FINANCIAL REVIEW

Fiscal Year Ended December 31, 2012

(formerly Emerick Resources Corp.)

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

(Expressed in Canadian Dollars)

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Medgold Resources Corp.

We have audited the accompanying consolidated Financial Statements of Medgold Resources Corp. which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of comprehensive loss, consolidated changes in equity and consolidated cash flows for the year ended December 31, 2012 and the period from incorporation on April 12, 2011 to December 31, 2011, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated Financial Statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated Financial Statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated Financial Statements present fairly, in all material respects, the financial position of Medgold Resources Corp. as at December 31, 2012 and December 31, 2011 and its financial performance and cash flows from the year ended December 31, 2012 and the period from incorporation on April 12, 2011 to December 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 to these consolidated Financial Statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Medgold Resources Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 29, 2013

Medgold Resources Corp. (formerly Emerick Resources Corp.)
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at December 31, 2012	As at December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 556,209	$ 1,148,889
Prepaid expenses and deposits (Notes 7 and 12)	69,461	-
Sales tax recoverable	50,621	9,111
Total current assets	676,291	1,158,000
Non-current assets		
Reclamation bonds	19,693	-
Property and equipment (Note 6)	12,456	-
Exploration and evaluation assets (Note 7)	48,593	-
Total non-current assets	80,742	-
	$ 757,033	$ 1,158,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 422,506	$ 104,704
Due to related parties (Note 12)	105,057	42,751
Total liabilities	527,563	147,455
Shareholders' equity		
Share capital (Note 8)	2,690,798	334,087
Other equity reserve (Note 8)	-	1,101,643
Accumulated other comprehensive loss	(1,145)	(5,821)
Deficit	(2,460,183)	(419,364)
Total shareholders' equity	229,470	1,010,545
	$ 757,033	$ 1,158,000

Nature and continuance of operations – Note 1
Commitments – Note 7
Event after the reporting date – Note 16

APPROVED ON BEHALF OF THE BOARD ON APRIL 29, 2013:

“Simon Ridgway” — Simon Ridgway, Director

“Daniel James” — Daniel James, Director

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

Medgold Resources Corp. (formerly Emerick Resources Corp.)
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended December 31, 2012	Period from incorporation on April 12, 2011 to December 31, 2011
EXPLORATION EXPENDITURES (Note 10)	$ 510,071	$ 158,250
GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation	450	-
Foreign exchange gain	(86)	-
General and administrative (Note 12)	34,246	10,920
Interest and bank charges	5,824	-
Legal and accounting	259,136	36,871
Management fees (Note 12)	261,192	213,323
Salaries and benefits (Note 12)	22,597	-
Shareholder communications (Note 12)	2,738	-
Transfer agent and regulatory fees (Note 12)	7,350	-
Travel and accommodation (Note 12)	5,207	-
	598,654	261,114
Loss before other expense	(1,108,725)	(419,364)
OTHER EXPENSE		
Reverse acquisition transaction listing expense (Note 2)	932,094	-
NET LOSS	$ (2,040,819)	$ (419,364)
Other comprehensive gain (loss)		
Unrealized gain (loss) on foreign exchange translation	(4,676)	(5,821)
Comprehensive loss	$ (2,045,495)	$ (425,185)
Loss per share, basic and diluted	$(0.09)	$(0.03)
Weighted average number of shares outstanding	23,256,610	14,743,255

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

Medgold Resources Corp. **(formerly Emerick Resources Corp.)**
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Founders shares issued on incorporation on April 12, 2011	10,200,000	$ 162,078	$ -	$ -	$ -	$ 162,078
Private placement shares issued	10,825,000	172,009	1,204,065	-	-	1,376,074
Share issuance costs	-	-	(86,214)	-	-	(86,214)
Share subscriptions receivable	-	-	(16,208)	-	-	(16,208)
Loss for the period	-	-	-	-	(419,364)	(419,364)
Unrealized foreign exchange loss	-	-	-	(5,821)	-	(5,821)
Balance, December 31, 2011	21,025,000	334,087	1,101,643	(5,821)	(419,364)	1,010,545
Private placement shares issued	500,000	7,945	-	-	-	7,945
Additional proceeds on shares outstanding	-	-	180,150	-	-	180,150
Elimination of Medgold UK share capital	(21,525,000)	1,298,001	(1,298,001)	-	-	-
Issuance of common shares on reverse acquisition (Note 2)	32,287,500	1,050,765	-	-	-	1,050,765
Outstanding common shares of Medgold Resources Corp. brought forward	20,128,578	-	-	-	-	-
Share subscriptions received	-	-	16,208	-	-	16,208
Loss for the year	-	-	-	-	(2,040,819)	(2,040,819)
Unrealized foreign exchange gain	-	-	-	4,676	-	4,676
Balance, December 31, 2012	52,416,078	$ 2,690,798	-	$ (1,145)	$ (2,460,183)	$ 229,470

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

Medgold Resources Corp. **(formerly Emerick Resources Corp.)**
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31, 2012	Period from incorporation on April 12, 2011 to December 31, 2011
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss	$ (2,040,819)	$ (419,364)
Items not involving cash:		
Shares issued for management fees	-	107,258
Shares issued for consulting fees	-	38,612
Depreciation	450	-
Reverse acquisition transaction listing expense	932,094	-
	(1,108,275)	(273,494)
Changes in non-cash working capital balances:		
Increase in prepaid expenses and deposits	17,257	-
Increase in sales tax recoverable	(26,045)	(9,164)
Increase in accounts payable and accrued liabilities	78,975	105,554
Increase in amounts due to related parties	62,306	42,751
	(975,782)	(134,353)
FINANCING ACTIVITIES		
Net proceeds from issuance of capital stock	204,303	1,376,074
Share issuance costs	-	(86,214)
	204,303	1,289,860
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,778)	-
Exploration and evaluation asset acquisitions	(48,593)	-
Purchase of reclamation bonds	(19,693)	-
Net cash acquired from reverse acquisition (Note 2)	246,187	-
	174,123	-
Effect of changes in exchange rates on cash	4,676	(6,618)
Change in cash	(592,680)	1,148,889
Cash, beginning of period	1,148,889	-
Cash, end of period	$ 556,209	$ 1,148,889

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Medgold Resources Corp. (formerly Emerick 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. On December 10, 2012, the Company completed a reverse asset acquisition transaction (the "Acquisition") (Note 2) and concurrently, changed its name to Medgold Resources Corp. and graduated from the NEX Board of the TSX Venture Exchange ("TSX-V") to a Tier 2 listing on the TSX-V. The Company is engaged in the acquisition and exploration of resource properties in Italy, Spain, and Portugal.

