



## **FINANCIAL REVIEW**

**Third Quarter Ended September 30, 2016**



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2016

(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, 2016. 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)

As at	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 825,985	\$ 215,282
Amounts receivable	50,608	7,393
Prepaid expenses and deposits (Note 12)	39,850	31,805
Total current assets	916,443	254,480
<b>Non-current assets</b>		
Long-term deposits (Note 12)	61,000	61,000
Exploration bonds (Note 6)	220,918	498,698
Property and equipment (Note 5)	102,761	77,611
Exploration and evaluation assets (Note 6)	252,126	197,320
Total non-current assets	636,805	834,629
	<b>\$ 1,553,248</b>	<b>\$ 1,089,109</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 214,721	\$ 269,368
Due to related parties (Note 12)	38,317	73,055
Current portion of convertible debenture - liability component (Note 8)	260,295	-
Total current liabilities	513,333	342,423
<b>Non-current liability</b>		
Convertible debenture - liability component (Note 8)	-	206,202
Total liabilities	513,333	548,625
<b>Shareholders' equity</b>		
Share capital (Note 9)	7,981,641	6,037,899
Other reserves	2,342,130	1,566,911
Accumulated other comprehensive loss	(524,943)	(47,203)
Deficit	(8,758,913)	(7,017,123)
Total shareholders' equity	1,039,915	540,484
	<b>\$ 1,553,248</b>	<b>\$ 1,089,109</b>

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 25, 2016:

"Simon Ridgway"  
Simon Ridgway, Director

"Daniel James"  
Daniel James, Director

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

# Medgold Resources Corp.

(Exploration Stage Company)

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

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<b>Exploration expenditures</b> (Note 11)	\$ 595,109	\$ 150,852	\$ 931,767	\$ 361,701
<b>General and administrative expenses</b>				
Depreciation	6,740	3,716	16,947	10,130
Finance costs	-	-	20,176	-
Foreign exchange gain	(3,310)	(153,049)	(77,291)	(260,324)
Office and administration (Note 12)	21,321	20,451	65,436	55,027
Interest and bank charges (Note 8)	21,184	15,660	58,391	42,455
Legal and accounting	6,845	29,161	63,364	122,836
Management fees (Note 12)	33,599	37,094	93,207	113,587
Salaries and benefits (Note 12)	29,004	33,474	92,553	89,522
Shareholder communications (Note 12)	9,556	15,633	31,541	33,391
Share-based payments (Note 10)	-	-	416,919	46,468
Transfer agent and regulatory fees (Note 12)	2,749	2,967	14,949	18,706
Travel and accommodation (Note 12)	3,080	1,390	14,539	30,951
	130,768	6,497	810,731	302,749
<b>Loss before other items</b>	(725,877)	(157,349)	(1,742,498)	(664,450)
<b>OTHER ITEMS</b>				
Interest and other income	708	568	708	568
<b>Net loss for the period</b>	<b>\$ (725,169)</b>	<b>\$ (156,781)</b>	<b>\$ (1,741,790)</b>	<b>\$ (663,882)</b>
<b>Other comprehensive loss</b>				
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on foreign exchange translation	(372,644)	(93,346)	(477,740)	(195,766)
<b>Comprehensive loss for the period</b>	<b>\$ (1,097,813)</b>	<b>\$ (250,127)</b>	<b>\$ (2,219,530)</b>	<b>\$ (859,648)</b>
<b>Loss per share, basic and diluted</b>	<b>\$(0.01)</b>	<b>\$(0.00)</b>	<b>\$(0.03)</b>	<b>\$(0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>65,485,304</b>	<b>46,865,370</b>	<b>57,298,574</b>	<b>45,829,635</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 CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the nine months ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share subscriptions received	Other equity reserves			Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
				Warrants reserve	Share-based payment reserve	Equity portion of convertible debenture reserve			
Balance, December 31, 2014	41,822,029	\$5,197,038	\$ -	\$ 2,241	\$ 486,570	\$ 842,680	\$ (52,670)	\$(5,835,086)	\$ 640,773
Loss for the period	-	-	-	-	-	-	-	(663,882)	(663,882)
Shares issued for private placement	4,372,728	373,409	-	86,591	-	-	-	-	460,000
Shares issued for property acquisition	2,347,418	250,000	-	-	-	-	-	-	250,000
Shares issued for services	326,640	34,298	-	-	-	-	-	-	34,298
Share issuance costs	-	(12,368)	-	861	-	-	-	-	(11,507)
Share subscriptions receivable	-	-	290,000	-	-	-	-	-	290,000
Share-based payments	-	-	-	-	46,468	-	-	-	46,468
Unrealized foreign exchange loss	-	-	-	-	-	-	(195,766)	-	(195,766)
Balance, September 30, 2015	48,868,815	5,842,377	290,000	89,693	533,038	842,680	(248,436)	(6,498,968)	850,384
Loss for the period	-	-	-	-	-	-	-	(518,155)	(518,155)
Shares issued for private placement	2,900,000	188,500	-	101,500	-	-	-	-	290,000
Shares issued for services	108,880	7,622	-	-	-	-	-	-	7,622
Share issuance costs	-	(600)	-	-	-	-	-	-	(600)
Share subscriptions receivable	-	-	(290,000)	-	-	-	-	-	(290,000)
Unrealized foreign exchange gain	-	-	-	-	-	-	201,233	-	201,233
Balance, December 31, 2015	51,877,695	6,037,899	-	191,193	533,038	842,680	(47,203)	(7,017,123)	540,484
Loss for the period	-	-	-	-	-	-	-	(1,741,790)	(1,741,790)
Shares issued for private placement	12,000,000	1,350,000	-	350,000	-	-	-	-	1,700,000
Shares issued for services	150,000	20,250	-	-	-	-	-	-	20,250
Share issuance costs	-	(11,508)	-	-	-	-	-	-	(11,508)
Warrants issued for finance fee	-	-	-	17,300	-	-	-	-	17,300
Warrants exercised	3,800,000	576,000	-	-	-	-	-	-	576,000
Transfer of contributed surplus on exercise of warrants	-	9,000	-	(9,000)	-	-	-	-	-
Share-based payments	-	-	-	-	416,919	-	-	-	416,919
Unrealized foreign exchange loss	-	-	-	-	-	-	(477,740)	-	(477,740)
<b>Balance, September 30, 2016</b>	<b>67,827,695</b>	<b>\$7,981,641</b>	<b>\$ -</b>	<b>\$ 549,493</b>	<b>\$ 949,957</b>	<b>\$ 842,680</b>	<b>\$ (524,943)</b>	<b>\$(8,758,913)</b>	<b>\$ 1,039,915</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,	
	2016	2015	2016	2015
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (725,169)	\$ (156,781)	\$ (1,741,790)	\$ (663,882)
Items not involving cash:				
Shares issued for management fees	-	7,622	-	34,298
Finance costs	-	-	20,176	-
Depreciation	6,740	3,716	16,947	10,130
Share-based payments	-	-	416,919	46,468
Convertible debenture accretion expense	19,448	14,255	54,093	39,650
	(698,981)	(131,188)	(1,233,655)	(533,336)
Changes in non-cash working capital balances:				
Amounts receivable	(44,601)	(6,578)	(43,215)	634
Prepaid expenses and deposits	(18,514)	(37,361)	(8,045)	(26,796)
Accounts payable and accrued liabilities	54,556	88,535	(54,647)	112,577
Due to related parties	(58,345)	(52,045)	(34,738)	45,794
	(765,885)	(138,637)	(1,374,300)	(401,127)
<b>FINANCING ACTIVITIES</b>				
Net proceeds from issuance of common shares	575,450	204,563	2,264,492	448,493
Share subscriptions received	-	290,000	-	290,000
Proceeds from short-term debt	-	-	100,000	-
Repayment of short-term debt	-	-	(100,000)	-
	575,450	494,563	2,264,492	738,493
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(42,097)	-	(42,097)	(32,586)
Exploration and evaluation asset acquisitions	(54,806)	-	(54,806)	-
Refund (purchase) of reclamation bonds	-	179,412	240,430	(45,733)
	(96,903)	179,412	143,527	(78,319)
Effect of changes in exchange rates on cash	(366,425)	(136,577)	(423,016)	(239,019)
<b>Increase (decrease) in cash</b>	<b>(653,763)</b>	<b>398,761</b>	<b>610,703</b>	<b>20,028</b>
Cash, beginning of period	1,479,748	120,731	215,282	499,464
<b>Cash, end of period</b>	<b>\$ 825,985</b>	<b>\$ 519,492</b>	<b>\$ 825,985</b>	<b>\$ 519,492</b>
<b>Supplemental cash flow information:</b>				
Warrants issued for finance fee	\$ -	\$ -	\$ 17,300	\$ -
Shares issued for services	\$ 20,250	\$ 7,622	\$ 20,250	\$ 34,298
Acquisition of Klondike - exploration and evaluation assets	\$ -	\$ -	\$ -	\$ 250,000

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, 2016

(Expressed in Canadian Dollars)

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### 1. NATURE AND CONTINUANCE OF OPERATIONS

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

These condensed interim consolidated financial statements of the Company as at September 30, 2016 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. At September 30, 2016, the Company had not yet achieved profitable operations, has accumulated losses of \$8,758,913 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. Management is continuing to investigate opportunities to raise capital for the Company.

