (CDN equivalent)**	**Dinars (CDN equivalent)**
Cash	$ 107,260	$ 5,652	$ 15,653	$ 140,785
Amounts receivable	-	-	-	50,063
Accounts payable and accrued liabilities	(22,073)	-	(548)	(15,410)
Net exposure	**$ 85,187**	**$ 5,652**	**$ 15,105**	**$ 175,438**

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Foreign Currency Risk (continued)

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

Based on the above net exposures at December 31, 2018, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $28,100 (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 December 31, 2018, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

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. The Company's receivables consist of VAT receivable from the government of Serbia and receivables from Fortuna (Note 12). The Company considers credit risk with respect to these amounts to be low.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2018, the Company had working capital of $1,548,233 (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 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.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Hierarchy

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

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

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

	Balance at December 31, 2018	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 1,436,399	$ 1,436,399	$ -	$ -

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 year ended December 31, 2018.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. The Company continues to assess its future capital needs and may consider access to additional capital to ensure that the Company has adequate financial resources to cover its corporate operating costs and carry out exploration activities for the next twelve months.

(Expressed in Canadian Dollars)

15. SEGMENTED REPORTING

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

Year ended December 31, 2018	**Canada**	**England**	**Serbia**	**Total continuing operations**
Exploration expenditures	$ -	$ -	$ 505,498	$ 505,498
Interest and other income	8,264	-	-	8,264
Net loss	(499,726)	(140,961)	(650,626)	(1,291,313)
Capital expenditures*	-	-	10,164	10,164

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

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

As at December 31, 2018	**Canada**	**England**	**Serbia**	**Consolidated**
Total current assets	$1,313,168	$ 120,860	$ 201,080	$ 1,635,108
Total non-current assets	62,656	3,612	183,742	250,010
Total assets	**$1,375,824**	**$ 124,472**	**$ 384,822**	**$ 1,885,118**
Total liabilities	**$ 42,739**	**$ 28,792**	**$ 15,344**	**$ 86,875**

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**

(Expressed in Canadian Dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Consideration received for subsidiary disposal included in accounts receivable	$ -	$ 168,248

17. EVENTS AFTER THE REPORTING DATE

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

a) A total of 2,025,000 stock options exercisable at $0.15 per share for ten years and 100,000 stock options exercisable at $0.20 per share for one year were granted.

b) The following stock options were forfeited or cancelled:

   i) 1,530,000 stock options exercisable at $0.15 per share

   ii) 20,000 stock options exercisable at $0.20 per share.

   iii) 300,000 stock options exercisable at $0.37 per share.

c) A total of 100,000 stock options exercisable at $0.20 per share expired unexercised.

MEDGOLD RESOURCES CORP.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2018

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2018. The following information, prepared as of April 29, 2019, should be read in conjunction with the December 31, 2018 consolidated financial statements. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

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

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

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

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

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

- adequacy of insurance coverage;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions.

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

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

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

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

Business of the Company

The Company is a Vancouver based mineral exploration entity 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.

Corporate Activity

In January 2019, Mr. Jeremy Crozier was appointed Acting President of the Company, to succeed Daniel James who resigned as President and a director. Mr. Crozier was subsequently appointed as President, CEO and a director of the Company, while Mr. Simon Ridgway remains on the Board of the Company in the capacity of Executive Chairman.

Mr. Crozier brings to the Company nearly 25 years of exploration, discovery, business development, and operating experience gained in Europe, North America and Africa, and holds BSc and MSc degrees in geology. He will play a central role in the advancement of the Tlamino Gold Project in Serbia, including forthcoming drilling activities.

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 State, during 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 and silver exploration projects in Serbia. Since this time the Company has been granted five exploration licences – two of which comprise the Tlamino Project - and is in the process of applying for two others. Exploration work to date has led to the drill-definition of a zone of continuous gold mineralization at the Barje Prospect measuring 700 metres by 250 metres with potential for extension under cover to the Liska Prospect 1500 metres to the southeast. In addition, the Company has identified further targets by means of soil geochemisty, geophysics, compilation of historic data, and field prospecting at its Karamanica Prospect.

Following drill programs conducted at the Tlamino Project in 2018 (see below for details), the Company and its partner, Fortuna, approved a $2-million budget to continue drilling the Project in 2019 by conducting a program of up to 5,000 metres of diamond drilling.

