



## **FINANCIAL REVIEW**

**Second Quarter Ended June 30, 2019**



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2019

(Expressed in Canadian Dollars)

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

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2019. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

# Medgold Resources Corp.

(Exploration Stage Company)

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,512,283	\$ 1,436,399
Amounts receivable (Note 11)	10,020	182,887
Prepaid expenses and deposits (Note 11)	32,019	15,822
<b>Total current assets</b>	<b>1,554,322</b>	<b>1,635,108</b>
<b>Non-current assets</b>		
Long-term deposits (Note 11)	61,000	61,000
Property and equipment (Note 6)	126,142	145,990
Exploration and evaluation assets (Note 7)	43,020	43,020
<b>Total non-current assets</b>	<b>230,162</b>	<b>250,010</b>
	<b>\$ 1,784,484</b>	<b>\$ 1,885,118</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 382,962	\$ 71,917
Due to related parties (Note 11)	27,575	14,958
<b>Total liabilities</b>	<b>410,537</b>	<b>86,875</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	13,829,198	13,829,198
Other equity reserves (Note 8)	1,467,987	1,220,092
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(13,765,286)	(13,093,095)
<b>Total shareholders' equity</b>	<b>1,373,947</b>	<b>1,798,243</b>
	<b>\$ 1,784,484</b>	<b>\$ 1,885,118</b>

APPROVED ON BEHALF OF THE BOARD ON JULY 30, 2019:

"Simon Ridgway"  
Simon Ridgway, Director

"Jeremy Crozier"  
Jeremy Crozier, Director

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

# Medgold Resources Corp.

(Exploration Stage Company)

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

(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Exploration expenditures</b> (Note 10)	\$ 28,489	\$ 103,102	\$ 114,000	\$ 292,069
<b>General and administrative expenses</b>				
Depreciation (Note 6)	8,506	9,866	17,029	20,841
Foreign exchange loss (gain)	6,532	12,857	13,992	(16,436)
Legal and accounting	37,593	40,444	56,103	42,715
Management fees (Note 11)	12,625	27,600	42,825	55,200
Office and administration (Note 11)	16,779	19,841	35,612	39,649
Salaries and benefits (Note 11)	27,263	23,984	55,939	46,938
Shareholder communications (Note 11)	36,433	72,251	65,870	115,733
Share-based payments (Note 9)	50,217	1,302	247,895	30,454
Transfer agent and regulatory fees (Note 11)	2,920	3,426	11,045	12,443
Travel and accommodation (Note 11)	13,080	26,180	20,377	37,034
	211,948	237,751	566,687	384,571
<b>Loss before other items</b>	(240,437)	(340,853)	(680,687)	(676,640)
<b>Other items</b>				
Interest and other income	1,181	935	3,796	2,196
Gain on disposal of property and equipment	4,700	-	4,700	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (234,556)</b>	<b>\$ (339,918)</b>	<b>\$ (672,191)</b>	<b>\$ (674,444)</b>
Loss per share, basic and diluted	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding	94,789,032	89,727,661	94,789,032	89,622,530

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

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the six months ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves		Accumulated other comprehensive loss	Deficit	Total shareholders' equity
			Warrants reserve	Share-based payment reserve			
Balance, December 31, 2017	89,516,232	\$ 12,313,267	\$ 16,921	\$ 1,078,511	\$ (157,952)	\$ (11,801,782)	\$ 1,448,965
Loss for the period	-	-	-	-	-	(674,444)	(674,444)
Options exercised	370,000	61,500	-	-	-	-	61,500
Transfer of reserves on exercise of options	-	64,316	-	(64,316)	-	-	-
Share-based payments	-	-	-	30,454	-	-	30,454
Balance, June 30, 2018	89,886,232	12,439,083	16,921	1,044,649	(157,952)	(12,476,226)	866,475
Loss for the period	-	-	-	-	-	(616,869)	(616,869)
Shares issued for private placement	4,902,800	1,421,812	49,028	-	-	-	1,470,840
Share issuance costs	-	(31,697)	-	-	-	-	(31,697)
Share-based payments	-	-	-	109,494	-	-	109,494
Balance, December 31, 2018	94,789,032	13,829,198	65,949	1,154,143	(157,952)	(13,093,095)	1,798,243
Loss for the period	-	-	-	-	-	(672,191)	(672,191)
Share-based payments	-	-	-	247,895	-	-	247,895
<b>Balance, June 30, 2019</b>	<b>94,789,032</b>	<b>\$ 13,829,198</b>	<b>\$ 65,949</b>	<b>\$ 1,402,038</b>	<b>\$ (157,952)</b>	<b>\$ (13,765,286)</b>	<b>\$ 1,373,947</b>