### 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.

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, 2016

(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 subsidiaries as at September 30, 2016 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
MedgoldMinas Unipessoal Lda.	Portugal	100%	Exploration company
MedCenterra Unipessoal Lda.	Portugal	100%	Exploration company
Medgold Minera Sociedad Limitada	Spain	100%	Exploration 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. 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 that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The Company has determined that the functional currency of its foreign subsidiaries is the British pound sterling and Euro. Assets and liabilities are translated to the presentation currency at the period-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the consolidated statements of comprehensive loss.

### 3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

#### *IFRS 9 Financial Instruments*

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2016

(Expressed in Canadian Dollars)

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### 3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

#### *IFRS 16 Leases*

On January 13, 2016, the IASB issued IFRS 16 *Leases* of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of evaluating the impact of the new standard.

### 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 the acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

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

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2016

(Expressed in Canadian Dollars)

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

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

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

b) The inputs in determining the bifurcation of convertible debenture instruments into its liability and equity components.

The Company is required to make certain estimates when determining the fair value of the components of convertible debentures, such as the discount rate. These estimates affect the liability and equity components recognized in the consolidated statements of financial position and the accretion expense recognized in profit or loss.

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

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2016

(Expressed in Canadian Dollars)

### 5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
<b>Cost</b>					
Balance, December 31, 2014	\$ 12,906	\$ 41,196	\$ 5,299	\$ 12,814	\$ 72,215
Additions	-	32,586	-	-	32,586
Balance, December 31, 2015	12,906	73,782	5,299	12,814	104,801
Additions	-	42,097	-	-	42,097
<b>Balance, September 30, 2016</b>	<b>\$ 12,906</b>	<b>\$ 115,879</b>	<b>\$ 5,299</b>	<b>\$ 12,814</b>	<b>\$ 146,898</b>
<b>Accumulated amortization</b>					
Balance, December 31, 2014	\$ 4,050	\$ 1,837	\$ 1,311	\$ 1,777	\$ 8,975
Charge for period	1,800	12,217	1,464	2,734	18,215
Balance, December 31, 2015	5,850	14,054	2,775	4,511	27,190
Charge for period	1,350	12,547	994	2,056	16,947
<b>Balance, September 30, 2016</b>	<b>\$ 7,200</b>	<b>\$ 26,601</b>	<b>\$ 3,769</b>	<b>\$ 6,567</b>	<b>\$ 44,137</b>
<b>Carrying amounts</b>					
At December 31, 2015	\$ 7,056	\$ 59,728	\$ 2,524	\$ 8,303	\$ 77,611
<b>At September 30, 2016</b>	<b>\$ 5,706</b>	<b>\$ 89,278</b>	<b>\$ 1,530</b>	<b>\$ 6,247</b>	<b>\$ 102,761</b>

### 6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2015 to September 30, 2016:

	Portugal			Spain		Total
	Klondike Project	Marrancos Project	Caramulo	Pinzas Project	Calzadilla	
Balance, December 31, 2014	\$ 297,320	\$ -	\$ -	\$ 33,852	\$ 2,636	\$ 333,808
Acquisition costs recovered	(100,000)	-	-	(32,779)	(2,636)	(135,415)
Write-down of acquisition costs	-	-	-	(1,073)	-	(1,073)
Balance, December 31, 2015	197,320	-	-	-	-	197,320
Acquisition costs	-	36,852	17,954	-	-	54,806
<b>Balance, September 30, 2016</b>	<b>\$ 197,320</b>	<b>\$ 36,852</b>	<b>\$ 17,954</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 252,126</b>

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2016

(Expressed in Canadian Dollars)

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### 6. EXPLORATION AND EVALUATION ASSETS (continued)

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2015. Significant exploration and evaluation asset transactions that have occurred since December 31, 2015 are as follows:

#### Portugal

a) Klondike Project

As at December 31, 2015, the Klondike Project consisted of four licences, Lagares, Valongo, Balazar and Castelo de Paiva, all located in northern Portugal. During the period ended September 30, 2016, the Balazar and Castelo de Paiva licences were relinquished, thereby reducing the number of Klondike Project licences to two.

b) Boticas-Chaves Project

The Boticas and Chaves properties are located in northern Portugal, with the Chaves property surrounding the Boticas property.

The Company has in place exploration bonds of \$232,171 (€157,500) on the Boticas licence and \$14,741 (€10,500) on the Chaves licence with the Portugal mining authority. During the period ended September 30, 2016, the Company was reimbursed these bond amounts by Centerra in accordance with its option agreement with the Company (see Centerra Option below).

c) Centerra Option

In December 2014, the Company granted to Centerra an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licences (collectively called the Valongo Belt Property).

During the period ended September 30, 2016, the option agreement with Centerra was amended to include the Company's Boticas-Chaves Project.

d) Vila de Rei

The Vila de Rei licence is located in central Portugal. The Company has in place an exploration bond of \$168,987 (€116,359) to the Portugal mining authority for the Vila de Rei licence. This licence was relinquished during the period ended September 30, 2016 and the Company is awaiting refund of the exploration bond.

e) Marrancos Gold Project

On June 29, 2016, the Company entered into an option agreement to acquire up to a 100% interest in the Marrancos Project located in northern Portugal. The Company has the option from Lusorecursos SCPS ("Lusorecursos"), a private Portuguese company, to earn an initial 70% interest in the property by making a cash payment of €25,000 and incurring exploration expenditures of €150,000 on or before 12 months following the agreement date. During the period ended September 30, 2016, the payment of €25,000 was made and an acquisition cost of \$36,852 recorded.

Upon acquiring the 70% interest in the property, the Company shall elect to either form a 70:30 joint venture with Lusorecursos or be granted a second option to earn an additional 30% interest. The Company may exercise the second option, to earn a 100% interest in the property, by making a cash payment of €20,000 to Lusorecursos and incurring exploration expenditures of €150,000 within the following 12 months. Upon acquiring the 100% interest in the property, the Company shall grant to Lusorecursos a 1% NSR royalty on production from the property, and the Company will have the right at any time to purchase the royalty by making a cash payment to Lusorecursos of US\$1.0 million.

# Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2016

(Expressed in Canadian Dollars)

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### 6. EXPLORATION AND EVALUATION ASSETS (continued)

#### Portugal (continued)

f) Caramulo Licence

During the period ended September 30, 2016, the Company was granted a new exploration licence in Portugal called Caramulo and recorded an acquisition cost of \$17,954. The Company has in place an exploration bond of \$14,741 (€10,000) on the Caramulo licence with the Portugal mining authority.

#### Serbia

a) During the period ended September 30, 2016, the Company submitted applications for eight exploration licences in Serbia. Subsequent to the period ended September 30, 2016, five of these exploration licences have been granted.

b) Strategic Alliance

During the period ended September 30, 2016, in conjunction with an investment of \$1,500,000 in the Company by Fortuna Silver Mines Inc. ("Fortuna") by way of a private placement (Note 9), the Company granted Fortuna the right to enter into an option agreement to earn up to a 70% interest in one of the geological target areas (a "Selected Property") identified by the Company's project generation and exploration work in Serbia.

The Company and Fortuna have one common director.

#### Spain

a) Calzadilla Property

In 2014, the Company was granted the Calzadilla gold exploration permit. During the period ended September 30, 2016, the permit was relinquished.

# Medgold Resources Corp.

(Exploration Stage Company)

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### 7. SHORT-TERM DEBT

On March 24, 2016, the Company obtained a short-term loan of \$100,000 to provide funding for general working capital requirements. The loan was repayable within six months and subject to interest at 8% per annum. In consideration for the loan, the Company issued to the lender share purchase warrants to purchase up to 500,000 common shares of the Company, exercisable for one year at \$0.09 per share. Transaction costs of \$18,435 were incurred, of which \$17,300 was the value of the warrants issued to the lender. The short-term loan was settled during the period ended September 30, 2016 and a total of \$1,742 in interest charges was charged to operations for the period ended September 30, 2016.