Serbia

The Company has recently submitted the withdrawal of the Crnook Licence (see "Additional Prospecting on the Company's Licences" below) and as a result, currently holds four granted exploration licences, each covering approximately 100 square kilometres, targeting gold-silver epithermal and gold-bearing porphyry systems associated with a Oligo-Miocene igneous belt. The licences are located on the borders of Macedonia and Bulgaria, in the southeast of the country, and include the Donje Tlamino and Surlica-Dukat licences, which comprise the Tlamino Project optioned to Fortuna, and the adjacent Ljubata and Radovnica licences. In addition to the four granted licences, the Company has two active licence applications, one of which is internal to the existing Tlamino landholding, and the other covering prospective ground elsewhere in 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 had 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. The option terms were fixed at the time the strategic alliance was entered into. This right expired on December 15, 2018.

Fortuna identified the Tlamino Project (comprised of the Donje Tlamino and Surlica-Dukat licences) as a Selected Property, and in March 2017, the Company and Fortuna signed an Option Agreement in connection therewith. To acquire an initial 51% interest in the Tlamino Project, Fortuna must spend a minimum of US$3.0 million on the Tlamino Project 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 Tlamino Project; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Tlamino Project by completing a preliminary economic assessment on the Tlamino Project and spending an additional US$5.0 million in qualified expenditures within three years following the date of the election by Fortuna.

As there was a significant delay in receiving a drill permit for the Tlamino 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 until March 2020 to spend US$3 million to acquire a 51% interest in the Project.

The Tlamino Gold Project

The Tlamino Gold Project is located in southern Serbia, and includes three Prospects: Barje, Liska and Karamanica.

<u>Barje and Liska Prospects</u>

At the Barje Prospect, mineralization is hosted within shallowly dipping fault zones and their immediate hanging wall within a sequence of schist. Mineralization is truncated on its southern edge by an east-west fault with conglomerate cover to the south.. Liska, located approximately 1.5 kilometres to the southwest of Barje, was drilled in the 1970s by Yugoslav State companies, and a lensoid-shaped volume of rock with 1-2 % combined Pb and Zn was found to strike northeast towards Barje; State data does not include assays for Au or Ag from drill core samples. The mineralization at Liska is hosted in schist/gneiss at and immediately below the base of conglomerate cover sequences and potentially represents the down-faulted continuation of the mineralization at Barje.

2018 Drill Program

During May and June 2018, the Company completed an initial seven drill holes at Barje-Liska, and a second phase of 24 drill holes was completed during the fall of 2018. The drill programs were 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.

Results from the 31 drill holes of the 2018 drilling program are shown in Tables 1 and 2 below. Based on 3D re-interpretation of drill data and geology, the previously-announced 500 metre by 400 metre mineralized zone at the Barje Prospect is now seen to extend 700 metres east-west by 250 metres north-south within a structurally-bound, shallowly-dipping hydrothermal breccia below altered schist. This mineralization ranges in vertical grade-thickness from 10 to 151 metres and appears to be bounded to its south by a fault. Drilling west of this zone returned only sporadic intervals of gold mineralization.

The Company drilled two holes south of the historically-reported mineralization at Liska during 2018, targeting an IP anomaly defined by the Company's geophysical surveys during 2017 and 2018; the two holes intersected only weak mineralization.

Additional maps and information for Barje-Liska are available on the Company's website at http://medgoldresources.com/tlamino/.

Table 1 – Barje Drill Intercepts, 2018. Including final assay results and estimation of vertical thickness.