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

# Medgold Resources Corp.

(Exploration Stage Company)

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (234,556)	\$ (339,918)	\$ (672,191)	\$ (674,444)
Items not involving cash:				
Depreciation	8,506	9,866	17,029	20,841
Share-based payments	50,217	1,302	247,895	30,454
Gain on disposal of property and equipment	(4,700)	-	(4,700)	-
	(180,533)	(328,750)	(411,967)	(623,149)
Changes in non-cash working capital balances:				
Amounts receivable	45,390	(4,570)	172,867	34,600
Prepaid expenses and deposits	291	39,862	(16,197)	1,801
Accounts payable and accrued liabilities	276,823	7,688	311,045	83,145
Due to related parties	(16,998)	9,232	12,617	19,833
Operating cash flow provided from (used by) continuing operations	124,973	(276,538)	68,365	(483,770)
Operating cash flow used by discontinued operations	-	(24,088)	-	(22,851)
Net cash provided from (used by) operating activities	124,973	(300,626)	68,365	(506,621)
<b>FINANCING ACTIVITIES</b>				
Net proceeds from issuance of common shares	-	61,500	-	61,500
Net cash provided from financing activities	-	61,500	-	61,500
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	-	(2,315)	(793)	(2,315)
Proceeds on disposal of property and equipment	8,312	-	8,312	-
Net cash provided from (used by) investing activities	8,312	(2,315)	7,519	(2,315)
Effect of changes in exchange rates on cash	-	559	-	(339)
<b>Increase (decrease) in cash</b>	<b>133,285</b>	<b>(240,882)</b>	<b>75,884</b>	<b>(447,775)</b>
Cash, beginning of period	1,378,998	831,513	1,436,399	1,038,406
<b>Cash, end of period</b>	<b>\$ 1,512,283</b>	<b>\$ 590,631</b>	<b>\$ 1,512,283</b>	<b>\$ 590,631</b>

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

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

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### 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 condensed interim consolidated financial statements of the Company as at June 30, 2019 and for the period then ended include the Company and its subsidiaries (Note 2).

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At June 30, 2019, the Company had not yet achieved profitable operations, has accumulated losses of \$13,765,286 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

### 2. BASIS OF PREPARATION

#### Statement of Compliance

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

#### Basis of Measurement

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

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

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



# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 2. BASIS OF PREPARATION (continued)

#### Basis of Consolidation

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

Details of the Company's principal subsidiaries as at June 30, 2019 are as follows:

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

#### Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). 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.

### 3. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS

#### *IFRS 16 Leases*

On January 1, 2019, the Company adopted IFRS 16 – *Leases* ("IFRS 16"), 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 adoption of IFRS 16 did not have a material impact on the Company's condensed interim consolidated 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 interpretation was effective for the Company's annual period beginning January 1, 2019. The adoption of IFRIC 23 did not have a material impact on the Company's financial statements.

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

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

- c) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- d) Although the Company has taken steps to identify any decommissioning liabilities related to mineral properties in which it has an interest, there may be unidentified decommissioning liabilities present.
- e) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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

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

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- 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

In early 2015, the Company entered into an agreement whereby its subsidiary, MedgoldMinas, proposed to acquire, subject to certain conditions, an interest in a mineral property located in Portugal, in consideration for the assumption of certain debts owing by the property owner. The conditions were not met and the transaction did not proceed. However, one of the creditors of the property owner subsequently filed a claim in Portugal against the owner for approximately €1.17 million. Upon request by the creditor, the court then added the Company and MedgoldMinas to be defendants in the event the property owner was found to be not liable to the creditor. The Company 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. In June 2019, the court held that the Company was not responsible for the debts owing by the property owner and the Company was released from the legal action. This judicial decision remains subject to appeal up to September 2, 2019.