These consolidated financial statements of the Company as at and for the year ended December 31, 2012 includes the Company and its subsidiaries (Note 4(a)).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2012, the Company had not yet achieved profitable operations, has accumulated losses of $2,460,183 since its inception, and expects to incur further losses in the development of its business, all of which 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 to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due (see Note 16).

2. REVERSE ASSET ACQUISITION

On December 10, 2012, the Company issued 32,287,500 common shares to the shareholders of Medgold Resource Ltd. ("Medgold UK"), a private company incorporated on April 12, 2011 under the Companies Act 2006 of England and Wales, in exchange for a 100% of the issued and outstanding shares of Medgold UK.

As a result of the Acquisition, the shareholders of Medgold UK acquired 61.6% of the outstanding shares of the Company and Medgold UK gained control of the Company's Board of Directors. For accounting purposes, the Acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* since the Company's activities prior to the Acquisition were limited to the management of cash resources and the maintenance of its listing and did not constitute a business. The Acquisition is accounted for consistent with IFRS 2 *Share-based Payment* ("IFRS 2") whereby Medgold UK is deemed to have issued shares in exchange for the net assets of the Company together with its listing status at the fair value of the consideration received by Medgold UK. As a result, the acquisition is accounted for as a capital transaction, with Medgold UK being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting statement of financial position is presented as a continuance of Medgold UK and comparative figures presented in the consolidated financial statements after the acquisition are those of Medgold UK.

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or service received in return. Because the Company has issued shares with a value in excess of the assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as a reverse acquisition transaction cost. The amount assigned to the reverse acquisition transaction cost of $932,094 is the difference between the fair value of the consideration and the net identifiable assets of the Company acquired by Medgold UK, and is included in the consolidated statement of comprehensive loss.

2. REVERSE ASSET ACQUISITION (continued)

The fair value of the consideration is determined based on the percentage of ownership the Company's shareholders have in the combined entity after the Acquisition. This represents the fair value of the shares that Medgold UK would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Medgold UK acquiring 100% of the shares in the Company. The percentage of ownership the Company's shareholders had in the combined entity is 38.4% after the issue of 32,287,500 shares of the Company to Medgold UK shareholders. Upon completion of the Acquisition each outstanding stock option of the Company was cancelled.

Based on the statement of financial position of the Company at the time of the Acquisition, the estimated fair value of the net assets that were acquired by Medgold UK was $316,464 and the resulting reverse acquisition cost charged to profit or loss is as follows:

Consideration:		
Fair value of shares issued	$	1,050,765
Identifiable net assets acquired:		
Cash		246,187
Prepaid expenses and deposits		86,718
Sales tax recoverable		15,465
Property and equipment		9,128
Accounts payable and accrued liabilities		(238,827)
		118,671
Reverse acquisition transaction listing cost		932,094
Total net identifiable assets and reverse acquisition transaction listing cost	$	1,050,765

3. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 4.

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

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

Details of the Company's subsidiaries as at December 31, 2012 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
Medgold Minera Sociedad Limitada	Spain	100%	Exploration company

b) 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 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. Assets and liabilities are translated to the presentation currency at the yearend rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments represent accumulated other comprehensive income in shareholders' equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits with financial institutions.

d) Exploration and Evaluation Assets

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

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

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

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

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

e) Property, Equipment and Depreciation

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, Equipment and Depreciation (continued)

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Major Maintenance and Repairs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

Depreciation

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

Leasehold improvements	7 years straight-line

Additions to equipment, which are subject to the declining balance method, are amortized at one-half rate during the year of acquisition.

f) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Provisions

Rehabilitation Provision

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

As at December 31, 2012 and 2011, the Company had no asset retirement or rehabilitation obligations.

Other Provisions

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

h) Income Taxes

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

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

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

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

i) Share Capital

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Earnings / Loss Per Share

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

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

k) Share-based Payments

Where equity-settled share options or equity instruments are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options vested.

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

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

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

All equity-settled share-based payments are reflected in other equity reserve, until exercised. Upon exercise, shares are issued and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid.

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

l) Financial Instruments

Financial assets are classified into one of four categories: fair-value-through-profit-and-loss (“FVTPL”), held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All transactions related to financial instruments are recorded on a trade date basis. The Company’s accounting policy for the relevant category is as follows:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial Instruments (continued)

Financial assets

FVTPL

The Company has recognized its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transactions costs. Gains or losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

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

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured.

Classification

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

Cash	FVTPL
Accounts payable	Other financial liabilities
Due to related parties	Other financial liabilities

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Standards, Amendments and Interpretations Not Yet Effective

The following new standards and interpretations have been issued by the IASB but are not yet effective:

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. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.* The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Standards, Amendments and Interpretations Not Yet Effective (continued)

No additional new standards, amendments and interpretations have been early adopted in these financial statements and there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) The determination of the Company's functional currency;

b) The carrying value of the investment in exploration and evaluation assets and the recoverability of the carrying value;

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; and

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.

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

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

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

6. PROPERTY AND EQUIPMENT

		Leasehold improvements
Cost		
Balance, on incorporation on April 12, 2011 and December 31, 2011	$	-
Addition from reverse acquisition transaction (Note 2)		9,128
Additions		3,778
Balance, December 31, 2012	$	12,906
Accumulated depreciation		
Balance, on incorporation on April 12, 2011 and December 31, 2011	$	-
Charge for period		450
Balance, December 31, 2012	$	450
Carrying amounts		
At December 31, 2011	$	-
At December 31, 2012	$	12,456

7. EXPLORATION AND EVALUATION ASSETS

	Italy		
	Pietratonda	Frassine-Grasceta	Total
Balance, Incorporation on April 12, 2011 and December 31, 2011	$ -	$ -	$ -
Acquisition costs - cash	16,160	32,433	48,593
Balance, December 31, 2012	$ 16,160	$ 32,433	$ 48,593

Italy

a) Pietratonda Property

During the current year, the Company was granted a gold exploration licence in Italy called Pietratonda. Prepaid expenses and deposits include an exploration bond amount of $6,564 (€5,000) relating to this license.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Italy (continued)

b) Frassine - Grasceta Property

During the current year, the Company was granted two gold exploration licences in Italy called Frassine and Grasceta. The areas the two licenses cover are adjoined. Prepaid expenses and deposits include two exploration bonds totaling $13,129 (€10,000) relating to these two licenses.