### 8. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of \$975,000. The debenture is convertible into a maximum of 2,166,667 common shares of the Company at the rate of \$0.45 per share on or before April 11, 2015, and bears interest at the rate of 8% per annum, payable in arrears. In 2015, the maturity date was extended to April 11, 2017. The debenture, in whole or in part, can be converted into common shares at the holder's option at a rate of \$0.45 per share until the maturity date. At maturity, the principal not yet converted will be converted into shares at \$0.45 per share. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at \$0.45 per share until April 11, 2014. In 2013, the exercise price of the warrants was reduced to \$0.1665 per share. In 2014, the expiry date of the warrants was extended to April 11, 2015, and was extended further to April 11, 2016 during 2015. During the period ended September 30, 2016, expiry date of the warrants was extended further to April 11, 2017 but was then accelerated to October 16, 2016.

On October 14, 2016, subsequent to the period end, the principal amount of the debenture of \$975,000 was converted into 2,166,667 shares and accrued interest totaling \$319,054 was paid in full settlement of the debt.

For accounting purposes, the convertible debenture was allocated into corresponding debt and equity components at the date of issue. The Company used the residual value method, which allocated value first to the debt component, based on fair value and then the residual value, to the equity component (comprising the conversion feature as well as the value of the share purchase warrants). The debt component was subsequently accreted to face value of the convertible debenture at the effective interest rate.

During the period ended September 30, 2016, accretion of interest on the convertible debentures of \$34,645 (2015: \$25,395) was charged to profit or loss and is included in interest and bank charges.

	<b>Liability component</b>	<b>Equity component</b>
Balance, December 31, 2014	\$ 151,146	\$ 842,680
Accretion of discount	55,056	-
Balance, December 31, 2015	206,202	842,680
Accretion of discount	54,093	-
<b>Balance, September 30, 2016</b>	<b>\$ 260,295</b>	<b>\$ 842,680</b>

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### 9. SHARE CAPITAL AND RESERVES

#### Common Shares

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

During the period ended September 30, 2016, the following share capital activity occurred:

- i) On May 12, 2016, the Company closed a private placement of 2,000,000 units at \$0.10 per unit for gross proceeds of \$200,000. The entire amount of the proceeds was allocated to share capital. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for one year at a price of \$0.12. Share issuance costs associated with this financing totalled \$1,750.
- ii) On June 17, 2016, the Company closed a private placement of 10,000,000 units at \$0.15 per unit to Fortuna. Of the \$1,500,000 in gross proceeds, \$1,150,000 was allocated to share capital and \$350,000 to warrants. Each unit consists of one common share and one share purchase warrant entitling Fortuna to purchase an additional common share exercisable for one year at a price of \$0.15. Share issuance costs associated with this financing totalled \$9,758.
- iii) On July 20, 2016, 150,000 common shares with a value of \$20,250 were issued to the President of the Company for services rendered.
- iv) A total of 3,800,000 share purchase warrants were exercised for gross proceeds of \$576,000. The Company reallocated the fair value of 600,000 of these share purchase warrants previously recorded in the amount of \$9,000 from other equity reserve to share capital.

#### Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2015 to September 30, 2016 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2014	11,755,167	\$0.15
Issued on private placement	7,314,728	\$0.15
Balance, December 31, 2015	19,069,895	\$0.15
Issued on private placement	12,000,000	\$0.15
Issued for finance fee (Note 7)	500,000	\$0.09
Exercised during the period	(3,800,000)	\$0.15
Expired during the period	(80,500)	\$0.16
<b>Balance, September 30, 2016</b>	<b>27,689,395</b>	<b>\$0.15</b>



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### 9. SHARE CAPITAL AND RESERVES (continued)

#### Share Purchase Warrants (continued)

Details of share purchase warrants outstanding as of September 30, 2016 are:

<b>Expiry date</b>	<b>Number of warrants</b>	<b>Exercise price</b>
October 16, 2016 <sup>(1)</sup>	2,166,667	\$0.1665
February 4, 2017 <sup>(2)</sup>	6,350,000	\$0.15
February 17, 2017 <sup>(3)</sup>	1,672,728	\$0.16
March 21, 2017	500,000	\$0.09
May 11, 2017	2,000,000	\$0.12
June 16, 2017	10,000,000	\$0.15
September 20, 2017	2,100,000	\$0.15
October 12, 2017	2,900,000	\$0.15
	<b>27,689,395</b>	

(1) In January 2016, the expiry date of these warrants was extended from April 11, 2016 to April 11, 2017 and in September 2016, the expiry date of these warrants was accelerated to October 16, 2016.

(2) In January 2016, the expiry date of these warrants was extended from February 4, 2016 to February 4, 2017.

(3) In August 2015, the expiry date of these warrants was extended from February 17, 2016 to February 17, 2017.

### 10. SHARE-BASED PAYMENTS

#### Option Plan Details

The Company has in place a stock option plan (the "Plan"), which allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. 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, 2016:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Opening balance</b>	<b>During the period</b>			<b>Closing balance</b>	<b>Vested and exercisable</b>
			<b>Granted</b>	<b>Exercised</b>	<b>Forfeited/cancelled</b>		
February 23, 2024	\$0.15	3,455,000	-	-	-	3,455,000	3,455,000
February 12, 2025	\$0.15	500,000	-	-	(275,000)	225,000	225,000
Jun 28, 2026	\$0.15	-	2,580,000	-	-	2,580,000	2,580,000
		3,955,000	2,580,000	-	(275,000)	6,260,000	6,260,000
<b>Weighted average exercise price</b>		\$0.15	\$0.15	-	\$0.15	\$0.15	\$0.15

# Medgold Resources Corp.

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

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

The weighted average exercise price of options outstanding as of September 30, 2016 was \$0.15 (December 31, 2015: \$0.15) per option.

The weighted average remaining contractual life of the options outstanding at September 30, 2016 is 8.40 (December 31, 2015: 8.28) 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 model.

The model inputs for options granted during the period ended September 30, 2016 included an expected volatility factor of 121%, risk-free interest rate of 1.12%, expected life of ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Due to the stock options granted during the period ended September 30, 2016 being fully vested upon granting, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

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

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

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

Total expenses arising from the share-based payment transactions recognized as part of share-based compensation during the period ended September 30, 2016 was \$416,919 (2015: \$46,468).

As of September 30, 2016 there were no unrecognized compensation costs related to unvested share-based payment awards.

#### Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the period ended September 30, 2016 was \$Nil (2015: \$250,000).

# Medgold Resources Corp.

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

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### 11. EXPLORATION EXPENDITURES

During the period ended September 30, 2016, the Company incurred the following exploration expenditures:

	Portugal							Serbia	Other	Total
	Vila de Rei	Boticas-Chaves	Lagares	Ponte da Barca	Valongo	Caramulo	Marrancos			
Geological and other consulting	\$ 1,788	\$ 73,770	\$ 3,580	\$ 1,788	\$ 17,569	\$ 10,155	\$ 8,328	\$ 503,647	\$ 47,165	\$ 667,790
Licences, rights and taxes	-	-	-	-	-	-	-	17,913	7,115	25,028
Office and administration	894	18,256	802	596	3,476	2,461	1,497	26,517	5,999	60,498
Travel	298	36,203	1,373	-	8,543	3,174	4,637	105,945	18,278	178,451
	<b>\$ 2,980</b>	<b>\$ 128,229</b>	<b>\$ 5,755</b>	<b>\$ 2,384</b>	<b>\$ 29,588</b>	<b>\$ 15,790</b>	<b>\$ 14,462</b>	<b>\$ 654,022</b>	<b>\$ 78,557</b>	<b>\$ 931,767</b>

During the period ended September 30, 2015, the Company incurred the following exploration expenditures:

	Portugal							Spain		Total
	Vila de Rei	Boticas	Lagares	Ponte da Barca	Valongo	Balazar	Castelo de Paiva	Other	Calzadilla	
Field expenses	\$ 5,499	\$ 10,759	\$ 4,782	\$ 1,195	\$ 717	\$ 478	\$ 478	\$ -	\$ -	\$ 23,908
Geological and other consulting	26,271	97,153	59,497	7,292	3,747	3,747	3,747	45,444	16,492	263,390
Office and administration	990	5,319	5,134	825	495	495	495	4,194	1,114	19,061
Travel	3,460	13,628	12,881	2,019	865	1,064	1,064	18,371	1,990	55,342
	<b>\$ 36,220</b>	<b>\$ 126,859</b>	<b>\$ 82,294</b>	<b>\$ 11,331</b>	<b>\$ 5,824</b>	<b>\$ 5,784</b>	<b>\$ 5,784</b>	<b>\$ 68,009</b>	<b>\$ 19,596</b>	<b>\$ 361,701</b>

# Medgold Resources Corp.

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

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### 12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended September 30, 2016 and 2015 with related parties who consisted of directors, officers and the following companies with common directors:

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

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, 2016 and 2015, the Company reimbursed Gold Group for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
General and administrative expenses:				
Office and administration	\$ 20,784	\$ 20,568	\$ 64,492	\$ 54,375
Salaries and benefits	29,109	29,510	80,407	78,448
Shareholder communications	-	2,093	1,241	3,871
Transfer agent and regulatory fees	770	750	4,149	4,586
Travel and accommodation	579	1,131	13,485	10,331
	<b>\$ 51,242</b>	<b>\$ 54,052</b>	<b>\$ 163,774</b>	<b>\$ 151,611</b>
Exploration expenditures	\$ -	\$ -	\$ -	\$ 2,634

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, 2016 and 2015 include those for the Chief Financial Officer and the Corporate Secretary.