### 6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total	
<b>Cost</b>						
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	
Additions	-	-	793	-	793	
Disposals	-	(32,586)	-	-	(32,586)	
<b>Balance, June 30, 2019</b>	<b>\$ 12,906</b>	<b>\$ 155,745</b>	<b>\$ 26,280</b>	<b>\$ 35,463</b>	<b>\$ 230,394</b>	
<b>Accumulated amortization</b>						
Balance, December 31, 2017	\$ 9,450	\$ 44,322	\$ 9,329	\$ 9,003	\$ 72,104	
Charge for period	1,800	32,754	6,070	3,469	44,093	
Balance, December 31, 2018	11,250	77,076	15,399	12,472	116,197	
Charge for period	900	12,903	1,291	1,935	17,029	
Disposals	-	(28,974)	-	-	(28,974)	
<b>Balance, June 30, 2019</b>	<b>\$ 12,150</b>	<b>\$ 61,005</b>	<b>\$ 16,690</b>	<b>\$ 14,407</b>	<b>\$ 104,252</b>	
<b>Carrying amounts</b>						
At December 31, 2018	\$ 1,656	\$ 111,255	\$ 10,088	\$ 22,991	\$ 145,990	
<b>At June 30, 2019</b>	<b>\$ 756</b>	<b>\$ 94,740</b>	<b>\$ 9,590</b>	<b>\$ 21,056</b>	<b>\$ 126,142</b>	

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

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### 7. EXPLORATION AND EVALUATION ASSETS

Capitalized acquisition costs as of June 30, 2019 consist of \$43,020 (December 31, 2018: \$43,020) relating to its Serbian mineral property interests.

#### Serbia

##### a) Exploration Licences

In April 2019, the Company submitted the withdrawal of the Crnook Licence and as a result, holds four granted exploration licences, each covering approximately 100 square kilometres. The licences include Donje Tlamino and Surlica-Dukat which comprise the Tlamino Project optioned to Fortuna Silver Mines Inc. ("Fortuna"), and the adjacent Ljubata and Radovnica licences.

##### b) Tlamino Project Option

Pursuant to an agreement signed in March 2017, as amended in September 2017, the Company granted to Fortuna the option to acquire an initial 51% interest in the Tlamino Project by spending 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 may elect to form a 51:49 joint venture with the Company to further develop the Tlamino Project; or Fortuna may 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.

The Company and Fortuna have one common director.

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(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.

There was no share capital activity during the period ended June 30, 2019.

#### Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2018 to June 30, 2019 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	-	-
Issued on private placements	4,902,800	\$0.40
Balance, December 31, 2018	4,902,800	\$0.40
<b>Balance, June 30, 2019</b>	<b>4,902,800</b>	<b>\$0.40</b>

### 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 period ended June 30, 2019:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Expired / forfeited		
February 7, 2019	\$0.20	100,000	-	-	(100,000)	-	-
February 26, 2020	\$0.20	-	100,000	-	-	100,000	50,000
February 23, 2024	\$0.15	3,230,000	-	-	(1,000,000)	2,230,000	2,230,000
June 18, 2024	\$0.11	-	500,000	-	-	500,000	-
June 28, 2026	\$0.15	1,920,000	-	-	(530,000)	1,390,000	1,390,000
July 24, 2027	\$0.20	420,000	-	-	(20,000)	400,000	400,000
February 7, 2028	\$0.20	150,000	-	-	-	150,000	150,000
July 24, 2028	\$0.37	300,000	-	-	(300,000)	-	-
January 15, 2029	\$0.15	-	2,025,000	-	-	2,025,000	2,025,000
June 2, 2029	\$0.15	-	570,000	-	-	570,000	570,000
		6,120,000	3,195,000	-	(1,950,000)	7,365,000	6,815,000
<b>Weighted average exercise price</b>		\$0.17	\$0.15	-	\$0.19	\$0.15	\$0.15

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

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### 9. SHARE-BASED PAYMENTS (continued)

#### Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended June 30, 2019 was \$0.10 per option.

The weighted average remaining contractual life of the options outstanding at June 30, 2019 is 7.09 (December 31, 2018: 6.35) years.

#### *Options Issued to Employees*

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

#### *Options Issued to Non-Employees*

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

The model inputs for options granted during the period ended June 30, 2019 included expected volatility factors ranging from 85% to 94%, risk-free interest rates ranging from 1.34% to 2.01%, expected life ranging from one to ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the condensed interim consolidated statements of comprehensive loss.