Portugal

During the current year, the Company applied for three exploration licences in northern Portugal. Subsequent to December 31, 2012, one licence known as Vila de Rei was granted and the Company has been issued an exclusive right to acquire the other two licences.

The Company has a commitment to post a bond of €136,960 with the Portugal mining authority for the Vila de Rei licence. The amount was paid subsequent to December 31, 2012.

Spain

a) Pinzas Project

Pursuant to a binding letter of intent (“LOI”) with Ormonde Mining PLC (“Ormonde”) signed in July 2011, and amended in April and September 2012, the Company was provided access to Ormonde’s database on a 2,400 square kilometre area in southern Galicia, Spain. In consideration thereof, the Company agreed to undertake €100,000 in exploration of the project area, which expenses could be incurred through the cost of licence applications. Subsequent to December 31, 2012, Ormonde agreed to transfer all of its rights to the project area to the Company, with Ormonde retaining a 1.5% NSR royalty on any future gold production from the project area.

The Company currently has nine gold exploration permit applications in place within the Ormonde project area, which are known as the Pinzas Project. Three of the applications were submitted during the current year, and subsequent to December 31, 2012, the three applications were completed, and new applications for six adjoining licences were submitted, which are subject to public tender.

b) Calzadilla Property

During the current year, the Company submitted a gold exploration permit application in the Province of Caceres, Spain known as the Calzadilla Property. This application is subject to public tender.

c) Other

During the current year, the Company entered into an agreement whereby a third party performed due diligence services on a potential property acquisition in Spain. If the acquisition proceeds, the Company has a commitment to make a payment of €50,000 in June 2013.

8. SHARE CAPITAL AND RESERVES

Authorized

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

Issued

As a result of the Acquisition, Medgold UK became a direct, wholly owned subsidiary of the Company. The Acquisition was treated as an issuance of common shares by the continuing entity, Medgold UK.

At December 31, 2012, the issued share capital is $2,690,798. The changes in issued share capital for the period from incorporation on April 12, 2011 to December 31, 2012 are disclosed in the statement of changes in equity.

Nature of Equity Reserves

The reserves recorded in equity include Other Equity Reserve, Accumulated Other Comprehensive Loss. Other Equity Reserve is used to recognize the issuance value of common shares in excess of par value prior to the reverse asset acquisition. Accumulated Other Comprehensive Loss is used to record the foreign exchange translation adjustments for subsidiaries that have a different functional currency than the Company.

Escrow Shares

As at December 31, 2012, there were 14,680,032 shares (December 31, 2011: Nil) held in escrow.

Warrants and Options

There were no share purchase warrants or share option issued or outstanding as at December 31, 2012 or 2011 or for the periods then ended.

9. SHARE-BASED PAYMENTS

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized during the year as part of management fees were $Nil (year ended December 31, 2011: $Nil).

Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the current year and comparative year.

10. EXPLORATION EXPENDITURES

During the year ended December 31, 2012 and the period from incorporation on April 12, 2011 to December 31, 2011, the Company incurred the following exploration expenditures:

	Year ended December 31, 2012	Period from incorporation on April 12, 2011 to December 31, 2011
Geological and other consulting	$ 408,711	$ 131,204
Travel	87,298	27,046
Shipping and courier	13,327	-
Field expenses	735	-
	$ 510,071	$ 158,250

11. INCOME TAXES

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

		2012		2011
Statutory income tax rate		24%		26%
Expected income tax (expense) recovery	$	(490,918)	$	109,035
Decrease (increase) resulting from:				
Non-deductible expenses and others		174,497		22,416
Reverse acquisition		(3,205,824)		-
Change in tax rates		2,794		(5,056)
Difference between current and future rate		10,619		
Difference in foreign income tax rates		(2,611)		
Change in unrecognized deferred tax assets		3,511,443		(126,395)
Income tax recoverable	$	-	$	-

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2012 and 2011 are presented below:

		2012		2011
Non-capital loss carry-forwards	$	1,017,852	$	126,395
Resource properties		2,586,446		-
Equipment		31,651		-
Share issuance cost		1,889		-
		3,637,838		126,395
Unrecognized deferred tax assets		(3,637,838)		(126,395)
	$	-	$	-

Based upon the level of historical taxable income and projections for future taxable income over the years in which the deferred tax assets are deductible, management has not recognized any deferred tax assets.

11. INCOME TAXES (continued)

Subject to certain restrictions, the Company has non-capital losses of $2,599,937 (2011: $Nil) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year	
2014	$ 300,742
2015	288,964
2026	414,420
2027	505,632
2028	258,679
2029	188,071
2030	182,118
2031	197,734
2032	263,577
	$ 2,599,937

The Company also has non-capital losses for income tax purposes of $1,599,139 (2011: $502,685) available to reduce future UK taxable income. The non-capital losses do not expire.

Resource development costs

The Company has resource development costs of $10,345,782 available to offset future taxable income in Canada, deductible at various declining balance rates.

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the year ended December 31, 2012 consist of directors, officers and companies with common directors as follows:

Related party	Nature of transactions
Radius Gold Inc. ("Radius")	Shared office, administrative and exploration related charges
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Mill Street Services Ltd. ("Mill Street")	Management services

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 2012 and 2011 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.

	Year ended December 31, 2012	Period from incorporation on April 12, 2011 to December 31, 2011
Management fees	$ 261,192	$ 213,323
Salaries and benefits	917	-

Related party transactions for the year ended December 31, 2012, in addition to related party transactions disclosed elsewhere in the consolidated financial statements, comprise the following:

a) The Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, $21,635 (2011: $Nil) for shared administration costs during the period from the reverse asset acquisition to December 31, 2012, consisting of $4,825 (2011: $ Nil) for general and administrative, $11,529 (2011: $ Nil) for salaries and benefits, $2,174 (2011: $ Nil) for shareholder communications, $22 (2011: $ Nil) for transfer agent and regulatory fees, and $3,085 (2011: $ Nil) for travel and accommodation. An office and administrative agreement was entered into between the Company and Gold Group effective July 1, 2012. Salary and benefits include those for a Director, the Chief Financial Officer and Corporate Secretary;

b) The Company reimbursed Radius during the period from the reverse asset acquisition to December 31, 2012, a company with common directors and officers, $14,419 (2011: $Nil) for general and administrative costs and for leasehold improvement costs of $3,778 (2011: $Nil);

c) Prepaid expenses and deposits include an amount of $68,113 (December 31, 2011: $Nil) paid to Gold Group as a deposit pursuant to the office and administrative agreement and other administrative expenses paid in advance on the Company's behalf; and

d) Amounts due to related parties as of December 31, 2012 consist of $23,012 (December 31, 2011: $Nil) owing to Gold Group, $17,520 (December 31, 2011: $Nil) owing to Radius, $16,800 (December 31, 2011: $Nil) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company, $23,863 (December 31, 2011: $17,471) owing to David Hall, a Director of the Company, and $23,862 (December 31, 2011: $25,280) owing to Jeremy Martin, a Director of the Company. The amounts for Radius and Mill Street are unsecured, interest free and have no specific terms of repayment. The amounts for Gold Group are due on a monthly basis. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014.