Drill Hole	From	To	Interval	Vertical thickness[1]	Au	Ag	As	Pb	Zn
	(m)	(m)	(m)	(m)	(g/t)	(g/t)	(%)	(%)	(%)
BAR001[2]	2.38	33.20	30.82	23.7	2.06	55	0.67	0.17	0.37
BAR002[2]	13.35	48.00	34.65	27.3	3.11	28	0.76	0.13	0.30
including	42.00	44.00	2.00	1.6	23.88	340	3.29	1.08	2.61
BAR003[3]	2.00	28.10	26.10	22.3	2.44	219	0.92	0.11	0.19
including	3.60	9.60	6.00	5.1	4.20	754	0.88	0.27	0.09
BAR004[3]	2.20	24.30	22.10	22.1	1.83	109	0.61	0.17	0.34
BAR005[4]	1.60	102.40	100.80	78.9	0.52	5	0.26	0.07	0.27
including	82.15	102.40	20.25	15.8	1.08	11	0.05	0.25	1.14
BAR006[4]	74.00	104.00	30.00	27.8	5.45	25	1.47	0.25	0.76
including	85.00	95.00	10.00	9.3	2.73	10	1.22	0.09	0.24
and	95.00	104.00	9.00	8.3	14.17	58	2.70	0.69	2.11
BAR007[4]	53.00	77.00	24.00	20.4	0.52	4	0.44	0.01	0.02
and	89.50	101.60	12.10	10.3	3.40	12	1.37	0.11	0.30
BAR008[5]	41.45	54.80	13.35	13.2	5.06	109	0.74	1.44	2.85
including	48.95	54.80	5.85	5.8	10.35	484	0.50	5.03	10.67
BAR009[5]	0.00	28.00	28.00	25.5	0.86	7	0.52	0.02	0.08
BAR010[5]	19.80	58.00	38.20	33.5	3.98	158	0.85	0.21	0.45
including	48.15	55.00	6.85	6.0	13.49	788	1.36	1.01	2.08
BAR011[5]	62.00	72.75	10.75	9.8	4.76	33	2.93	0.16	0.51
BAR012b[5]	57.80	73.00	15.20	13.3	1.68	10	1.55	0.14	0.35

BAR013[5]	70.50	89.10	18.60	18.6	3.09	22	1.31	0.40	0.87
BAR014[6]	87.00	120.00	33.00	25.5	1.14	10	0.45	0.05	0.12
including	117.70	120.00	2.30	1.8	7.46	111	1.32	0.58	1.21
BAR015[6]	135.00	143.20	8.20	7.7	2.29	19	1.62	0.40	1.06
BAR016[6]	101.00	120.90	19.90	18.1	1.01	11	0.48	0.03	0.10
BAR017[6]	No significant intersection of mineralization								
BAR018[6]	No significant intersection of mineralization								
BAR019[6]	154.90	167.90	13.00	11.5	0.74	5	0.58	0.10	0.26
and	201.00	208.60	7.60	6.7	0.70	4	0.63	0.05	0.16
BAR020[6]	No significant intersection of mineralization								
BAR021	No significant intersection of mineralization								
BAR022	No significant intersection of mineralization								
BAR023	No significant intersection of mineralization								
BAR024	174.00	175.10	1.10	1.1	1.64	4	0.39	0.00	0.00
BAR025	180.65	181.50	0.85	0.7	1.53	2	0.02	0.00	0.00
BAR026	No significant intersection of mineralization								
BAR027	No significant intersection of mineralization								
BAR028	22.00	28.00	6.00	5.2	1.45	1	0.03	0.00	0.00
BAR029	2.00	21.00	19.00	16.6	1.34	1	0.06	0.00	0.00
LIS001	No significant intersection of mineralization								
LIS002	No significant intersection of mineralization								

[1] - The mineralization is thought to be hosted along sub-horizontal to shallowly dipping structural zones. The vertical thickness is calculated from the length of intersect and the inclination of the drill hole as indicated by the drillhole survey. The vertical thickness is believed to be generally within ±10% of the true thickness. [2] - Announced 11 June 2018. [3] - Announced 18 June 2018. [4] - Announced 5 July 2018. [5] - Announced 20 September 2018. [6] -Announced 19 November 2018.

Table 2 – Barje - Liska Drill Collars 2018

Drill hole	Easting[1]	Northing[1]	Elevation (m)	Azimuth (°)	Inclination (°)	Length (m)
BAR001	616847	4691858	1082	-50	180	54.9
BAR002	616933	4692085	1131	-50	140	99.3
BAR003	616846	4691859	1082	-60	0	49.1
BAR004	616846	4691858	1082	-90	0	100.2
BAR005	616820	4691998	1130	-50	135	125.6
BAR006	616688	4691951	1144	-70	135	151.6
BAR007	616688	4691951	1144	-60	315	153.4
BAR008	616713	4691883	1114	-80	180	92.8
BAR009	616909	4691901	1081	-65	135	56.1
BAR010	616936	4692083	1131	-60	70	80.5
BAR011	616696	4692051	1172	-65	30	98.5
BAR012b	616663	4692056	1179	-60	315	116.5
BAR013	616635	4691893	1145	-90	0	143.6
BAR014	616689	4691955	1144	-50	80	174.6
BAR015	616525	4692010	1206	-70	135	176.7