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

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

#### Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based compensation during the period ended June 30, 2019 was \$247,895 (2018: \$30,454).

As of June 30, 2019, unrecognized compensation costs related to unvested share-based payment awards totaled \$31,140 (December 31, 2018: \$Nil).

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 10. EXPLORATION EXPENDITURES

During the six months ended June 30, 2019, the Company incurred the following exploration expenditures:

	Serbia			
	Tlmino Project	Ljubata Project	Other	Total
Assaying	\$ 31,580	\$ -	\$ -	\$ 31,580
Drilling	207,000	-	-	207,000
Field expenses	8,352	380	-	8,732
Geological and other consulting	185,520	13,731	21,300	220,551
Licenses, rights and taxes	20,415	32,352	-	52,767
Office and administration	73,469	1,815	315	75,599
Salaries and benefits	213,612	38,969	4,532	257,113
Travel	29,170	606	-	29,776
	769,118	87,853	26,147	883,118
Expense recoveries*	(769,118)	-	-	(769,118)
	\$ -	\$ 87,853	\$ 26,147	\$ 114,000

During the six months ended June 30, 2018, the Company incurred the following exploration expenditures:

	Serbia			
	Tlmino Project	Ljubata Project	Other	Total
Assaying	\$ 43,888	\$ -	\$ -	\$ 43,888
Drilling	120,875	-	-	120,875
Field expenses	20,855	4,586	-	25,441
Geological and other consulting	94,008	87,437	458	181,903
Licenses, rights and taxes	25,144	24,472	12,053	61,669
Office and administration	50,008	23,548	4,155	77,711
Salaries and benefits	138,154	95,778	16,902	250,834
Travel	45,331	19,278	3,402	68,011
	538,263	255,098	36,971	830,332
Expense recoveries*	(538,263)	-	-	(538,263)
	\$ -	\$ 255,098	\$ 36,971	\$ 292,069

\* Expense recoveries for the Tlmino Project consist of funding from Fortuna per its option agreement with the Company (Note 7(b)).

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 11. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended June 30, 2019 and 2018 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
Virv Associates ("Virv")	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 condensed interim consolidated financial statements are as follows:

- a) During the periods ended June 30, 2019 and 2018, the Company reimbursed Gold Group for the following costs:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
General and administrative expenses:				
Office and administration	\$ 15,238	\$ 19,470	\$ 31,146	\$ 38,483
Salaries and benefits	27,263	23,520	55,939	46,474
Shareholder communications	767	306	3,396	1,775
Transfer agent and regulatory fees	1,900	1,879	2,605	2,639
Travel and accommodation	966	2,486	2,646	4,527
	<b>\$ 46,134</b>	<b>\$ 47,661</b>	<b>\$ 95,732</b>	<b>\$ 93,898</b>

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the periods ended June 30, 2019 and 2018 include those for the Chief Financial Officer and the Corporate Secretary.

- b) During the period ended June 30, 2019, the Company reimbursed Radius, a company with a common director, \$Nil (2018: \$12,079) for the services of a geological consultant.
- c) Amounts receivable as at June 30, 2019 include \$Nil (December 31, 2018: \$130,376) due from Fortuna for project funding pursuant to the Tlamino Project option agreement (Note 7(b)).
- d) Prepaid expenses and deposits as at June 30, 2019 include an amount paid to Gold Group of \$1,603 (December 31, 2018: \$2,902) for administrative expenses paid in advance on the Company's behalf.
- e) Long-term deposits as of June 30, 2019 consists of \$61,000 (December 31, 2018: \$61,000) paid to Gold Group as a deposit pursuant to an agreement with Gold Group.
- f) Amounts due to related parties as of June 30, 2019 consists of \$15,968 (December 31, 2018: \$14,958) owing to Gold Group and \$11,607 (December 31, 2018: \$Nil) to the Chief Executive Officer of the Company for expense reimbursement. The amount for Gold Group is due on a monthly basis and secured by a deposit.



# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended June 30, 2019 and 2018 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 June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Management fees	\$ 12,625	\$ 27,600	\$ 42,825	\$ 55,200
Geological fees	45,875	33,900	83,675	67,800
Salaries and benefits	8,708	8,250	16,041	15,125
Value of stock option grants recorded as share-based payments	-	-	168,785	-
	<b>\$ 67,208</b>	<b>\$ 69,750</b>	<b>\$ 311,326</b>	<b>\$ 138,125</b>

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

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

#### General Objectives, Policies and Processes

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

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

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at June 30, 2019, the Company is exposed to foreign currency risk and interest rate risk.