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

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

General Objectives, Policies and Processes:

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

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2012, the Company is exposed to foreign currency risk and interest rate risk.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign Currency Risk

As at December 31, 2012, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2012		December 31, 2011	
	British Pound Sterling (CDN equivalent)	**US Dollars** (CDN equivalent)	**British Pound Sterling** (CDN equivalent)	**US Dollars** (CDN equivalent)
Cash	$ 450,095	$ 7,577	$1,148,889	$ -
Accounts payable and accrued liabilities	(334,522)	-	(104,704)	-
Due to related parties	(47,725)	-	(42,751)	-
Net exposure	$ 67,848	$ 7,577	$1,001,434	$ -

Based on the above net exposures at December 31, 2012, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $7,500 increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

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

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash and cash equivalents that are invested in asset based commercial paper.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2012, the Company had working capital of $148,728 (December 31, 2011: $1,010,545) available to apply against short-term business requirements. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 Statements of Financial Position carrying amounts for cash and cash equivalents, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

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

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

The fair values of the Company's financial assets measured at fair value on a recurring basis as of December 31, 2012 were calculated as follows:

	Balance at December 31, 2012	Level 1	Level 2	Level 3
Financial Asset:				
Cash and cash equivalents	$ 556,209	$ 556,209	$ -	$ -

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 December 31, 2012 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 recognized 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.

Details of identifiable assets by geographic segments are as follows:

Year ended December 31, 2012

	Canada	England	Italy	Other	Total
Exploration expenditures	$ -	$ -	$ -	$ 510,071	$ 510,071
Profit/(loss) before income taxes	(46,701)	(1,484,047)	-	(510,071)	(2,040,819)
Capital expenditures*	12,906	-	47,935	-	60,841

Period ended December 31, 2011

	Canada	England	Italy	Other	Total
Exploration expenditures	$ -	$ -	$ -	$ 158,250	$ 158,250
Profit/(loss) before income taxes	-	(261,114)	-	(158,250)	(419,364)

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

As at December 31, 2012

	Canada	England	Italy	Other	Total
Total current assets	$ 204,830	$ 471,461	$ -	$ -	$ 676,291
Total non-current assets	12,456	658	67,628	-	80,742
Total assets	$ 217,286	$ 479,119	$ 67,628	$ -	$ 757,033
Total liabilities	$ 145,316	$ 382,247	$ -	$ -	$ 527,563

As at December 31, 2011

	Canada	England	Italy	Other	Total
Total current assets	$ -	$ 1,158,000	$ -	$ -	$ 1,158,000
Total non-current assets	-	-	-	-	-
Total assets	$ -	$ 1,158,000	$ -	$ -	$ 1,158,000
Total liabilities	$ -	$ 147,455	$ -	$ -	$ 147,455

16. EVENT AFTER THE REPORTING DATE

Subsequent to the year end, the following event which has not been disclosed elsewhere in these consolidated financial statements has occurred:

On April 12, 2013, the Company closed a $975,000 non-brokered private placement of debentures which are convertible into 6,500,000 common shares of the Company at the rate of $0.15 per share. The debentures bear interest at the rate of 8% per annum and are convertible into shares until April 11, 2015. The debenture holder was also issued warrants to purchase up to 6,500,000 common shares of the Company exercisable until April 11, 2014 at a price of $0.15 per share.

(the "Company")

(formerly Emerick Resources Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year End Report – December 31, 2012

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2012. The following information, prepared as of April 29, 2013, should be read in conjunction with the December 31, 2012 consolidated financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "will", "may", "should", "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance.

Forward-looking statements are statements that are not historical facts, and include but are not limited to:

a) Estimates and their underlying assumptions;
b) Statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model, future operations, the impact of regulatory initiatives on the Company's operations, and market opportunities;
c) General industry and macroeconomic growth rates;
d) Expectations related to possible joint or strategic ventures; and
e) Statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project, and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to

update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

Business of the Company

The Company is a Vancouver-based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. During 2011, the Company entered into option agreements on two separate properties. Raising funding for these projects by way of equity financings during a period of deteriorating financial market conditions was deemed by management to be not in the best interests of the shareholders, and accordingly, the Company did not complete either transaction. As the Company has not had recent exploration activity, in January 2012 the TSX Venture Exchange (the "Exchange") transferred the Company's listing to the NEX Board under the trading symbol ERC.H.

As a result of the transaction described below, the Company is now focusing its business on acquiring and exploring mineral properties in economically stressed, but politically stable European countries that are seeking foreign investment to invigorate the mining sector.

Acquisition of Medgold Resource Ltd.

On December 10, 2012, the Company completed a reverse asset acquisition (the "Acquisition") of Medgold Resource Ltd. ("Medgold UK"), a UK-based private company focused on the exploration and development of precious and base metals in Western Europe. To acquire Medgold UK, the Company issued 32,287,500 shares in its capital stock to Medgold UK's shareholders in proportion to their respective shareholdings in Medgold UK. The Company's resulting issued capital is 52,416,078 shares, of which Medgold UK's shareholders own 61.6%. All outstanding options in the Company were cancelled. Additional financial details regarding the Acquisition are provided in the section 'Reverse Asset Acquisition' later in this document.

As of the closing of the Acquisition, Ralph Rushton and Simon Ridgway remained as Directors of the Company, and Mr. Ridgway is Chief Executive Officer and Chairman of the Board. Dan James was appointed as Director and President of the Company and was joined on the Board by David Hall and Jeremy Martin, all of whom are directors of Medgold UK.

As a result of the completion of the Acquisition, the Company's listing was graduated from the NEX board to Tier 2 of the TSX Venture Exchange as a resource issuer. As well, the Company's name was changed to "Medgold Resources Corp.".

The Properties

The Company has licences granted and under application in Italy, Portugal and Spain, targeting gold and base metal projects. These countries are favourable jurisdictions, with robust mining codes, backed by administrations which are actively seeking both foreign investment and commodity exploration companies.