- b) During the period ended September 30, 2016, the Company reimbursed Focus, a company with common directors, \$9,150 (2015: \$11,074) in shared salary and benefits costs for a director.
- c) During the period ended September 30, 2016, the Company reimbursed Radius, a company with a common director, \$59,566 (2015: \$36,212) in shared exploration costs.
- d) Prepaid expenses and deposits as at September 30, 2016 include an amount paid to Gold Group of \$1,404 (December 31, 2015: \$2,250) for administrative expenses paid in advance on the Company's behalf.
- e) Long-term deposits as of September 30, 2016 consists of \$61,000 (December 31, 2015: \$61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.

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

- f) Amounts due to related parties as of September 30, 2016 consist of \$16,915 (December 31, 2015: \$54,331) owing to Gold Group; \$21,402 (December 31, 2015: \$8,224) owing to Radius; and \$Nil (December 31, 2015: \$10,500) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for Radius and Mill Street were unsecured, interest-free and had no specific terms of repayment.
- g) Fortuna, a company with a common director, acquired 10,000,000 common shares of the Company by way of a private placement for \$1,500,000 (Note 9) and entered into a strategic alliance relating to project generation in Serbia (Note 6).

### 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, 2016 and 2015 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,	
	2016	2015	2016	2015
Management fees	\$ 33,599	\$ 37,094	\$ 93,207	\$ 113,587
Geological fees	42,900	33,142	102,311	102,881
Salaries and benefits	10,083	8,708	19,708	21,542
Share-based compensation	-	-	137,357	-
	<b>\$ 86,582</b>	<b>\$ 78,944</b>	<b>\$ 352,583</b>	<b>\$ 238,010</b>

During the period ended September 30, 2016, the Company received stock exchange approval to issue up to a total of 300,000 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2016. A total of 150,000 shares were issued on July 20, 2016. The balance of the shares is to be issued in two quarterly installments. Included in management fees during the period ended September 30, 2016 is the total fair value of the share issuances of \$20,250 (2015: \$34,298).

Share-based payments to directors not specified as key management personnel during the period ended September 30, 2016 totaled \$96,956 (2015: \$Nil).

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

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

#### General Objectives, Policies and Processes

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

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

#### a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2016, the Company is exposed to foreign currency risk and interest rate risk.

##### Foreign Currency Risk

As at September 30, 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2016			December 31, 2015		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	\$ 2,794	\$ 176	\$ 44,148	\$ 13,987	\$ 4,043	\$ 130,189
Amounts receivable	-	-	45,988	-	-	-
Accounts payable and accrued liabilities	(22,495)	(33,884)	(114,915)	(46,919)	-	(216,059)
<b>Net exposure</b>	<b>\$ (19,701)</b>	<b>\$ (33,708)</b>	<b>\$ (24,779)</b>	<b>\$ (32,932)</b>	<b>\$ 4,043</b>	<b>\$ (85,870)</b>

Based on the above net exposures at September 30, 2016, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$7,800 (December 31, 2015: \$11,500) 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, 2016, the Company does not have any borrowings, except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

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

#### b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

#### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2016, the Company had working capital of \$403,110 (December 31, 2015: working capital deficiency of \$87,943). 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, accounts payable and accrued liabilities, short-term debt, 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, 2016 were calculated as follows:

	Balance at September 30, 2016	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 825,985	\$ 825,985	\$ -	\$ -

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### 14. CAPITAL MANAGEMENT

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

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's capital resources as of September 30, 2016 are not sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. In order to carry out planned exploration programs and business objectives, the Company will need to raise additional capital. The Company believes it will be able to raise additional debt or equity capital as required, but recognizes the uncertainty attached thereto.

### 15. SEGMENTED REPORTING

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

#### Period ended September 30, 2016

	Canada	England	Spain	Portugal	Serbia	Consolidated
Exploration expenditures	\$ -	\$ -	\$ -	\$ 277,745	\$ 654,022	\$ 931,767
Net loss	757,362	35,942	4,074	289,821	654,591	1,741,790
Capital expenditures*	-	-	-	54,806	42,097	96,903

#### Period ended September 30, 2015

	Canada	England	Spain	Portugal	Consolidated
Exploration expenditures	\$ -	\$ -	\$ 19,596	\$ 342,105	\$ 361,701
Net loss	206,216	38,472	35,844	383,350	663,882
Capital expenditures*	-	-	-	32,586	32,586

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



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### 15. SEGMENTED REPORTING (continued)

As at September 30, 2016	Canada	England	Spain	Portugal	Serbia	Consolidated
Total current assets	\$ 785,067	\$ 4,334	\$ -	\$ 61,726	\$ 65,316	\$ 916,443
Total non-current assets	66,706	17,973	-	511,345	40,781	636,805
<b>Total assets</b>	<b>\$ 851,773</b>	<b>\$ 22,307</b>	<b>\$ -</b>	<b>\$ 573,071</b>	<b>\$ 106,097</b>	<b>\$ 1,553,248</b>
<b>Total liabilities</b>	<b>\$ 375,923</b>	<b>\$ 22,495</b>	<b>\$ -</b>	<b>\$ 106,124</b>	<b>\$ 8,791</b>	<b>\$ 513,333</b>

As at December 31, 2015	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	\$ 93,759	\$ 15,827	\$ -	\$ 25,557	\$ 119,337	\$ 254,480
Total non-current assets	68,056	25,871	22,927	-	717,775	834,629
<b>Total assets</b>	<b>\$ 161,815</b>	<b>\$ 41,698</b>	<b>\$ 22,927</b>	<b>\$ 25,557</b>	<b>\$ 837,112</b>	<b>\$ 1,089,109</b>
<b>Total liabilities</b>	<b>\$ 280,578</b>	<b>\$ 46,919</b>	<b>\$ -</b>	<b>\$ 6,521</b>	<b>\$ 214,607</b>	<b>\$ 548,625</b>

### 16. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2016, the following events have occurred:

- i) 2,166,667 common shares were issued upon the conversion of a \$975,000 convertible note (Note 8).
- ii) 75,000 common shares with a value of \$14,250 were issued to the President of the Company for services rendered.
- iii) 1,916,240 share purchase warrants with an exercise price of \$0.1665 were exercised for proceeds of \$319,054 and 540,000 share purchase warrants with an exercise price of \$0.16 were exercised for proceeds of \$86,400.
- iv) 250,427 share purchase warrants with an exercise price of \$0.1665 expired unexercised.
- v) 30,000 stock options with an exercise price of \$0.15 were forfeited unexercised.



(the “Company”)

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

**For the Nine Months Ended September 30, 2016**

### **General**

This interim Management’s Discussion and Analysis (“Interim MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2016. The following information, prepared as of November 25, 2016, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for nine months ended September 30, 2016 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, 2015 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2016 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 project-generator mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. The Company is focusing its business on exploring mineral properties in economically stressed, but politically stable countries that are seeking foreign investment to invigorate the mining sector. The current focus is in Serbia and Portugal but other countries and jurisdictions are being reviewed.

### **Exploration Review**

The Company is targeting gold properties in northwest Iberia and the under-explored gold provinces of southern Europe. It currently has licences granted in Portugal, a favourable jurisdiction with a robust mining code and backed by an administration which is actively seeking both foreign investment and commodity exploration companies. In Portugal, the Company is focusing its exploration efforts on its key primary projects of Boticas, and Lagares, currently under a joint-venture agreement with Centerra Gold Inc. As well, the Company has recently acquired an option to earn an interest in the Marrancos Gold Project located in central-northern Portugal.

During 2015 and 2016, the Company relinquished the Ponta da Barca, Balazar, Castelo de Paiva and Vila de Rei licences.