#### *Foreign Currency Risk*

As at June 30, 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	June 30, 2019			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 95,221	\$ 4,590	\$ 14,403	\$ 505,175
Amounts receivable	-	-	-	6,365
Accounts payable and accrued liabilities	(26,999)	-	(4,219)	(238,681)
<b>Net exposure</b>	<b>\$ 68,222</b>	<b>\$ 4,590</b>	<b>\$ 10,184</b>	<b>\$ 272,859</b>

	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)
<b>Net exposure</b>	<b>\$ 85,187</b>	<b>\$ 5,652</b>	<b>\$ 15,105</b>	<b>\$ 175,438</b>

Based on the above net exposures at June 30, 2019, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$35,600 (December 31, 2018: \$28,100) 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 June 30, 2019, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with Canadian, British and Serbian financial institutions. The Company considers this risk to be limited.

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's receivables consist of GST receivable from the government of Canada and VAT receivable from the government of Serbia. 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 June 30, 2019, the Company had working capital of \$1,143,785 (December 31, 2018: \$1,548,233). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

#### Determination of Fair Value

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

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

#### Fair Value Hierarchy

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

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

The fair values of the Company's financial assets measured at fair value on a recurring basis as of June 30, 2019 were calculated as follows:

	Balance at June 30, 2019	Level 1	Level 2	Level 3
Financial Asset:				
Cash and cash equivalents	\$ 1,512,283	\$ 1,512,283	\$ -	\$ -

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity. There were no changes in the Company's capital management approach during the period ended June 30, 2019.

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.

### 14. SEGMENTED REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to precious metals exploration. 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.

<b>Period ended June 30, 2019</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Total</b>
Exploration expenditures	\$ -	\$ -	\$ 114,000	\$ 114,000
Interest and other income	3,796	4,700	-	8,496
Net income (loss)	(540,891)	(1,186)	(130,114)	(672,191)
Capital expenditures*	-	-	793	793

  

<b>Period ended June 30, 2018</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Total</b>
Exploration expenditures	\$ -	\$ -	\$ 292,069	\$ 292,069
Interest and other income	2,196	-	-	2,196
Net loss	(260,601)	(66,704)	(347,139)	(674,444)
Capital expenditures*	-	-	2,315	2,315

\*Capital expenditures consists of additions of property and equipment

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended June 30, 2019

(Expressed in Canadian Dollars)

### 14. SEGMENTED REPORTING (continued)

<b>As at June 30, 2019</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Consolidated</b>
Total current assets	\$ 926,998	\$ 107,571	\$ 519,753	\$ 1,554,322
Total non-current assets	61,756	-	168,406	230,162
<b>Total assets</b>	<b>\$ 988,754</b>	<b>\$ 107,571</b>	<b>\$ 688,159</b>	<b>\$ 1,784,484</b>
<b>Total liabilities</b>	<b>\$ 153,766</b>	<b>\$ 18,090</b>	<b>\$ 238,681</b>	<b>\$ 410,537</b>

<b>As at December 31, 2018</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Consolidated</b>
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
<b>Total assets</b>	<b>\$ 1,375,824</b>	<b>\$ 124,472</b>	<b>\$ 384,822</b>	<b>\$ 1,885,118</b>
<b>Total liabilities</b>	<b>\$ 42,739</b>	<b>\$ 28,792</b>	<b>\$ 15,344</b>	<b>\$ 86,875</b>



(the “Company”)

## **INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**

**For the Six Months Ended June 30, 2019**

### **General**

This interim Management’s Discussion and Analysis (“Interim MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the six months ended June 30, 2019. The following information, prepared as of July 30, 2019, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for six months ended June 30, 2019 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”). In addition, the following should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2018 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The June 30, 2019 condensed interim consolidated financial statements have not been reviewed by the Company’s auditors.

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

### **Forward Looking Information**

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

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

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

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

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

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

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

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

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

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

### **Business of the Company**

The Company is a Vancouver based mineral exploration 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 ongoing drilling activities.