Italian Projects

The Company holds three gold exploration licences in Italy, each 8 square kilometers in area, called Pietratonda, Frassine, and Grasceta, covering gold mineralization hosted within silicified limestones known as jasperoids. The Frassine and Grasceta licences are adjoined and located 43 km from the Pietratonda licence. Mineralization at all three projects is controlled by steeply-dipping normal and thrust faults, which are considered to be feeder structures, and also low-angle thrust faults with low-grade mineralization occurring at impermeable limestone-flysch contacts, forming aprons of flat-lying mineralization. The Company's licences cover potentially high-grade, limestone-hosted Carlin-type epithermal gold targets, one of the most prospective gold deposit types.

The projects are located in the Colline Metallifere mineral belt (the "Metal-Bearing Hills") which exhibits many geological similarities with deposits in the Carlin Trend, Nevada such as the structural setting, host rocks and general controls, yet the region has received very little modern exploration. The Colline Metallifere extends over 100 km in a northwest-striking direction and hosts numerous mineral occurrences. The region currently has 32 active quarrying and mining projects.

Pietratonda License

In April 2012 the Company carried out programs of geological mapping, geochemical exploration and satellite image interpretation. Geochemical exploration comprised soil sampling, rock sampling and limited channel sampling. Gold values in soils range from below detection (<0.005 ppm) to a maximum of 0.415 ppm, while gold values in rocks range from below detection (<0.005 ppm) to a maximum of 1.015 ppm. Together they show anomalous values over an area of about 1,400 m north-south by 500 m wide, which is open to the north and south. This is associated with anomalous arsenic, barium, mercury, molybdenum, antimony, thallium and zinc, which are elements typically associated with sediment-hosted, epithermal gold deposits.

In April 2013, the Company announced results of a recently completed exploration program at the Pietratonda licence consisting of a two-phase program of grid-rock chip and float sampling. Initial samples were collected on a 50 by 50 meter sample grid, with zones of anomalism later infilled by a 25 by 25 meter sample grid. Coincident with the sampling, the Company completed detailed geological mapping noting lithology, structure, and alteration.

A total of 273 samples were collected from this phase (including 49 quality control (QC) samples), with 27% of samples (excluding QC samples) yielding greater than 0.1 g/t Au and an average grade of all samples of 0.125 g/t Au. Gold results varied from below detection up to highs of 2.43, 1.21 and 1.07 g/t, and antimony from 1.78 ppm to 15 samples above 1 percent, with highs of 5.17, 7.08 and 8.42 percent. Gold and antimony define a coincident anomaly over 600 by 200 metres. Arsenic and mercury are also strongly anomalous, with highs of 0.51, 0.14 and 0.10 percent As, and 104.5, 69.2 and 47.4 ppm Hg, both of which showing a good correlation with gold, and thus highlighting their use as pathfinder elements. A sample map and table of results are available on the Company's website at http://www.medgoldresources.com/medgold-italy-mining.asp.

These results are considered to represent a distal zone of mineralization associated with a high-grade and high-angle structural feeder-zone, which is commonly found in Carlin-type deposits. Vector analysis of the geochemistry highlights a strong increase in Au-Sb anomalism toward the inferred high-angle feeder faults. These represent clear exploration drill targets where Au-Sb grades are expected to increase with depth.

The next phase of work will involve a limited induced polarization (IP) geophysical study, to aid in the better definition of drill targets and the possible identification of high-angle faults associated with jasperoids and expected pyrite-stibnite mineralization at depth. This will be carried out in the second half of 2013. A drill program is planned for early 2014 once all the necessary permits have been received.

The samples were prepared and analysed for gold by fire assay with atomic adsorption finish by ALS Minerals at the Rosia Montana Laboratory, Romania. Multielements were analyzed by inductively coupled plasma mass spectrometer (ICP-MS) and inductively coupled plasma emission spectrometer (ICP-AES) on a sample split sent to the ALS Minerals laboratory in Vancouver. Blank, certified standard reference materials, and field and laboratory duplicates were routinely inserted for quality assurance and quality control.

Frassine-Grasceta Licences

A drilling campaign conducted at Frassine-Grasceta in 1991 by a joint-venture between Anglo American Corporation (now Anglo American plc) and Agip Miniere (a subsidiary of the Agip oil company) completed 7 diamond drill holes for 600 metres which returned intersections of up to 3.15 g/t Au over 4 metres and 0.94 ppm Au over 19 metres in two holes, with a highest sample value of 6.4 g/t Au. *These are historical data which have not been verified by the Company and are quoted for information purposes.*

Medgold UK collected 12 reconnaissance rock samples at Frassine-Grasceta in November 2011, which yielded a high of 1.02 g/t Au from a grab sample, and 0.41 g/t Au over 12 metres from a composite channel-chip sample.

Mineralization at Frassine-Grasceta is controlled by high-angle feeder structures, and hosted by jasperoids which typically occur on low-angle thrust faults and also in high-angle normal faults. High-grade gold mineralization is typically associated with the latter and can also be associated with localized copper-lead-zinc mineralization.

In April 2013 the Company undertook a program of rock sampling at a sample grid of 50 by 50 metres over key areas of mapped jasperoid mineralization. Samples have been submitted to ALS Minerals at the Rosia Montana Laboratory, Romania, with assay results pending.

Portuguese Projects

The Company has applied for three exploration licences in northern Portugal, targeting orogenic and intrusion-related gold systems, similar to Astur Gold's Salave project, in northwest Spain, which hosts measured resources of 2.1 Mt at 3.88 g/t for 268,000 oz Au, and indicated resources of 15.8 Mt at 2.79 g/t for 1.4 M oz Au *(see "Technical Report on Salave Gold Deposit, Spain" by Scott Wilson RPA, February 25, 2010: http://www.asturgold.com/data/2011/12/salave_43-101.pdf). This mineral resource is quoted for information purposes only and is not necessarily an indication of the potential of the Company's projects.* At Salave, gold is typically vein-hosted, locally attaining bonanza grade status, with veins and associated alteration, commonly extensive over kilometres of strike. The Romans, who mined the high-grade Au-As veins, conducted extensive exploration and exploitation programs throughout the northern Portugal region, with many of the prospects now the focus of modern-day exploration.

In February 2013, the Portuguese mining authorities granted to the Company the exclusive option on two of the exploration licence applications, called Boticas and Vila de Rei. The Vila de Rei licence was issued in March 2013 and the Boticas licence is expected to be issued in the near term.