In early 2016, the Company established a wholly-owned subsidiary in the Republic of Serbia and commenced reconnaissance work to identify prospective ground for acquisition. The Company recently entered into a strategic alliance to fund target generation work and subsequent licence applications. Serbia has a tremendous metal endowment and its mining industry enjoys high-level government support.

## *Serbia*

The Company is applying the same exploration approach in Serbia that it has used in Portugal, namely, identifying the key macro controls on metal deposition in the region, and thereby identifying the local deposit-scale controls on mineralization. The Company has applied for eight exploration licences, each covering 100 square kilometres, targeting gold-silver epithermal and associated gold-dominant porphyry systems within the Serbo-Macedonian Massif in the central and southern parts of the country, and to date five licences have been granted.

### Strategic Alliance with Fortuna Silver Mines Inc. (“Fortuna”)

In June 2016, the Company completed a \$1.5 million private placement to Fortuna by way of the issuance of 10.0 million units at \$0.15 per unit. Each unit consists of one common share of the Company and one warrant entitling Fortuna to purchase one additional common share of the Company at \$0.15 for one year from closing.

The private placement is part of a broader strategic alliance between the Company and Fortuna to explore for precious metal deposits in Serbia. The Company is required to use the financing proceeds on project-generating exploration in Serbia within 12 months. If Fortuna exercises its warrants, the Company will use the exercise proceeds on further exploration work in Serbia within 12 months following the date of the warrant exercise.

The Company has granted Fortuna the right to enter into an option agreement to earn up to a 70% interest in one of the geological target areas (a “Selected Property”) identified by the Company’s project generation and exploration work in Serbia. To acquire an initial 51% interest in the Selected Property, Fortuna must spend a minimum of US\$3.0 million on the Selected Property by no later than the third anniversary of the date of the option agreement. Once it has earned 51%, Fortuna can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Selected Property by completing a preliminary economic assessment on the Selected Property and spending an additional US\$5.0 million in qualified expenditures within three years following the date of the election by Fortuna.

### Project Generative Work

The Company’s field teams have been actively undertaking reconnaissance work on highly prospective ground in Serbia, including remote sensing and desktop GIS studies. In early November 2016, the Company was granted five exploration licences: a block of three contiguous licences totalling 300 square kilometres in the southeast of the country, bordering Macedonia and Bulgaria; and two licences, each 100 square kilometres, approximately 50 kilometres to the north of the southern licence block.

The licences are located in the Serbo-Macedonian Massif (“SMM”), a belt of crustal rocks that runs through Serbia along a north-south axis, extending southwards through Macedonia and Bulgaria and into Greece. In Serbia, the SMM is west of, but parallel to, the Timok Belt which hosts a number of copper-gold porphyry-epithermal deposits. The SMM is under-explored when compared to the Timok Belt, having seen lead and zinc exploration work by the Yugoslav government in the 1960s and 70s, but far less exploration post-2000 than the Timok Belt. In Greece, the SMM hosts several well-known gold deposits including Skouries, Olympias and Perama Hill, all of which are owned by Eldorado Gold.

The three contiguous licences are located along the Macedonian and Bulgarian borders, approximately 40 kilometres southeast of the city of Vranje, in southeast Serbia. They cover areas of Palaeozoic metasediments, including calcareous schists and marbles, which have been intruded by a series of Cenozoic porphyritic felsic igneous dykes, and locally covered with recent alluvial sediments. Contact zones between dykes and favourable country rock are responsible for many of the known base and precious metal showings within the licence areas. Fairly extensive exploration was completed by the Yugoslav government in the 1960s and 1970s for lead and zinc. Precious metals are often referenced in the historical and archival exploration documentation, but were not the focus of any exploration efforts, nor systematically documented. Today, it is recognized that these mineralized systems are intermediate-sulphidation epithermal in nature, and management believes that their lack of historical precious metal exploration presents significant upside potential for the Company.

The two other licences are located approximately 25 kilometres due east of the city of Leskovac. These cover a series of flysch units comprised of limestones and shales which have been intruded by a series of Cenozoic porphyritic rocks. Almost no previous exploration has been undertaken in these areas.

The Company recently purchased an exploration dataset from Dundee Precious Metals which had in previous years conducted regional exploration campaigns over parts of these licence areas. The data include regional stream sediment sampling results and a number of fairly detailed soil sampling grids over historical showings and gold-

anomalous stream sediment and rock chip results. The data are currently being reviewed and will be followed-up with a series of ground-truthing and quality-control exercises.

In the coming months, field crews will be undertaking licence-wide reconnaissance over all licences, as well as commencing a series of systematic soil and stream sediment sampling programs and a detailed review of the historical data.

### *Portuguese Projects*

The Company is targeting orogenic gold systems in northern Portugal where the Company holds interests in six exploration licences covering approximately 1,136 square kilometres. The Company's exploration focus is on the primary project of Boticas. Low-cost and low-key exploration work commenced this Fall at the recently granted Caramulo licence, which will include soil sampling, mapping and reinterpretation of historical results. Work was also undertaken at the Marrancos project, with further reconnaissance mapping and sampling completed, as well as a topographic survey undertaken by a drone.

#### Option to Centerra Gold Inc. ("Centerra")

In December 2014, the Company granted to Centerra the exclusive right to earn a 51% interest in licences located in the Valongo Belt by incurring exploration expenditures totaling USD\$3.0 million over three years, of which USD\$500,000 was committed to be spent by Centerra. The Valongo Belt properties currently held by the Company are the Lagares and Valongo licences. To keep the option in good standing, Centerra incurred USD\$1.0 million in the first year, and must incur a further USD\$1.5 million in the second year, and a further USD\$500,000 in the third year. The Company is the initial operator and manager of the exploration programs.

In December 2015, the option agreement with Centerra was amended to include the Company's Boticas Project. Once Centerra has acquired the initial 51% interest in the properties, it may acquire a further 19% (for a total 70% interest) by incurring an additional USD\$3.0 million on exploration within two years.

#### Lagares Gold Project

The Lagares gold project is located on the central-eastern part of the Valongo Belt close to the town of Sobreira. Gold mineralization is fault-controlled and occurs along a granite-schist contact which was locally exploited in a series of underground adits and galleries. Four prospects have been defined along this corridor, which are, from north to south, Castromil North, Castromil, Serra da Quinta and Sao Domingos.

#### *Exploration Programs*

The Company's work is focused on understanding the controls on gold mineralization, particularly zones of high-grade mineralization at the two key prospects of Castromil and Serra da Quinta, which have both been previously drilled to shallow depths. The aim of the Company's ongoing exploration work is to determine the scale and grade potential of both prospects, as high-grades intersections have been recorded, as well as multi-kilometre strike lengths.

Castromil and Serra da Quinta are located along a northwest-trending faulted intrusive contact. Gold mineralization is granite-hosted and associated with pyrite and arsenopyrite. It is structurally controlled, occurring as zones of pervasive silicification and as discrete veins, within shallow northeast-dipping lenses that are bounded to the southwest by the Railway Fault, which is the dominant structural feature within the project area.

The field teams spent much of 2014 completing a series of detailed mapping and logging exercises at the Castromil and Serra da Quinta prospects, which led the Company to significantly revise the geological model for the prospects and the wider region. The channel results included: 69.00 metres @ 4.15 g/t Au; 40.70 metres @ 5.73 g/t Au, including 5.20 metres @ 15.50 g/t Au; and 15.50 metres @ 9.44 g/t Au, including 4.00 metres @ 18.00 g/t Au (see the Company's news release dated December 2, 2014).

Work in 2015 focused on drill-testing the Castromil and Serra da Quinta prospects with our joint-venture partner, Centerra, and conducting soil sampling programs aiming to extend the gold anomalies out under alluvial cover.

#### *Diamond Drill Program*

In 2015, the Company and Centerra completed a diamond core drilling program on the Lagares Project, the Company's first drilling campaign in Portugal, in order to test the Castromil, Serra da Quinta and Castromil North

mineralization identified from the channel-chip sampling program and detailed geological mapping. A total of 31 drill holes were completed for a total of 2,988.05 metres. At Castromil a total of 1,429.95 metres were drilled from 13 drill holes, at Serra da Quinta a total of 1,384.64 metres were drilled from 16 drill holes, and at Castromil North a total of 173.45 metres were drilled from 2 drill holes.