BAR016	616526	4692009	1206	-65	315	139.3
BAR017	616389	4691991	1232	-70	0	174.7
BAR018	616389	4691913	1234	-80	180	227.9
BAR019	616392	4691917	1234	-60	80	267.6
BAR020	616305	4691958	1248	-80	180	224.7
BAR021	616303	4691956	1249	-50	0	199.1
BAR022	616220	4692011	1242	-65	325	203.7
BAR023	616196	4691904	1242	-75	180	257.7
BAR024	616123	4691994	1262	-74	180	286.9
BAR025	616123	4691991	1262	-60	225	248.7
BAR026	615805	4692010	1246	-70	0	176.3
BAR027	615774	4691712	1208	-70	135	245.7
BAR028	616040	4692124	1263	-60	0	118.1
BAR029	615971	4692141	1264	-60	315	112.9
LIS001	615634	4690638	910	-60	135	200.6
LIS002	615932	4690457	894	-50	110	200.4

[1] *- Coordinates are given in WGS84 datum and UTM zone 34 projection.*

Karamanica Prospect

Located approximately 8 kilometres northwest of Barje, the Karamanica Zone hosts a 2 kilometre by 1.5 kilometre soil anomaly in which samples returned values generally above 0.1 ppm gold. Within this anomaly locally-elevated concentrations of Ag, Cu, Pb, Zn, As and Sb are seen to form distinct NW-SE linear features, which are in turn partly co-incident with linear zones of anomalous IP chargeability indicated by the Company's geophysical surveys during 2018.

The strongest, chargeability anomaly, trending NW-SE, follows the trend of a fault structure associated with reported mineralization from historic drilling and underground workings at the Podvirovi polymetallic showing. Podvirovi is held in a mining permit by Bosil Metal doo, a subsidiary of Mineco Limited, immediately adjacent to the Company's landholding.

A historic Mineral Resource Estimate for Podvirovi was listed by Yugoslav State Agencies in 1989 as 2.216 million tonnes at 3.07% Pb, 3.06% Zn and 0.87% Cu in A+B+C_1 Resource categories[*].

* *While it is known that drilling and underground development for exploration were carried out at Podvirovi pre-1980, a Qualified Person has not completed sufficient work to classify the historic Mineral Resource Estimate as current Mineral Resources or Mineral Reserves. Key assumptions, parameters, and methods used in its preparation are moreover unknown, and systematic precious metal analyses were not performed. As such the Company is not treating the historical Mineral Resource Estimate as either current Mineral Resources or Mineral Reserves and notes that evidence of mineralization on the adjacent property is not necessarily indicative of mineralization on the Company's property. Mineral Resources calculated as A+B+C1 Resource categories in the former-Yugoslavia would be equivalent to Mineral Resources of Indicated or Measured category within the CIM Definition Guidelines relating to NI 43-101.*

In addition to the exploration targets defined along the possible continuation of the Podvirovi structure, geochemical and geophysical anomalies coincidental with areas of similar structure and lithology to that hosting mineralization at Barje form a second style of exploration target on the Karamanica Prospect.

The potential continuation of the Podvirovi structure, and the areas with potential for Barje-type mineralization, will be tested by drilling as part of the Company's 2019 exploration program.

Additional maps and information for Karamanica are available on the Company's website at http://medgoldresources.com/tlamino/.

Additional Prospecting on the Company's Licences

In the fall of 2017, the Company completed a ridge-and-spur soil sampling program within its Ljubata, Crnook and Radovnica licences. A total of 2,096 soil samples were collected at a sample spacing of 100 metres, with the objective of covering the trend of a detachment fault, which the Company at that time interpreted to have an important association with gold-silver, and lead-zinc mineralization in the region.

Ridge-and-spur sampling was extended with an additional 520 soil samples during 2018. Overall the program identified two areas of elevated multi-element geochemistry, one of which was followed up by additional soil sampling at 50 metre spacing along lines 200 metres apart during 2018 (664 samples). Results of the follow-up sampling indicated low-level, off-set, anomalies of gold and base-metals but no additional field work was carried out.

Based on re-interpretation of data by current Management, the Company has decided to drop the Crnook licence area due to lack of positive results. Prospecting will be continued on the Radovnica and Ljubata licences during 2019.