### **Serbia - Exploration Review**

The Company is targeting gold (silver, lead and zinc) properties in the Oligo-Miocene igneous belt of Serbia. This belt of rocks runs NW-SE across much of the country, and is under-explored for gold and silver, despite an abundance of freely available geological data. Much of this information was generated by the Yugoslav 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 1,500 metres to the southeast. In addition, the Company has identified further targets by means of soil geochemistry, geophysics, compilation of historic data, and field prospecting at its Karamanica Prospect.

Further to drilling 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; this program commenced on June 3, 2019.

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 adjacent to the borders of North 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 adjacent to the existing Tlamino landholding, and the other covering prospective ground elsewhere in the Oligo-Miocene igneous belt of Serbia.

#### ***Option Agreement with Fortuna***

Pursuant to an agreement signed in March 2017, as amended in September 2017, the Company granted to Fortuna the option to acquire an initial 51% interest in the Tlamino Project (comprised of the Donje Tlamino and Surlica-Dukat licences) by spending 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.

#### ***The Tlamino Gold Project***

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

##### Barje and Liska Prospects

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 sequences 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 the conglomerate 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 gram-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 <sup>1</sup>	Au	Ag	As	Pb	Zn
	(m)	(m)	(m)	(m)	(g/t)	(g/t)	(%)	(%)	(%)
BAR001 <sup>2</sup>	2.38	33.20	30.82	23.7	2.06	55	0.67	0.17	0.37
BAR002 <sup>2</sup>	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 <sup>3</sup>	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 <sup>3</sup>	2.20	24.30	22.10	22.1	1.83	109	0.61	0.17	0.34
BAR005 <sup>4</sup>	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 <sup>4</sup>	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 <sup>4</sup>	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 <sup>5</sup>	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 <sup>5</sup>	0.00	28.00	28.00	25.5	0.86	7	0.52	0.02	0.08
BAR010 <sup>5</sup>	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 <sup>5</sup>	62.00	72.75	10.75	9.8	4.76	33	2.93	0.16	0.51
BAR012b <sup>5</sup>	57.80	73.00	15.20	13.3	1.68	10	1.55	0.14	0.35
BAR013 <sup>5</sup>	70.50	89.10	18.60	18.6	3.09	22	1.31	0.40	0.87
BAR014 <sup>6</sup>	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 <sup>6</sup>	135.00	143.20	8.20	7.7	2.29	19	1.62	0.40	1.06
BAR016 <sup>6</sup>	101.00	120.90	19.90	18.1	1.01	11	0.48	0.03	0.10
BAR017 <sup>6</sup>	No significant intersection of mineralization								
BAR018 <sup>6</sup>	No significant intersection of mineralization								
BAR019 <sup>6</sup>	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 <sup>6</sup>	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								

<sup>1</sup> - 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  $\pm 10\%$  of the true thickness. <sup>2</sup> - Announced 11 June 2018. <sup>3</sup> - Announced 18 June 2018. <sup>4</sup> - Announced 5 July 2018. <sup>5</sup> - Announced 20 September 2018. <sup>6</sup> - Announced 19 November 2018.

Table 2 – Barje - Liska Drill Collars 2018

Drill hole	Easting <sup>1</sup>	Northing <sup>1</sup>	Elevation	Azimuth	Inclination	Length
			(m)	(°)	(°)	(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

<sup>1</sup> - Coordinates are given in WGS84 datum and UTM zone 34 projection.

### 2019 Drill Program

A new phase of drilling at the Tlamino Project, consisting of up to 5,000 metres of diamond drilling, commenced on June 3, 2019. The initial focus of the 2019 program is to seek southward extensions to the gold and base metal mineralization defined at the Barje Prospect in 2018. Approximately 2,000 metres of drilling have been completed under this program to date, the results of which are pending.

### 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<sub>1</sub> 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+C<sub>1</sub> 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, as well as 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 dropped 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 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 evidencije 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 Interim MD&A.