Highlights of the assay results for all drill-holes, from MLG-001 through to MLG-031, include:

#### Castromil

- MLG-001: 10.90m @ 2.32 g/t Au from surface, section 150mS
- MLG-003: 19.95m @ 3.17 g/t Au from surface, section 450mS
- MLG-004: 17.49m @ 4.45 g/t Au from 10.00m, section 400mS
- MLG-006: 7.76m @ 4.40 g/t Au; from surface, section 300m
- MLG-007: 10.53m @ 3.07 g/t Au; from 17.53m down-hole, section 450m
- MLG-008: 28.65m @ 1.30 g/t Au; from surface, section 450m
- MLG-009: 4.00m @ 3.86 g/t Au, from 46.00m, section 550m

#### Serra da Quinta

- MLG-013: 12.85m @ 1.55 g/t Au from 9.95m, section 1125m
- MLG-017: 13.77m @ 2.03 g/t Au from surface, section 1375m
- MLG-022: 6.62m @ 2.04 g/t Au from 24.63m, section 1375m
- MLG-023: 2.26m @ 5.41 g/t Au from 16.00m, section 1450m

See the Company's news releases dated July 27, and September 28, 2015. A location map, cross-sections and core photographs can be found on the Company's website, at the following location:

<http://www.medgoldresources.com/s/lagares.asp>, plus full details of the drilling results.

The Company is expecting to undertake a short drilling program at Castromil, for approximately 1,000 metres, with our partner, Centerra, focusing on a number of potential mineralization extension zones.

#### Valongo Licence

The Company's exploration teams have been conducting systematic geochemical and geological exploration of the Valongo Belt properties that are within the Centerra JV. This includes wide-spaced lines of 100 metre sample interval soil sampling at the western-side of the Valongo Anticline, the central part of the Valongo licence testing a newly identified granodioritic intrusion.

#### *Guimarei Prospect*

Recent exploration of a new prospect called Guimarei on the Valongo licence in northern Portugal, has identified anomalous gold in rocks outcropping over a 3 kilometre strike length.

Orogenic gold mineralization at Guimarei occurs along the geological contact between Silurian meta-sediments and a large granodioritic intrusion. In common with many major structurally-controlled orogenic deposits, mineralization at Guimarei is associated with a dilation zone along a bend in a major fault. At Guimarei, the combination of a marked lithological contact with a bend in a major structure has generated alteration and mineralization over a recorded strike length of 3 kilometres.

The Company initially collected 148 soil samples in late 2015, along wide-spaced soil sampling lines. This work defined gold anomalism over a strike length of 3 kilometres. Despite the poor rock exposure, mapping has identified alteration up to 200 metres wide along the strike length which is associated with quartz veins from 1 centimetre to 80 centimetres thick, containing pyrite and arsenopyrite, and pervasive silicification. Infill soil sampling is ongoing with a further 220 samples collected with assay results pending. These samples are being collected at 50 metre intervals on 250 metre line spacing.

Results have also been received for 55 rock chip samples. Assays for rock chip samples range from trace to 7.80 g/t Au, 4.84 g/t Au and 2.53 g/t Au. The Company has also identified some highly-elevated Pb and Ag values up to 21.0% and 506 ppm, respectively, which are from a sample which also yielded 2.48 g/t Au.

The Company has undertaken a limited program of the channel-chip sampling over areas of key gold-arsenic anomalism; both in soil and samples. Three channels were cut and sampled, with 19 samples (including 3 QA/QC

samples), with maximum values of 0.73 g/t Au and 9.96% Pb. Weighted averages across the channels yielded a best result of 4.50 metres @ 0.41 g/t Au.

A 95 metre program of trenching was completed at Guimarei, with 47 samples collected (including QAQC). The opened trenches measured approximately 1.0 metre in width and were up to 1.5 metres in depth. Their locations were selected to be in areas with the highest gold- in-soil anomalies, close to or contiguous with the channels previously sampled in April, and oriented sub perpendicular to the main vein orientations measured in the field. Results from the trenching yielded modest anomalism from a fairly restricted zone of alteration and mineralization. Best results include 7.60 metres @ 0.39 g/t Au and 5.70 metres @ 0.63g/t Au. Based on these results, and our extensive exploration over the prospect, no further work is justified at Guimarei.

### Boticas Gold Project

The Boticas Gold Project is located in the north of Portugal close to the Spanish border and is comprised of the Boticas licence (106 square kilometres) which is fully enveloped by the Chaves licence (approximately 500 square kilometres). The licences host orogenic-type mineralization hosted exclusively within granites. The principal prospect is the Limarinho prospect, located in the Boticas licence, which has been the focus of ancient exploitation and historical exploration, and is an east-northeast-trending zone comprised of sericitic alteration and a series of gold mineralized lenses. Gold mineralization within the lenses is related to northeast-trending quartz veins which are slightly oblique to the main mineral trend. The mineralization is formed within a deformational prism that is the result of sinistral strike-slip faulting, and quartz veins are typically sheeted and commonly associated with arsenopyrite.

The Boticas licence was awarded in February 2015 a Federal Government and European Union-recognised status as a Project of National Interest (PIN). The PIN application was fully supported by the Municipality of Boticas, and the governing committee for PIN projects, which is managed by a semi-autonomous group called AICEP. One of the primary functions of AICEP is to manage incoming financial support from the EU and award to suitable projects. The PIN status for the project significantly elevates its recognition within both the Federal Government and the EU, allowing access to apply for future EU grants and loans.

The Chaves licence was granted by the Portuguese government in August 2015. The licence was acquired to increase the Company's landholding in the region, completely enveloping the Boticas licence, and it covers several major crustal structures which are considered to be associated with gold mineralization. The area also covers multiple stream sediment (BLEG) anomalies identified from historical work completed in early 2000s. The Company has conducted a lineament analysis over the area, which was combined with a broad hyperspectral analysis for alteration (iron, silica and clay). The work has identified several coincident structural and alteration anomalies that have been reviewed in the field.

In the 1980s and 2000s COGEMA and then Kernow Resources, respectively, completed over 3,000 metres of diamond drilling testing the Limarinho prospect. The drilling cut broad zones of low-grade gold mineralization (approximately 1 g/t Au), and also multiple mineralized corridors of much higher grade (2-3 g/t Au) that are continuous over significant strike lengths. Key drill historical intercepts are as follows:

- KL4 – 20.4m of 2.92 g/t Au from 20.7m and 9.05m of 3.37 g/t Au from 145m;
- PF3 – 19.7m s of 2.8 g/t Au from 32.3m;
- PF11 – 12.1m of 2.98 g/t Au from 51.1m;
- PF17 – 13.5m of 2.17 g/t Au from 65.7m;
- PF8 – 10m of 1.37 g/t Au from 86.2m.

<sup>1</sup>*These are historical data provided for information purposes, and the Company has not completed sufficient work to verify these results.*

The mineralized corridors trend east-northeast, while the veins within them trend northeast. The mineralization is structurally-controlled and is believed to be developed within a large deformational zone.

### *Current Exploration*

Recent geochemical sampling results at Limarinho indicate the presence of high-grade quartz veins, which typically occur within vein swarms, and can be extensive over significant widths. Detailed structural mapping at Limarinho confirms that the vein swarms and associated alteration occur in a NE-elongate dilational zone which has focused

deformation along linear zones. Rock-chip results include assays from 0.01 g/t Au to highs of 75.10 g/t Au, 45.00 g/t Au, 13.90 g/t Au and 11.75 g/t Au.

The Limarinho South zone is located approximately 500 metres south of the main Limarinho prospect area. Significantly, infill grid-soil sampling over the entire Limarinho Zone has identified two new gold anomalies, increasing the anomalous area to 4 kilometres by 2 kilometres. The newly mapped gold mineralization and associated alteration effectively doubles the footprint of the Limarinho anomaly. Eight grab samples were collected at Limarinho South, with assays ranging from 0.12 g/t Au to highs of 19.30 g/t Au, 17.00 g/t Au and 12.40 g/t Au. Infill grid-soil sampling has also been completed over an area of 3.5 kilometres by 3 kilometres at a line spacing of 200 metres and a 50 metre sample spacing.

At the Casas Novas zone, which is 3 kilometres southeast of Limarinho, quartz vein swarms are associated with a NE-elongate dilational prism. Grid-soil sampling by the Company has confirmed broad zones of gold and arsenic anomalism over an area of 3 kilometres by 2 kilometres, and with rock-chip samples yielding results from 0.01 g/t Au to highs of 71.90 g/t Au, 5.53 g/t Au and 5.20 g/t Au, including new results of 8.54 g/t Au and 7.31 g/t Au.