Data Verification / Quality Assurance and Quality Control (QA-QC)

Geophysical data from 2017 was collected by Géophysique TMC of Val-d'Or, Canada. Géophysique TMC's report, prepared by Joël Simard, P.Geol./Geoph. (Ontario), was reviewed to verify that information presented in this News Release is consistent with the report's findings and that no quality issues were reported during data collection or processing.

Geophysical data from 2018 was collected by Enerson Mühendislik Sond. Mad. Pet. Jeo. Mak. Elek. San. Tic. Ltd. Şti. ("Enerson) of Ankara, Turkey. Enerson's report was reviewed to verify that information presented in this MD&A is consistent with the report's findings and that no quality issues were reported during data collection or processing.

Sample and analytical data for the Company's soil sampling during 2016 to 2018 has been verified by reviewing the Company's sampling procedures and fieldwork reports for the work. Samples from both years were delivered to the independent ALS Geochemistry laboratory facilities in Bor, Serbia. The samples were prepared using method code PREP-41 and a 25 g aliquot of the -180 micron fraction was analyzed for gold and a multi-element suit using method code AuME-TL43.

Drilling during 2018 was carried out by independent contractors using PQ and HQ size tooling. Average core recovery for the program was 92%, Drill core was 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 were generally between 50 to 150 centimetres producing samples of between 2 to 9 kilograms. Samples were delivered to the independent ALS Geochemistry laboratory facilities in Bor, Serbia. The samples were crushed and pulverized using method code PREP-31, were fire assayed for Au using method code Au-ICP21, and were analyzed for multi-elements using method code ME-MS61 following a four-acid digestion. Overlimits were analyzed using an appropriate method. The Company routinely inserted multi-element geochemical standards, blanks, and field duplicate samples into the drill core sample stream as part of a documented Quality Assurance/Quality Control (QAQC) process to monitor laboratory performance, during the 2018 drilling program QAQC material was inserted into sample batches at the following rates per primary sample: ¼ core duplicates 1 in 30; granite blanks 1 in 30; certified reference material (CRM) 1 in 15. When laboratory analysis results for CRMs did not pass the Company's QAQC controls, and the CRM's had been inserted in a sequence of mineralized samples, the CRM's and surrounding samples of similar grade were re-assayed until results passed the Company's QAQC controls. Sample grades were checked against recovery percentage for potential bias; no discernable high- or low-grade bias was observed.

Quoted Historical Mineral Resources

Mineral Resources were calculated in former-Yugoslavia according to laws and regulations applicable at that time, defined specifically by "Zakon o jedinstvenom načinu utvrđivanja, evidentiranja i prikupljanja podataka o rezervama mineralnih sirovina i podzemnih voda i o bilansu tih rezervi" (The Law on the Uniform Method of Establishing, Recording and Gathering Data on Reserves of Mineral Raw Materials and Underground Water and Their Balancing), Službeni list SFR Jugoslavije, br. 53/1977; and by "Pravilnik o klasifikaciji i kategorizaciji rezervi čvrstih mineralnih sirovina i vođenju evidenciije o njima" (The Book of Regulations on Classification and Categorization of Reserves of Solid Mineral Raw Materials and Keeping a File on Them), Službeni list SFR Jugoslavije br. 53/1979.

Qualified Person

Mr. Thomas Sant, FGS, CGeol, EurGeol, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this MD&A.

Selected Annual Information

The following table provides financial results for the years ended December 31, 2018, 2017 and 2016:

	2018 ($)	2017 ($)	2016 ($)
Exploration expenditures from continuing operations	505,498	1,349,910	1,101,460
General and administrative expenses from continuing operations	794,079	691,312	1,054,987
Loss from continuing operations	1,291,313	2,036,749	2,150,592
Loss from discontinued operations	-	547,564	49,754
Basic and diluted loss per share from continuing operations	0.01	0.02	0.04
Basic and diluted loss per share from discontinued operations	-	0.01	0.00
Total assets	1,885,118	1,572,135	1,603,587
Total liabilities	86,875	123,170	238,870
Cash dividends	-	-	-

As a result of the Company selling one of its Portuguese subsidiaries, dissolving its subsidiary in Spain and ceasing operations of its other Portuguese subsidiary in 2017, the results of operations relating to Portugal and Spain were re-classified as discontinued operations and presented as such in the Company's consolidated financial statements for the 2017 and 2018 fiscal years. The results of operations for 2016 presented in the Annual Information summary above were restated as well. The removal of discontinued operations was not expected to have a significant impact on the Company's overall performance since 2017 as exploration activities are currently focused on Serbia.