Vila de Rei Gold Project

The Vila de Rei licence is located in central Portugal, covering an area of 300 sq km, targeting sediment-hosted orogenic gold mineralization. The project area covers 40 line km of a principal regional structure and comprises four previously identified geochemical anomalies, the largest of which extends over 3 km. Rock chip sampling by a previous explorer in the mid 2000's gave 33 out of 247 samples above 1 g/t Au with maximum values of 24.72, 22.85 and 19.24 g/t Au. *The sampling is historical in nature, has not been verified by the Company, and is quoted for information purposes only.*

This large-scale exploration project is focused on a large and gold-anomalous lineament, and the Company believes it has the potential to host significant gold resources. The geochemical anomalism is highly extensive with high-grade zones occurring in elongate and structurally-controlled silica 'ribs', which are commonly sulphide rich and typically hosted in silicified quartzites. The scale of the geological framework within the licence area, combined with multiple highly anomalous zones, highlights the potential for significant gold discoveries. More recent reconnaissance work by the Company has identified an intensely silicified fault-zone within quartzites exposed intermittently over several hundred meters, with results pending.

A program of licence-wide mapping, reconnaissance sampling, and detailed channel-chip commenced in mid-April 2013. Initial work will focus on the newly identified silicified zone in the central part of the licence.

The Boticas Gold Project

Boticas is located in northern Portugal, approximately 30 km north of the Jales/Gralheira gold mine, hosted in granites with gold mineralization controlled by large-scale regional faults. The Company believes that the project has multi-million ounce gold potential in structurally-controlled and en echelon repeating dilation zones, which is a common structural setting for gold deposits with a similar geological setting typified by the Fort Knox gold deposit in Alaska. The Fort Knox gold deposit is an active gold mine operated by Kinross and has proven and probable reserves of 314.6 Mt at 0.43 g/t gold containing 4.3 million ounces of gold *(see http://www.kinross.com/operations/operation-fort-knox-alaska-usa.aspx for further details). This mineral reserve is quoted for information purposes only and is not necessarily an indication of the potential of the Boticas project.*

The 100 sq km Boticas project area was previously explored between the 1980's and early 2000's by several companies with a total of 3,234 metres of diamond drilling completed in 26 holes. Results from the drilling include:

- 40.15m at 1.96 g/t Au from 19.30 to 59.45m, including 20.40m at 2.92 g/t Au from 20.70 to 41.10m (hole KL4);
- 64.80m at 0.42 g/t Au from 35.00 to 99.80m (hole PF2);
- 50.05m at 1.70 g/t Au from 8.65 to 58.70m, including 19.7m @ 2.80 g/t Au from 32.20 to 52.00m (Hole PF3);
- 103.60m at 0.83 g/t Au from 28.10 to 131.70 m (hole PF10);
- 75.55m at 0.92 g/t Au from 6.80 to 82.35m (hole PF11);
- 104.75m at 0.83 g/t Au from 45.50 to 150.25m (hole PF17).

The exploration drilling results will allow the Company to define drill-ready exploration targets with the opportunity to fast-track to resources. Importantly the key prospect, which has been the focus of drilling, is only one of 15 soil geochemical anomalies identified by historical grid-sampling.

Historical surface sampling has yielded results over 1 g/t Au in 9 out of 34 samples with a maximum of 204 g/t Au in a grab sample of selected veinlets, underpinning the high prospectivity of the project area.

The drill intersections and sampling by previous companies are historical in nature, have not been verified by the Company, and are therefore quoted for information purposes only. The sample grades were topcut at 20 g/t Au before calculating intervals.

Prior to the grant of the licence option, Medgold UK carried out evaluation work which yielded a composite channel-chip sample with a length weighted average of 3.98 g/t Au over 14.10m (channel CH001) and individual rock-chip samples up to 28.3 g/t Au over 1.70m (channel CH007) out of 58 samples, 11 of which were greater than or equal to 1.0 g/t Au. The samples were prepared by ALS Minerals at the Rosia Montana Laboratory, Romania, and analyzed for gold by fire assay with atomic adsorption finish. Samples above 10 g/t were repeated with a gravimetric finish. Multi-elements were analyzed by ICP by ALS Minerals, Vancouver. Blank, certified standard reference materials, and field and laboratory duplicates were routinely inserted for quality assurance and quality control.

The Boticas licence is expected to be issued in mid-2013, and the Company plans to start ground work immediately following issuance, with a drilling campaign scheduled for late 2013.

Spanish Projects

The Company has applied for three contiguous exploration permits in northwest Spain, located in the southwest corner of Galicia Province, and known as the Pinzas Gold Project. They are adjacent to an additional six pre-defined permit areas that the Company has applied for by a public tender which closed on March 15, 2013, with the outcome of the tender expected in Q2 2013.

A detailed review of the region focussed on granite-hosted orogenic gold systems and identified several significant targets, with the Pinzas area being the primary target area. The area was also extensively explored by the Romans over 2,000 years ago, who extracted gold from hundreds of projects over hundreds of years throughout the entire Iberian region.

The Pinzas Gold Project

The Pinzas Gold Project is located in the southwest corner of the highly prospective and productive gold region of Galicia, in northwest Spain. Mineralization is hosted in granites in the Hercynian orogenic belt, which extends northwards to the advanced-stage gold project of Salave, and southwards to Boticas and the Jales-Gralheira gold mine in Portugal. Salave has measured and indicated resources of 17.9 Mt at 2.92 g/t Au for 1.68 Moz Au and inferred resources of 3.7 Mt at 2.80 g/t Au for 338 koz Au *(Source: 'Technical Report on Salave Gold Deposit, Spain' by Scott Wilson RPA, 25/FEB/2010). This mineral resource is quoted for information purposes only and is not necessarily an indication of the potential of the Company's project.*

The Company has completed the application process and paid all taxes for the three exploration permits at Pinzas which are expected to be issued in Q2 2013. These permits cover approximately 79 square kilometres of free-ground and are therefore not subject to a public tender process.

Historical work undertaken within the Pinzas permit application area included rock samples collected by Ormonde Mining plc ("Ormonde") in 2005, which yielded results from below detection limit up to 11.10, 5.49 and 2.73 g/t Au in 11 samples. Mineralization is hosted within a 14 km north-south trending structural corridor where parallel quartz veins, commonly high-grade, are concentrated along fault boundaries with schistose metasediments. The structural corridor within the public tender licence area was drill-tested by a previous company in the 1980's with 3,705 m drilled in 16 holes, with gold-bearing quartz veins intersected in all drill holes. *The Ormonde sampling results and the drill results quoted here are historic and the Company has not independently verified them.* Medgold UK collected 21 rock samples in the permit application areas, with results from below detection up to 1.00 and 2.13 g/t Au.