The Leiranco zone is located approximately 5 kilometres to the west of Limarinho, where several outcropping vein swarms covering an area of approximately 300 metres by 300 metres have been identified. Reconnaissance rock chip samples yielded 9 new results from 0.06 g/t Au to highs of 22.40 g/t Au, 4.80 g/t Au and 3.75 g/t Au. A channel sampling program, covering 136.30 metres of contiguous sampling from 12 channels, for a total of 153 samples, was undertaken in June, focusing on high-density sheeted quartz vein zones. The results were disappointing with a best intersection of 9.04 metres @ 0.47 g/t Au. It was apparent that despite a very high vein density, very few of the veins were gold-anomalous and the host rock between the veins was essentially barren of gold. As a result of this study, no further work will be undertaken at the Leiranco prospect.

#### *Proposed Drill Program*

The focus of work at the Boticas Project for the remainder of the year will be the completion of a 2,500 metre diamond drilling program at the Limarinho and Limarinho South zones. A total of 15 drill holes have been proposed targeting a medium-grade sheeted vein system. The drilling program commenced on August 24, 2016, and the first drill hole is designed to test grade continuity below the Company's contiguous channel-chip result of 3.98 g/t Au over 14.10 metres.

To date, a total of approximately 2,000 metres have been drilled from 12 drill holes and the 2,400 metre program is expected to be completed during the beginning of December. Assay results are pending for the majority of the program. The exploration work on the Boticas Project is fully-funded by the Company's joint venture partner, Centerra.

Please see <http://www.medgoldresources.com/s/boticas.asp> for location maps for each of the prospects with rock and soil results, as well as photos of mineralization from historical drill core.

#### Marrancos Gold Project

In July 2016, the Company entered into an option agreement to acquire up to a 100% interest in the Marrancos Gold Project which covers a total area of 39 square kilometres in the Braga District in central-northern Portugal, about 20 kilometres north of the city of Braga. The Marrancos Project is centred on the intersection of the northwest-trending Vigo-Regua fault and the northeast-trending Portela das Cabras-Carbalinho fault, which is considered to be the macro-control on the regional mineralization.

The Marrancos Project covers four reasonably well-defined targets, including the priority target, the Marrancos prospect. Mineralization at the prospect is controlled by a 15metre wide, northeast-trending structure which crops out and is mineralized over a strike length of 600 metres. The prospect is located approximately one kilometre from the main metasediment-granite contact, which is an important control on gold mineralization at some of the Company's other projects (e.g. Castromil, Lagares).

Historical trenching across this structure by the Portuguese Geological Survey (Serviço de Fomento Mineiro, SFM), identified narrow zones of very high-grade mineralization; e.g. 1.0 metre at 97.5 g/t Au. SFM later completed eight diamond drill holes, for 641.88 metres, which returned a best result of 5.82 metres @ 5.14 g/t Au (from 70.50 metres). *The reader is cautioned that these are historical results and a Qualified Person has not completed the work necessary to verify these results.*



As part of its due diligence, the Company completed a reconnaissance-level rock-chip sampling program which has confirmed the presence of the 15 metre wide shear corridor, but perhaps more importantly, it has also identified the presence of mineralized quartz tension gashes, up to 50 centimetre in thickness, cross-cutting the main shear corridor, which occasionally become well-developed sigmoidal veins. Their orientation is northwest-trending and perpendicular to the northeast-trending shear. The Company's sampling has returned four rock-chip results of 35.90 g/t Au, 8.63 g/t Au, 4.75 g/t Au, and 4.19 g/t Au. Preliminary results indicate that the northwest-trending quartz veins can contain significant gold concentrations, as high as or higher than those thus far observed in the main shear corridor. The Company's geologists noted that the veins run *parallel* to the historical trenches and drilling. This indicates that previous exploration would either have missed or overlooked these veins.

#### *Current Exploration*

The Company has recently completed a series of contiguous chip-channel samples at Marrancos, testing a set of quartz lenses over an exposed width of approximately 50 metres, which returned best intercepts of 12.55 metres at 3.28 g/t Au (including 5.40 metres at 6.88 g/t Au), and 12.98 metres at 2.71 g/t Au. The channel sampling is sub-parallel to the main northeast-trending shear zone, but nearly perpendicular to individual quartz lenses, and confirms that the majority of the gold is hosted in the quartz lenses.

A single sample of rock float collected 450 metres to the northeast of the channel sampling assayed 36.5 g/t Au, highlighting encouraging potential for strike continuity of the mineralized shear over at least one kilometre. The Company's team has also identified a promising parallel structure located a few hundred metres to the northwest of the main northeast-trending Marrancos shear. This structure was apparently drilled in the past but never properly sampled or assayed. Three grab samples collected by the Company yielded grades of 30.10 g/t Au, 9.57 g/t Au and 5.91 g/t Au.

The results of this work indicate a strong relationship between high-grade gold mineralization and quartz veins that are oriented at right angles to the shear that may occupy dilation zones related to bends in the main structure. The mineralized shear structure has now been mapped over a strike length of 600 metres and an average width of 15 metres. Although the sampling program was limited by exposure of the mineralization at surface, the channel samples confirm highly anomalous gold mineralization over a total length of nearly 40 metres.

An airborne topographic survey was completed this Fall, allowing for detailed geomorphological studies to be undertaken, with a view to identify zones of ancient workings and land movement. The study was also completed to assist in the planning of future drilling and trenching. Further detailed structural mapping and additional systematic rock chip sampling is still pending and will commence in the New Year. We are also planning a phase of trenching, across the main shear, to determine gold grade continuity across and along the structure. This will likely commence in the Spring, and if there are favourable results, a phase of diamond drilling will follow.

#### *Option Terms*

The Company has the option from Lusorecursos, a private Portuguese company, to earn an initial 70% interest in the Marrancos Project by making a cash payment of €25,000 and incurring exploration expenditures of €150,000 on or before 12 months following the agreement date. Upon acquiring the 70% interest in the property, the Company may elect to either form a 70:30 joint venture with Lusorecursos or be granted a second option to earn an additional 30% interest. The Company can exercise the second option, to earn a 100% interest in the Project, by making a cash payment of €20,000 to Lusorecursos and incurring exploration expenditures of €150,000 within the following 12 months. Upon acquiring the 100% interest in the Marrancos Project, the Company shall grant to Lusorecursos a 1% NSR royalty on production from the property, and the Company will have the right at any time to purchase the royalty by making a cash payment to Lusorecursos of US\$1.0 million.

#### Caramulo Gold Project

The Caramulo licence was granted in July 2016 and covers 391 square kilometres. Orogenic-style gold mineralization is hosted by a series of quartz veins which are typically hundreds of metres long and oriented northwest-southeast. They are hosted within weakly altered metasediments surrounding a large Hercynian granitic intrusion.

The project was explored in two phases. The first by the Portuguese Geological Survey (the LNEG) in the mid-1990s, and then later by Rio Tinto from 1998 to 2000. The LNEG collected over 250 close-spaced stream sediment samples from the Cortelho prospect, and these were then followed up with a soil sampling program with a total of 900 samples collected. This work identified a gold anomaly continuous over several kilometres and which was

partially coincident with a geophysical anomaly (VLF-EM). The LNEG drilled two holes with a best result of 9.51m grading 3.25 g/t Au. *The reader is cautioned that these are historical results and a Qualified Person has not completed the work necessary to verify these results.*

The objective of the second phase of work completed by Rio Tinto was to identify a +3 million oz Au target, so they adopted a more regionally-focused approach to their exploration. Rio completed a regional stream sediment sampling program followed by a wide-spaced soil sampling program. The results of the two phases of work led to the identification of three prospects: Carvalhal, Cortelho and Dornas, which form a broadly continuous anomaly over a strike length of 7 kilometres flanking the western and southern margin of the Caramulo Granite. Rio subsequently drilled a total of 668.5 metres in a series of holes spread throughout the soil anomaly. Their drilling identified narrow zones of mineralization but failed to intersect the thick, strike-extensive, quartz veins observed at surface.

The Company commenced field work in the Fall, with a program of reconnaissance mapping and sampling, covering the main soil anomalous corridor, as identified by both Rio and the Geological Survey. A strike extensive shear corridor, containing multi centimetric veins, has been identified and is extensive over 100s of metres. A number of rock samples have yielded anomalous results from zones between the historically identified prospects, and further work will be undertaken in the Spring to delineate this anomaly. In addition, a remote sensing project focusing on lineament analysis was recently completed, with a series of targets identified by our independent consultant. These will also be followed-up in the Spring.

#### *Quality Assurance and Quality Control (QA-QC)*

Samples from the Company's Portuguese exploration projects are analysed for gold and multi-element geochemistry by Bureau Veritas and ALS Chemex. The Company follows a rigorous Quality Assurance program, and regularly inserts certified reference materials, blanks, and sample duplicates in all sample batches sent to the analytical laboratory. See the Company's news releases for details on specific QA procedures as they relate to the different programs.