Exploration expenditures for 2018 were less than the preceding two years due to more exploration activity at the Tlamino Project which was funded by Fortuna. General and administrative expenses for the 2016 fiscal year was higher than that for 2018 and 2017 due primarily to share-based payments expense relating to the granting of stock options. The share-based payment expense for 2016 was $416,919 compared to $139,948 for 2018 and $128,554 for 2017.

Quarterly Information

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

	Dec. 31, 2018 ($)	Sep. 30, 2018 ($)	June 30, 2018 ($)	Mar. 31, 2018 ($)	Dec. 31, 2017 ($)	Sep. 30, 2017 ($)	June 30, 2017 ($)	Mar. 31, 2017 ($)
Exploration expenditures from continuing operations	123,703	89,726	103,102	188,967	518,490	292,466	194,861	344,093
General and administrative expenses from continuing operations	154,151	255,357	237,751	146,820	121,371	303,053	142,924	123,964
Loss from continuing operations	(273,071)	(343,798)	(339,918)	(334,526)	(638,150)	(594,182)	(337,024)	(467,393)
Loss from discontinued operations	-	-	-	-	(149,293)	(31,143)	(188,916)	(178,212)
Basic and diluted loss per share for continuing operations	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)
Basic and diluted loss per share for discontinued operations	-	-	-	-	(0.00)	(0.01)	(0.00)	(0.00)

The results of operations for prior periods presented in the Quarterly Information summary above have been restated to reflect the operations relating to Portugal and Spain being re-classified as discontinued operations.

General and administrative expenses from continuing operations for the quarters ended September 30, 2018 and September 30, 2017 were higher than most other quarters presented due to share-based payments charges of $107,634 and $128,554, respectively, which relate to the issuance of stock options.

Results of Operations

Quarter ended December 31, 2018

For the quarter ended December 31, 2018, the Company had a net loss of $273,071 compared to a net loss of $787,443 for the quarter ended December 31, 2017, a decrease of $514,372. This decrease is mainly due to exploration costs of $123,703 being recorded in the current quarter compared to $518,490 in exploration costs for continuing operations during the comparative quarter, a decrease of $394,787. The comparative quarter net loss also included costs for discontinued operations totaling $15,172 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 and funded by Fortuna.

General and administrative expenses totaled $154,151 for the current quarter compared to $121,371 for the comparative quarter, an increase of $32,780. The most significant cost increase in the current quarter was in shareholder communications due to more investor relations services, promotional activities, and tradeshow participation. Notable cost decreases were in office and administration expenses and management fees. 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 former 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.

Year ended December 31, 2018

For the year ended December 31, 2018, the Company had a net loss of $1,291,313 compared to a net loss of $2,584,313 for the year ended December 31, 2017, a decrease of $1,293,000. Exploration costs from continuing operations for the current year were $505,498 compared to $1,349,910 for the comparative year, a decrease of $844,412. As with the quarterly comparison, the comparative year also recorded costs of $547,564 from discontinued operations compared to none for the current year.

General and administrative expenses totaled $794,079 for the current year compared to $691,312 for the comparative year, an increase of $102,767. Most notable cost increases during the current year were $113,552 in shareholder communications and $11,169 in travel and accommodation. As in the quarterly comparison, shareholder communications costs were higher due to more investor relations services being used and more promotional activities. Higher travel and accommodation costs are due to the increase in tradeshow participation. Both the current and comparative years recorded share-based payments expenses of $139,948 and $128,554, respectively, relating to the granting of stock options. Notable cost decreases during the current year were $24,183 in office and administration, $15,920 in management fees, and $13,207 in salaries and benefits. As with the quarterly comparison, these costs were lower due to the Company being charged a lesser portion of shared administrative costs and the former President’s compensation did not include the issuance of shares.

Liquidity and Capital Resources

The Company’s cash resource as at December 31, 2018 was $1,436,399, an increase from $1,038,406 as at December 31, 2017. At December 31, 2018, the Company had current assets totaling $1,635,108 and current liabilities totaling $86,875, for working capital of $1,548,233. Included in current assets is a receivable of $130,376 due from Fortuna for the Tlamino Project relating to exploration on the Tlamino Project during the year ended December 31, 2018, which funds were received subsequent to the year end.