**Quarterly Information**

The following table provides information for the eight fiscal quarters ended June 30, 2019:

	<b>June 30, 2019 (\$)</b>	<b>Mar. 31, 2019 (\$)</b>	<b>Dec. 31, 2018 (\$)</b>	<b>Sep. 30, 2018 (\$)</b>	<b>June 30, 2018 (\$)</b>	<b>Mar. 31, 2018 (\$)</b>	<b>Dec. 31, 2017 (\$)</b>	<b>Sep. 30, 2017 (\$)</b>
Exploration expenditures from continuing operations	28,489	85,511	123,703	89,726	103,102	188,967	518,490	292,466
General and administrative expenses from continuing operations	211,948	354,739	154,151	255,357	237,751	146,820	121,371	303,053
Loss from continuing operations	(234,556)	(437,635)	(273,071)	(343,798)	(339,918)	(334,526)	(638,150)	(594,182)
Loss from discontinued operations	-	-	-	-	-	-	(149,293)	(31,143)
Basic and diluted loss per share for continuing operations	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)
Basic and diluted loss per share for discontinued operations	-	-	-	-	-	-	(0.00)	(0.01)

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 June 30, 2019, March 31, 2019, September 30, 2018 and September 30, 2017 were higher than most other quarters presented due to share-based payments charges of \$50,217, \$197,678, \$107,634 and \$128,554, respectively, which relate to the granting of stock options.

**Results of Operations**

*Quarter ended June 30, 2019*

For the quarter ended June 30, 2019, the Company had a net loss of \$234,556 compared to a net loss of \$339,918 for the quarter ended June 30, 2018, a decrease of \$105,362.

Exploration costs of \$28,489 were recorded during the current quarter compared to \$103,102 during the comparative quarter, a decrease of \$74,613. 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 \$211,948 for the current quarter compared to \$237,751 for the comparative quarter, a decrease of \$25,803. The most significant decrease during the current quarter was in shareholder communications which was \$35,818 lower due to the Company using more investor relations services during the comparative quarter. The most significant increase during the current quarter was share-based payments expense which was \$50,217 compared to \$1,302 in the comparative quarter. The share-based payments expense relates to the granting of stock options during the respective periods.

*Six months ended June 30, 2019*

For the six month period ended June 30, 2019, the Company had a net loss of \$672,191 compared to a net loss of \$674,444 for the six month period ended June 30, 2018, a decrease of \$2,253. Exploration costs for the current period were \$114,000 compared to \$292,069 for the comparative period, a decrease of \$178,069. As with the quarterly comparison, exploration costs for the current period were less because most activity was on properties in Serbia optioned to and funded by Fortuna.

General and administrative expenses totaled \$566,687 for the current period compared to \$384,571 for the comparative period, an increase of \$182,116. This increase is primarily due to the current period including a share-based payments expense of \$247,895 relating to the granting of stock options compared to an expense of \$30,454 in

the comparative period. General and administrative costs for the current period also included a foreign exchange loss of \$13,992 compared to foreign exchange gain of \$16,436 for the comparative period. Most notable cost decreases during the current period were \$49,863 in shareholder communications and \$16,657 in travel and accommodation. These costs were higher in the comparative period due to greater investor relations activities.

### **Liquidity and Capital Resources**

The Company's cash resource as at June 30, 2019 was \$1,512,283, an increase from \$1,436,399 as at December 31, 2018. At June 30, 2019, the Company had current assets totaling \$1,554,322 and current liabilities totaling \$410,537, for working capital of \$1,143,785. Included in current liabilities is an exploration advance of \$104,222 provided by Fortuna during the period ended June 30, 2019 for Tlamino Project exploration, which funds were expended by the Company on behalf of Fortuna subsequent to the period-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. 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.

### **Related Party Transactions**

See Note 11 of the condensed interim consolidated financial statements for the six months ended June 30, 2019 for details of other related party transactions which occurred in the normal course of business.

### **Other Data**

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

### **Share Position and Outstanding Options**

As at July 30, 2019, the Company's outstanding share position is 94,789,032 common shares and the following stock options and share purchase warrants are outstanding:

<b>No. of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
100,000	\$0.20	February 26, 2020
2,230,000	\$0.15	February 23, 2024
500,000	\$0.11	June 18, 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
570,000	\$0.15	June 2, 2029
<b>7,365,000</b>		
<b>No. of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
4,902,800	\$0.40	October 16, 2020

### **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, 2019:

### *IFRS 16 Leases*

IFRS 16 Leases 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 adoption of IFRS 16 did not have a material impact on the Company's condensed interim consolidated financial statements.

### *IFRIC 23 Uncertainty over Income Tax Treatments*

This new Interpretation 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 adoption of IFRIC 23 did not have a material impact on the Company's condensed interim consolidated 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.