The Ormonde Agreement

In July 2011 Medgold UK signed a binding letter of intent (the "LOI") with Ormonde covering a 2,400 square kilometre agreement area within which Ormonde has an extensive rock and stream sediment geochemical database from samples collected in 2004-2006. Under the terms of the LOI, Medgold was provided access to Ormonde's database in return for agreeing to undertake 100,000 EUR of exploration expense, where part of this expense could be incurred through the cost of licence applications. On April 4, 2013 the BLOI was modified such that the Company now has 100% ownership of the project and on any other permits or projects acquired in the agreement area, with an obligation to pay Ormonde a 1.5% Net Smelter Royalty on any future gold production from any such projects with no further funding obligation from Ormonde. This enabled the Company to solely develop the potential of the project area which contains multiple historic workings and strong geological signatures for gold mineralization.

Qualified Person

Dr. Stewart D. Redwood, FIMMM, Consulting Geologist to the Company, is a Qualified Person as defined in NI 43-101. Dr. Redwood has reviewed and approved the technical information contained in this MD&A, some of which is based on reports by historic workers. The Company, however, has not independently verified the results of historic workers.

Reverse Asset Acquisition

As a result of the Acquisition, the shareholders of Medgold UK acquired 61.6% of the outstanding shares of the Company and Medgold UK gained control of the Company's Board of Directors. For accounting purposes, the Acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* since the Company's activities prior to the Acquisition were limited to the management of cash resources and the maintenance of its listing and did not constitute a business. The Acquisition is accounted for consistent with IFRS 2 *Share-based Payment* ("IFRS 2") whereby Medgold UK is deemed to have issued shares in exchange for the net assets of the Company together with its listing status at the fair value of the consideration received by Medgold UK. As a result, the Acquisition is accounted for as a capital transaction, with Medgold UK being identified as the accounting acquirer and the equity consideration being measured at fair value. **The resulting statement of financial position is presented as a continuance of Medgold UK and comparative figures presented in the consolidated financial statements after the Acquisition are those of Medgold UK. The comparative figures presented herein are also based on that of Medgold UK's financial history.**

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or service received in return. Because the Company has issued shares with a value in excess of the assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as a reverse acquisition transaction cost. The amount assigned to the reverse acquisition transaction cost of $932,094 is the difference between the fair value of the consideration and the net identifiable assets of the Company acquired by Medgold UK, and is included in the consolidated statement of comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the Company's shareholders have in the combined entity after the Acquisition. This represents the fair value of the shares that Medgold UK would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Medgold UK acquiring 100% of the shares in the Company. The percentage of ownership the Company's shareholders had in the combined entity is 38.4% after the issue of 32,287,500 shares of the Company to Medgold UK shareholders.

Based on the statement of financial position of the Company at the time of the Acquisition, the estimated fair value of the net assets that were acquired by Medgold UK was $316,464 and the resulting reverse acquisition cost charged to profit or loss is as follows:

Consideration:		
Fair value of shares issued	$	1,050,765
Identifiable net assets acquired:		
Cash		246,187
Prepaid expenses and deposits		86,718
Sales tax recoverable		15,465
Property and equipment		9,128
Accounts payable and accrued liabilities		(238,827)
		118,671
Reverse acquisition transaction listing cost		932,094
Total net identifiable assets and reverse acquisition transaction listing cost	$	1,050,765

Selected Annual Information

The following table provides financial results for the year ended December 31, 2012 and the period from Medgold UK's incorporation on April 12, 2011 to December 31, 2011:

	2012 ($)	**2011 ($)**
Exploration expenditures	510,071	158,250
General and administrative expenses	598,654	261,114
Net loss	2,040,819	419,364
Basic and diluted loss per share *	0.09	0.03
Total assets	757,033	1,158,000
Total long-term liabilities	-	-
Cash dividends	-	-

* Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

Total assets were higher as at December 31, 2011 because Medgold UK raised most of its working capital through the issuance of shares during the period from incorporation on April 12, 2011 to December 31, 2011. Since then the addition of assets from the Acquisition has more than offset cash used to cover exploration and general and administrative expenditures.

Quarterly Information

The following table provides information for the seven fiscal quarters ended December 31, 2012:

	Fourth quarter ended Dec.31, 2012 ($)	**Third quarter ended Sept. 30, 2012 ($)**	**Second quarter ended June 30, 2012 ($)**	**First quarter ended Mar. 31, 2012 ($)**	**Fourth quarter ended Dec.31, 2011 ($)**	**Third quarter ended Sept. 30, 2011 ($)**	***Second quarter ended June 30, 2011 ($)**
Exploration expenditures	143,515	112,091	100,283	81,439	84,809	22,776	-
General and administrative expenses	178,850	148,398	231,129	113,021	95,518	60,856	155,405
Net loss	1,254,459	260,489	331,412	194,459	180,327	83,632	155,405
Basic and diluted loss per share	0.05	0.01	0.02	0.01	0.01	0.00	0.02

* This quarter covers the period from incorporation of Medgold UK on April 12, 2011 to June 30, 2011.

Net losses trend upwards since Medgold UK began operations during the quarter ended June 30, 2011 due in large part to the Company becoming increasingly active with exploration activities. The net loss for the most recently completed quarter ended December 31, 2012 was significantly higher than other quarters presented because of a listing cost of $932,094 resulting from the Acquisition. The net loss for the quarter ended June 30, 2012 was significantly impacted by legal costs relating to the Acquisition of $122,566 charged to that period. The quarter ended September 30, 2012 was impacted by legal costs as well but to a lesser degree than the previous quarter.

Results of Operations

Quarter ended December 31, 2012

For the quarter ended December 31, 2012, the Company had a net loss of $1,254,459 compared to a net loss of $180,327 for the quarter ended December 31, 2011, an increase of $1,074,132. The difference is primarily due to the current year net loss including a listing expense of $932,094 that resulted from the Acquisition. Exploration costs for the current quarter were $143,515 compared to $84,809 for the comparative quarter, an increase of $58,706. General and administrative expenses totaled $178,850 for the current quarter compared to $95,518 for the comparative quarter, an increase of $83,332. General and administrative expenses during the comparative quarter were limited to management fees, legal and accounting, and general office costs. The current quarter had these costs plus new costs such as salaries and benefits, transfer agent and regulatory fees, and shareholder communications that commenced after the Acquisition. The most significant cost increase for the current quarter was $47,604 in legal and accounting which are costs relating to the Acquisition.