In October 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 consisted 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 year ended December 31, 2018 the Company also received proceeds of $61,500 from the exercise of 370,000 stock options. Current cash resources are being used for exploration work and general working capital requirements.

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.

Capital Management

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

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

Financial Instruments and Risk Management

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

General Objectives, Policies and Processes:

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

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

a) Market Risk

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

Foreign Currency Risk

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

	December 31, 2018			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	$ 107,260	$ 5,652	$ 15,653	$ 140,785
Amounts receivable	-	-	-	50,063
Accounts payable and accrued liabilities	(22,073)	-	(548)	(15,410)
Net exposure	**$ 85,187**	**$ 5,652**	**$ 15,105**	**$ 175,438**

Based on the above net exposures at December 31, 2018, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $28,100 (2017: $30,700) increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2018, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

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. The Company's receivables consist of VAT receivable from the government of Serbia and receivables from Fortuna. The Company considers credit risk with respect to these amounts to be low.

c) Liquidity Risk

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

Related Party Transactions

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

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

During the periods ended December 31, 2018 and 2017, the Company reimbursed Gold Group, a company controlled by the Executive Chairman of the Company, for the following costs:

		Three months ended December 31,		Year ended December 31,
		2018	2017	2018	2017
General and administrative expenses:				
Office and administration	$ 15,615	$ 23,406	$ 67,861	$ 88,657
Salaries and benefits	26,489	27,623	96,663	108,890
Shareholder communications	-	71	1,775	3,081
Transfer agent and regulatory fees	-	1,653	2,639	6,918
Travel and accommodation	2,546	2,852	11,516	14,514
	$ 44,650	**$ 55,605**	**$ 180,454**	**$ 222,060**

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

During the year ended December 31, 2018, the Company reimbursed Radius $12,079 (2017: $134,304) in shared salary and benefits for the services of a geological consultant.

Amounts receivable as at December 31, 2018 include $130,376 (December 31, 2017: $Nil) due from Fortuna for project funding pursuant to the Tlamino Project option agreement.

Prepaid expenses and deposits as at December 31, 2018 include an amount of $2,902 (2017: $1,248) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.

Long-term deposits as of December 31, 2018 consists of $61,000 (2017: $61,000) paid to Gold Group as a deposit pursuant to an office and administrative agreement.

Amounts due to related parties as of December 31, 2018 consists of $14,958 (2017: $19,400) owing to Gold Group. The amount for Gold Group is due on a monthly basis and secured by a deposit.

During the year ended December 31, 2017, Fortuna acquired 10,000,000 common shares of the Company by way of exercising 10,000,000 share purchase warrants at a cost of $1,500,000.

Key Management Compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 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 December 31,		Year ended December 31,	
	2018	2017	2018	2017
Management fees	$ 27,600	$ 35,072	$ 110,400	$ 126,320
Geological fees	33,900	47,928	135,600	162,301
Salaries and benefits	7,792	10,450	30,709	34,279
	$ 69,292	**$ 93,450**	**$ 276,709**	**$ 322,900**

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

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

Other Data

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

Share Position and Outstanding Options

As at April 29, 2019, the Company's outstanding share position is 94,789,032 common shares and the following stock options and share purchase warrants are outstanding:

No. of options	Exercise price	Expiry date
100,000	$0.20	February 7, 2020
2,230,000	$0.15	February 23, 2024
1,390,000	$0.15	June 28, 2026
400,000	$0.20	July 24, 2027
150,000	$0.20	February 7, 2028
2,025,000	$0.15	January 15,2029
6,295,000		

No. of warrants	Exercise price	Expiry date
4,902,800	$0.40	October 16, 2020

Accounting Policies and Basis of Presentation

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.

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, 2018. 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.

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Future Accounting Changes

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

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019.

Management does not expect the adoption of IFRS 16 to have a significant impact on its financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

This new Interpretation, issued by the IASB in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The interpretation is effective for the Company's annual period beginning January 1, 2019. The adoption of IFRIC 23 will not have a material impact on the Company's financial statements.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

The Company's mineral properties are located in economically stressed, but politically stable 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.