



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 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 nine months ended September 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)

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,411,414	\$ 1,436,399
Amounts receivable (Note 11)	24,146	182,887
Prepaid expenses and deposits (Note 11)	9,100	15,822
<b>Total current assets</b>	<b>1,444,660</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)	117,806	145,990
Exploration and evaluation assets (Note 7)	43,020	43,020
<b>Total non-current assets</b>	<b>221,826</b>	<b>250,010</b>
	<b>\$ 1,666,486</b>	<b>\$ 1,885,118</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	\$ 60,809	\$ 71,917
Due to related parties (Note 11)	32,125	14,958
Exploration advances (Note 11)	380,500	-
<b>Total liabilities</b>	<b>473,434</b>	<b>86,875</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	13,829,198	13,829,198
Other equity reserves (Note 8)	1,498,323	1,220,092
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(13,976,517)	(13,093,095)
<b>Total shareholders' equity</b>	<b>1,193,052</b>	<b>1,798,243</b>
	<b>\$ 1,666,486</b>	<b>\$ 1,885,118</b>

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 26, 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Exploration expenditures</b> (Note 10)	\$ 32,762	\$ 89,726	\$ 146,762	\$ 381,795
<b>General and administrative expenses</b>				
Depreciation (Note 6)	8,336	10,348	25,365	31,189
Foreign exchange loss (gain)	7,100	20,059	21,092	3,623
Legal and accounting	20,540	6,039	76,643	48,754
Management fees (Note 11)	24,000	27,600	66,825	82,800
Office and administration (Note 11)	19,822	14,136	55,434	53,785
Salaries and benefits (Note 11)	29,667	23,926	85,606	70,864
Shareholder communications (Note 11)	29,711	29,150	95,581	144,883
Share-based payments (Note 9)	30,336	107,634	278,231	138,088
Transfer agent and regulatory fees (Note 11)	2,022	1,439	13,067	13,882
Travel and accommodation (Note 11)	8,510	15,026	28,887	52,060
	180,044	255,357	746,731	639,928
<b>Loss before other items</b>	(212,806)	(345,083)	(893,493)	(1,021,723)
<b>Other items</b>				
Interest and other income	1,575	1,285	5,371	3,481
Gain on disposal of property and equipment	-	-	4,700	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (211,231)</b>	<b>\$ (343,798)</b>	<b>\$ (883,422)</b>	<b>\$ (1,018,242)</b>
Loss per share, basic and diluted	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding	94,789,032	89,886,232	94,789,032	89,711,397