#### *Qualified Person*

David Clark, M.Sc., P.Geo., a member of the Association of Professional Engineers and Geoscientists of British Columbia, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this Interim MD&A.

#### **Quarterly Information**

The following table provides information for the eight fiscal quarters ended September 30, 2016:

	<b>Sep. 30, 2016</b>	<b>June 30, 2016</b>	<b>Mar. 31, 2016</b>	<b>Dec. 31, 2015</b>	<b>Sep. 30, 2015</b>	<b>June 30, 2015</b>	<b>Mar. 31, 2015</b>	<b>Dec. 31, 2014</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Exploration expenditures	595,109	183,013	153,645	150,630	150,852	92,263	118,586	350,735
General and administrative expenses	130,768	549,901	130,062	408,788	6,497	90,439	206,209	132,254
Net loss	725,169	732,914	283,707	518,155	156,781	182,702	324,399	583,282
Basic and diluted loss per share	0.01	0.01	0.01	0.01	0.00	0.00	0.01	0.01

Exploration expenditures are higher for the most recent quarter as there were increased exploration activities in Serbia following the receipt of the Fortuna private placement in late June 2016. The general and administrative expense and net loss for the quarter ended June 30, 2016 is higher than all other quarters presented due to a share-based payments charge of \$416,919 that relates to the issuance of stock options. The general and administrative expense and net loss for the quarter ended December 31, 2015 were higher than most other quarters presented due to a foreign exchange loss of \$249,579 while such items for the quarters ended September 30, 2015 and June 30, 2015 were significantly reduced due to foreign exchange gains of \$153,049 and \$92,868, respectively.

## **Results of Operations**

### *Quarter ended September 30, 2016*

For the quarter ended September 30, 2016, the Company had a net loss of \$725,169 compared to a net loss of \$156,781 for the quarter ended September 30, 2015, an increase of \$568,388. This increase was primarily due to exploration costs for the current quarter being \$595,109 compared to \$150,852 for the comparative quarter, an increase of \$444,257.

General and administrative expenses totaled \$130,768 for the current quarter compared to \$6,497 for the comparative quarter, an increase of \$124,271. The general and administrative costs for the comparative quarter were significantly lower largely due to a foreign exchange gain of \$153,049, compared to a gain of \$3,310 in the current quarter. Notable cost increases in the current quarter were in interest charges and depreciation. The higher interest charges were associated with interest accretion on convertible note debt while depreciation expense was higher due to the Company acquiring more vehicles during the current period. A notable cost decrease in the current quarter was in legal and accounting as there were more legal services required during the comparative quarter relating to mineral property agreements.

### *Nine months ended September 30, 2016*

For the nine month period ended September 30, 2016, the Company had a net loss of \$1,741,790 compared to a net loss of \$663,882 for the nine month period ended September 30, 2015, an increase of \$1,077,908. Exploration costs for the current period were \$931,767 compared to \$361,701 for the comparative period, an increase of \$570,066.

General and administrative expenses totaled \$810,731 for the current period compared to \$302,749 for the comparative period, an increase of \$507,982. Contributing to this increase is a share-based payment expense of \$416,919 for the current period whereas the comparative period recorded an expense of \$46,468. These share-based payment expenses are related to the granting of stock options. Similar to the quarterly comparison, both periods recorded a foreign exchange gain with the comparative period gain being \$183,033 higher. A notable cost increase in the current period involved finance costs which totaled \$20,176 while no such charge was recorded in the comparative quarter. The current period finance cost relates to a short-term loan to the Company that was obtained and settled within the current period and consisted of interest, transaction costs, and the value attributed to warrants issued to the lender as a loan fee. Also similar to the quarterly comparison, there was a significant cost decrease during the current period in legal and accounting fees due to a greater requirement for such services in the comparative period. Another notable cost decrease in the current period was in management fees. This was due to more shares being issued to the President of the Company as part of his compensation package during the comparative period and a portion of the Chief Executive Officer's compensation being allocated to exploration expenditures during the current period.

## **Liquidity and Capital Resources**

The Company's cash resource as at September 30, 2016 was \$825,985, an increase from \$215,282 as at December 31, 2015. At September 30, 2016, the Company had current assets totaling \$916,443 and current liabilities totaling \$513,333, for working capital of \$403,110. Included in current liabilities is \$260,295 which is the liability component of the convertible debenture debt that was issued in 2013 and had a maturity date of April 11, 2017. Subsequent to September 30, 2016, the principal amount of \$975,000 for the convertible debenture was converted into 2,166,667 common shares of the Company and accrued interest totaling \$319,054 was paid in full settlement of the debt.

On March 24, 2016, the Company obtained a short-term loan of \$100,000 to provide funding for general working capital requirements. The loan was repayable within six months and subject to interest at 8% per annum. In consideration for the loan, the Company issued to the lender share purchase warrants to purchase up to 500,000 common shares of the Company, exercisable for one year at \$0.09 per share. The loan was settled during the period ended September 30, 2016 and a total of \$1,742 in interest paid.

During the period ended September 30, 2016, the Company raised gross proceeds totaling \$1,700,000 from two private placements. The first placement raised \$200,000 and consisted of 2.0 million units at \$0.10 per unit. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.12 until May 11, 2017. The second placement raised \$1,500,000 and consisted of 10.0 million units at \$0.15 per unit. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.15 until

June 16, 2017. The proceeds from the first placement were used for exploration expenditures and general working capital requirements. Of the \$1,500,000 proceeds from the second placement, at least 80% must be used towards project generation and exploration activity in Serbia.

During the period ended September 30, 2016, the Company also raised \$576,000 through the exercise of 3,800,000 share purchase warrants. Subsequent to September 30, 2016, another 2,456,240 warrants were exercised, raising additional proceeds of \$405,454. Proceeds from warrant exercises are being used for exploration expenditures and general working capital requirements.

Also during the period ended September 30, 2016, the Company was reimbursed \$240,430 (€167,500) by Centerra for exploration bonds held on the Boticas-Chaves project with the Portugal mining authority. The Company is also anticipating receiving an exploration bond refund of approximately \$169,000 relating to the Vila de Rei property which was relinquished during the current period.

The Company's current capital resources are not considered sufficient to cover its corporate operating costs and carry out planned exploration activities for the next twelve months. In order to carry out its exploration programs and business objectives, the Company will need to raise additional capital. Actual funding requirements may vary from those planned due to a number of factors including potential property acquisitions and exploration activity. Management is actively looking for opportunities to raise additional equity capital and believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

### **Related Party Transactions**

Significant related party transactions that occurred during the current period are the following:

- i) The Company entered into a strategic alliance with Fortuna whereby Fortuna invested \$1,500,000 in the Company by way of a private placement, and the Company granted Fortuna the right to enter into an option agreement to earn an interest in one of the geological target areas (a "Selected Property") identified by the Company's project generation and exploration work in Serbia.

To acquire an initial 51% interest in a Selected Property, Fortuna must spend a minimum of US\$3.0 million on the Selected Property by no later than the third anniversary of the date of the option agreement. Once it has earned 51% Fortuna can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Selected Property by completing a preliminary economic assessment on the Property and spending an additional US\$5.0 million in qualified expenditures within three years following the date of the election by Fortuna.

- ii) The Company received TSXV approval to issue a total of 300,000 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2016. A total of 150,000 shares were issued July 20, 2016 and 75,000 shares were issued October 11, 2016. The balance of the shares is to be issued in a final quarterly installment.

See Note 12 of the condensed interim consolidated financial statements for the nine month period ended September 30, 2016 for details of 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, Outstanding Options, Warrants and Convertible Debentures**

As at November 25, 2016, the Company's outstanding share position is 72,525,602 common shares and the following stock options and share purchase warrants are outstanding:

<u>No. of options</u>	<u>Exercise price</u>	<u>Expiry date</u>
3,455,000	\$0.15	February 23, 2024
225,000	\$0.15	February 12, 2025
2,550,000	\$0.15	June 28, 2026
6,230,000		

<b>No. of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
6,350,000	\$0.15	February 4, 2017 <sup>(1)</sup>
1,132,728	\$0.16	February 17, 2017 <sup>(2)</sup>
500,000	\$0.09	March 20, 2017
2,000,000	\$0.12	May 11, 2017
10,000,000	\$0.15	June 16, 2017
2,100,000	\$0.15	September 20, 2017
2,900,000	\$0.15	October 12, 2017
<b>24,982,728</b>		

<sup>(1)</sup> In January 2016, the expiry date of 9,550,000 of these warrants was extended to February 4, 2017.

<sup>(2)</sup> In August 2015, the expiry date of these warrants was extended from February 17, 2016 to February 17, 2017.

## **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 and Euros. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the British pound sterling or Euro 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.