Year ended December 31, 2012

For the year ended December 31, 2012, the Company had a net loss of $2,040,819 compared to a net loss of $419,364 for the comparative year ended December 31, 2011, an increase of $1,621,455. As was the case in the quarterly comparison, the Acquisition listing cost of $932,094 significantly impacted the net loss for the current year. Exploration expenditures for the current year totaled $510,071 compared to $158,250 for the prior year, an increase of $351,821. Exploration expenditures increased as the Company began investigating and acquiring more properties. General and administrative expenses for the current year totaled $598,654 compared to $261,114 for the prior period, an increase of $337,540. The reason for the increase is the same as for the quarterly comparison. The period leading up to the Acquisition resulted in significant legal and accounting costs and since the Acquisition, the Company is now recording new costs. Most notable costs for the current and comparative years were management fees and legal and accounting. However, management fees have been significantly reduced following the Acquisition.

Liquidity and Capital Resources

The Company's cash resources decreased from $1,148,889 as at December 31, 2011 to $556,209 as at December 31, 2012. The Company had working capital of $148,728 as at December 31, 2012, down from the working capital amount of $1,010,545 that Medgold UK had at December 31, 2011. Subsequent to December 31, 2012 the Company raised $975,000 by a private placement of debentures which are convertible into 6,500,000 common shares of the Company at the rate of $0.15 per share. A portion of the proceeds from the private placement is being used towards existing liabilities and the balance to be used for exploration expenditures and general working capital.

The Company's capital resources as of December 31, 2012 plus the proceeds from the private placement subsequent to the yearend are not considered 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. Actual funding requirements may vary from those planned due to a number of factors including potential property acquisitions and exploration activity. Management believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital

structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

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

Financial Instruments and Risk Management

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

General Objectives, Policies and Processes:

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

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2012, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2012, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2012		**December 31, 2011**	
	British Pound Sterling (CDN equivalent)	**US Dollars** (CDN equivalent)	**British Pound Sterling** (CDN equivalent)	**US Dollars** (CDN equivalent)
Cash	$ 450,095	$ 7,577	$1,148,889	$ -
Accounts payable and accrued liabilities	(334,522)	-	(104,704)	-
Due to related parties	(47,725)	-	(42,751)	-
Net exposure	$ 67,848	$ 7,577	$1,001,434	$ -

Based on the above net exposures at December 31, 2012, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $7,500 increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

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

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash and cash equivalents that are invested in asset based commercial paper.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2012, the Company had working capital of $148,728 (December 31, 2011: $1,010,545) available to apply against short-term business requirements. All of the Company's financial liabilities have 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 Statements of Financial Position carrying amounts for cash and cash equivalents, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

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 as of December 31, 2012 were calculated as follows:

	Balance at December 31, 2012	Level 1	Level 2	Level 3
Financial Asset:				
Cash and cash equivalents	$ 556,209	$ 556,209	$ -	$ -

Related Party Transactions

The Company's related parties with transactions during the year ended December 31, 2012 consist of directors, officers and companies with common directors as follows:

Related party	**Nature of transactions**
Radius Gold Inc. ("Radius")	Shared office, administrative and exploration related charges
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Mill Street Services Ltd. ("Mill Street")	Management services

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 2012 and 2011 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended December 31, 2012	Three months ended December 31, 2011	Year ended December 31, 2012	Period from Medgold UK incorporation on April 12, 2011 to December 31, 2011
Management fees	$ 58,328	$ 60,823	$ 261,192	$ 213,323
Salaries and benefits	917	-	917	-

Related party transactions for the year ended December 31, 2012, in addition to related party transactions disclosed elsewhere in this document, comprise the following:

a) For the three month period and year ended December 31, 2012, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, $21,635 for shared administration costs, consisting of $4,825 for general and administrative, $11,529 for salaries and benefits, $2,174 for shareholder communications, $22 for transfer agent and regulatory fees, and $3,085 for travel and accommodation. An office and administrative agreement was entered into between the Company and Gold Group effective July 1, 2012 and as such, there are no amounts to present for the comparative periods Salary and benefits include those for Ralph Rushton (a Director), the Chief Financial Officer and Corporate Secretary;

b) For the three month period and year ended December 31, 2012, the Company reimbursed Radius, a company with common directors and officers, $14,419 (2011: $Nil) for shared general and administrative costs and $3,778 (2011: $Nil) for leasehold improvement costs;

c) Prepaid expenses and deposits include amounts totaling $68,113 (December 31, 2011: $Nil) paid to Gold Group, of which $61,000 (December 31, 2011: $Nil) is for deposits pursuant to the office and administrative agreement and $7,113 (December 31, 2011: $Nil) for other administrative expenses paid in advance on the Company's behalf; and

d) Amounts due to related parties as of December 31, 2012 consist of $23,012 (December 31, 2011: $Nil) owing to Gold Group, $17,520 (December 31, 2011: $Nil) owing to Radius, $16,800 (December 31, 2011: $Nil) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company, $23,863 (December 31, 2011: $17,471) owing to David Hall, a Director, and $23,862 (December 31, 2011: $25,280) owing to Jeremy Martin, a Director. The amounts for Radius and Mill Street are unsecured, interest free and have no

specific terms of repayment. The amounts for Gold Group are due on a monthly basis. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014.

Other Data

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

Share Position and Outstanding Warrants and Convertible Debentures

As at April 29, 2013, the Company's outstanding share position is 52,416,078 common shares and the following share purchase warrants and convertible debentures are outstanding:

No. of warrants	Exercise price	Expiry date
6,500,000	$0.15	April 11, 2014

No. of debentures	Conversion Rate	Expiry date
6,500,000	$0.15	April 11, 2015

As at December 31, 2012 and April 29, 2013, there were no outstanding stock options.

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 comprehensive 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 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 functional currency;

b) The carrying value of the investment in exploration and evaluation assets and the recoverability of the carrying value;

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; and

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.

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

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

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

Future Accounting Changes

The following new standards and interpretations have been issued by the IASB but are not yet effective:

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. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.* The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company does not expect a significant effect of adoption of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

No additional new standards, amendments and interpretations have been early adopted in the Company’s financial statements and there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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 Western 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 expenditures in British pound sterling, Euros, and US dollars. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the British pound sterling, Euro, and US dollar 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.