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

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 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	-	-	-	-	-	(1,018,242)	(1,018,242)
Options exercised	370,000	61,500	-	-	-	-	61,500
Transfer of reserves on exercise of options	-	64,316	-	(64,316)	-	-	-
Share-based payments	-	-	-	138,088	-	-	138,088
Balance, September 30, 2018	89,886,232	12,439,083	16,921	1,152,283	(157,952)	(12,820,024)	630,311
Loss for the period	-	-	-	-	-	(273,071)	(273,071)
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	-	-	-	1,860	-	-	1,860
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	-	-	-	-	-	(883,422)	(883,422)
Share-based payments	-	-	-	278,231	-	-	278,231
<b>Balance, September 30, 2019</b>	<b>94,789,032</b>	<b>\$ 13,829,198</b>	<b>\$ 65,949</b>	<b>\$ 1,432,374</b>	<b>\$ (157,952)</b>	<b>\$ (13,976,517)</b>	<b>\$ 1,193,052</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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (211,231)	\$ (343,798)	\$ (883,422)	\$ (1,018,242)
Items not involving cash:				
Depreciation	8,336	10,348	25,365	31,189
Share-based payments	30,336	107,634	278,231	138,088
Gain on disposal of property and equipment	-	-	(4,700)	-
	(172,559)	(225,816)	(584,526)	(848,965)
Changes in non-cash working capital balances:				
Amounts receivable	(14,126)	(26,291)	158,741	8,309
Prepaid expenses and deposits	22,919	(24,632)	6,722	(22,831)
Accounts payable and accrued liabilities	(322,153)	(57,756)	(11,108)	25,389
Due to related parties	4,550	737	17,167	20,570
Exploration advances	380,500	272,312	380,500	272,312
Operating cash flow used by continuing operations	(100,869)	(61,446)	(32,504)	(545,216)
Operating cash flow used by discontinued operations	-	-	-	(22,851)
Net cash used by operating activities	(100,869)	(61,446)	(32,504)	(568,067)
<b>FINANCING ACTIVITIES</b>				
Net proceeds from issuance of common shares	-	-	-	61,500
Net cash provided from financing activities	-	-	-	61,500
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	-	(10,097)	(793)	(12,412)
Proceeds on disposal of property and equipment	-	-	8,312	-
Net cash provided from (used by) investing activities	-	(10,097)	7,519	(12,412)
Effect of changes in exchange rates on cash	-	374	-	35
<b>Decrease in cash</b>	(100,869)	(71,169)	(24,985)	(518,944)
Cash, beginning of period	1,512,283	590,631	1,436,399	1,038,406
<b>Cash, end of period</b>	<b>\$ 1,411,414</b>	<b>\$ 519,462</b>	<b>\$ 1,411,414</b>	<b>\$ 519,462</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 nine months ended September 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 September 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 September 30, 2019, the Company had not yet achieved profitable operations, has accumulated losses of \$13,976,517 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 nine months ended September 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 September 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 nine months ended September 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 nine months ended September 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. This judicial decision, however, was appealed by the plaintiff and the Company is currently submitting its arguments to such appeal.

### 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, September 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	1,350	19,211	1,922	2,882	25,365
Disposals	-	(28,974)	-	-	(28,974)
<b>Balance, September 30, 2019</b>	<b>\$ 12,600</b>	<b>\$ 67,313</b>	<b>\$ 17,321</b>	<b>\$ 15,354</b>	<b>\$ 112,588</b>
<b>Carrying amounts</b>					
At December 31, 2018	\$ 1,656	\$ 111,255	\$ 10,088	\$ 22,991	\$ 145,990
<b>At September 30, 2019</b>	<b>\$ 306</b>	<b>\$ 88,432</b>	<b>\$ 8,959</b>	<b>\$ 20,109</b>	<b>\$ 117,806</b>

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

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### 7. EXPLORATION AND EVALUATION ASSETS

Capitalized acquisition costs as of September 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, 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 nine months ended September 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 September 30, 2019.

#### Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2018 to September 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, September 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 September 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	75,000
February 23, 2024	\$0.15	3,230,000	-	-	(1,100,000)	2,130,000	2,130,000
June 18, 2024	\$0.11	-	500,000	-	-	500,000	-
June 28, 2026	\$0.15	1,920,000	-	-	(630,000)	1,290,000	1,290,000
July 24, 2027	\$0.20	420,000	-	-	(220,000)	200,000	200,000
February 7, 2028	\$0.20	150,000	-	-	(50,000)	100,000	100,000
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	-	(2,400,000)	6,915,000	6,890,000
<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 nine months ended September 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 September 30, 2019 was \$0.10 per option.

The weighted average remaining contractual life of the options outstanding at September 30, 2019 is 6.83 (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 September 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 September 30, 2019 was \$278,231 (2018: \$138,088).

As of September 30, 2019, unrecognized compensation costs related to unvested share-based payment awards totaled \$804 (December 31, 2018: \$Nil).

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

### 10. EXPLORATION EXPENDITURES

During the nine months ended September 30, 2019, the Company incurred the following exploration expenditures:

	Serbia			
	Tlmino Project	Ljubata Project	Other	Total
Assaying	\$ 75,341	\$ 341	\$ -	\$ 75,682
Drilling	224,558	-	-	224,558
Field expenses	19,214	476	-	19,690
Geological and other consulting	292,386	34,433	27,300	354,119
Licenses, rights and taxes	21,387	32,147	-	53,534
Office and administration	125,137	3,644	315	129,096
Salaries and benefits	308,377	42,263	4,499	355,139
Travel	47,140	1,344	-	48,484
	1,113,540	114,648	32,114	1,260,302
Expense recoveries*	(1,113,540)	-	-	(1,113,540)
	\$ -	\$ 114,648	\$ 32,114	\$ 146,762

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

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

\* 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)

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(Expressed in Canadian Dollars)

### 11. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended September 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 International Inc. ("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 September 30, 2019 and 2018, the Company reimbursed Gold Group for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
General and administrative expenses:				
Office and administration	\$ 15,623	\$ 13,763	\$ 46,769	\$ 52,246
Salaries and benefits	29,667	23,700	85,606	70,174
Shareholder communications	-	-	3,396	1,775
Transfer agent and regulatory fees	133	-	2,738	2,639
Travel and accommodation	1,616	4,443	4,262	8,970
	<b>\$ 47,039</b>	<b>\$ 41,906</b>	<b>\$ 142,771</b>	<b>\$ 135,804</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 September 30, 2019 and 2018 include those for the Chief Financial Officer and the Corporate Secretary.

- b) During the period ended September 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 September 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 September 30, 2019 include an amount paid to Gold Group of \$1,370 (December 31, 2018: \$2,902) for administrative expenses paid in advance on the Company's behalf,
- e) Long-term deposits as of September 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 September 30, 2019 consists of \$17,397 (December 31, 2018: \$14,958) owing to Gold Group and \$14,728 (December 31, 2018: \$Nil) to the Chief Executive Officer of the Company. 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)

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

- g) Exploration advances as at September 30, 2019 total \$380,500 (December 31, 2018: \$Nil) for project funding received from Fortuna pursuant to the Tlamino Project option agreement (Note 7(b)) but not yet expended by the Company.

#### Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Management fees	\$ 24,000	\$ 27,600	\$ 66,825	\$ 82,800
Geological fees	34,500	33,900	118,175	101,700
Salaries and benefits	9,167	7,792	25,208	22,917
Value of stock option grants recorded as share-based payments	-	-	168,785	-
	<b>\$ 67,667</b>	<b>\$ 69,292</b>	<b>\$ 378,993</b>	<b>\$ 207,417</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.



# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

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

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

#### a) Market Risk

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

#### Foreign Currency Risk

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

	September 30, 2019			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 86,192	\$ 4,620	\$ 13,969	\$ 168,507
Amounts receivable	-	-	-	22,391
Accounts payable and accrued liabilities	(20,644)	(11,442)	(4,060)	(21,622)
<b>Net exposure</b>	<b>\$ 65,548</b>	<b>\$ (6,822)</b>	<b>\$ 9,909</b>	<b>\$ 169,276</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 September 30, 2019, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$23,800 (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 September 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 nine months ended September 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 September 30, 2019, the Company had working capital of \$971,226 (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 September 30, 2019 were calculated as follows:

	Balance at September 30, 2019	Level 1	Level 2	Level 3
Financial Asset:				
Cash and cash equivalents	\$ 1,411,414	\$ 1,411,414	\$ -	\$ -

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 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 September 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 September 30, 2019</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Total</b>
Exploration expenditures	\$ -	\$ -	\$ 146,762	\$ 146,762
Interest and other income	5,371	4,700	-	10,071
Net income (loss)	(702,980)	(9,688)	(170,754)	(883,422)
Capital expenditures*	-	-	793	793

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

\*Capital expenditures consists of additions of property and equipment

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2019

(Expressed in Canadian Dollars)

### 14. SEGMENTED REPORTING (continued)

<b>As at September 30, 2019</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Consolidated</b>
Total current assets	\$ 1,147,635	\$ 98,108	\$ 198,917	\$ 1,444,660
Total non-current assets	61,306	-	160,520	221,826
<b>Total assets</b>	<b>\$ 1,208,941</b>	<b>\$ 98,108</b>	<b>\$ 359,437</b>	<b>\$ 1,666,486</b>
<b>Total liabilities</b>	<b>\$ 445,093</b>	<b>\$ 6,719</b>	<b>\$ 21,622</b>	<b>\$ 473,434</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>