FINANCIAL REVIEW

Fiscal Year Ended December 31, 2013

(formerly Emerick Resources Corp.)

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

(Expressed in Canadian Dollars)

SmytheRatcliffe
CHARTERED ACCOUNTANTS

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 statement of financial position as at December 31, 2013, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and 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 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 audit. We conducted our audit 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 the auditors' 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, the auditor considers 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 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, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP is a member firm of both the **PKF** International Limited network and **PKF** North America, which are, respectively, a network and an association of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231
Fax: 604 688 4675
smytheratcliffe.com

Other Matter

The consolidated financial statements of Medgold Resources Corp. as at December 31, 2012 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2013.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
April 28, 2014

Smythe Ratcliffe LLP is a member firm of both the **PKF** International Limited network and **PKF** North America, which are, respectively, a network and an association of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231
Fax: 604 688 4675
smytheratcliffe.com

Medgold Resources Corp. (formerly Emerick Resources Corp.)

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2013 and 2012

(Expressed in Canadian Dollars)

	2013	2012
ASSETS		
Current assets		
Cash	$ 36,763	$ 556,209
Prepaid expenses and deposits (Note 13)	96,457	69,461
Sales tax recoverable	92,722	50,621
Total current assets	225,942	676,291
Non-current assets		
Reclamation bonds (Note 7)	226,815	19,693
Property and equipment (Note 6)	10,656	12,456
Deferred acquisition costs (Note 7)	10,000	-
Exploration and evaluation assets (Note 7)	36,488	48,593
Total non-current assets	283,959	80,742
	$ 509,901	**$ 757,033**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 408,880	$ 422,506
Due to related parties (Note 13)	234,838	105,057
Total current liabilities	643,718	527,563
Non-current liability		
Convertible debenture - liability component (Note 8)	134,247	-
Total liabilities	777,965	527,563
Shareholders' equity (deficit)		
Share capital (Note 9)	2,690,798	2,690,798
Share subscriptions received (Note 17)	50,000	-
Other reserves (Note 8)	842,680	-
Accumulated other comprehensive loss	(64,569)	(1,145)
Deficit	(3,786,973)	(2,460,183)
Total shareholders' equity (deficit)	(268,064)	229,470
	$ 509,901	**$ 757,033**

APPROVED ON BEHALF OF THE BOARD ON APRIL 28, 2014:

"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

For the years ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

	2013	2012
Exploration expenditures (Note 11)	$ 760,830	$ 510,071
General and administrative expenses		
Depreciation	1,800	450
Foreign exchange gain	(70,547)	(86)
Office and administration (Note 13)	97,451	34,246
Interest and bank charges (Note 8)	15,117	5,824
Legal and accounting	66,815	259,136
Management fees (Note 13)	141,000	261,192
Salaries and benefits (Note 13)	112,927	22,597
Shareholder communications (Note 13)	53,087	2,738
Transfer agent and regulatory fees (Note 13)	28,521	7,350
Travel and accommodation (Note 13)	71,196	5,207
	517,367	598,654
Total expenses	(1,278,197)	(1,108,725)
Write-off of exploration and evaluation assets (Note 7)	(48,593)	-
Reverse acquisition transaction listing expense (Note 2)	-	(932,094)
Net loss for the year	**(1,326,790)**	**(2,040,819)**
Other comprehensive gain (loss)		
Item that may be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on foreign exchange translation	(63,424)	4,676
Comprehensive loss for year	**$ (1,390,214)**	**$ (2,036,143)**
Loss per share, basic and diluted	$(0.08)	$(0.26)
Weighted average number of common shares outstanding	17,472,029	7,752,203

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 SHAREHOLDERS' EQUITY (DEFICIT)

For the years ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share subscriptions	Other equity reserve	Equity portion of convertible debenture reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficit)
Balance, December 31, 2011	7,008,336	$ 334,087	$ -	$ 1,101,643	$ -	$ (5,821)	$ (419,364)	$ 1,010,545
Private placement shares issued	166,667	7,945	-	-	-	-	-	7,945
Additional proceeds on shares outstanding	-	-	-	180,150	-	-	-	180,150
Elimination of Medgold UK share capital	(7,175,000)	1,298,001	-	(1,298,001)	-	-	-	-
Issuance of common shares on reverse acquisition (Note 2)	10,762,500	1,050,765	-	-	-	-	-	1,050,765
Outstanding common shares of Medgold Resources Corp. brought forward	6,709,526	-	-	-	-	-	-	-
Share subscriptions received	-	-	-	16,208	-	-	-	16,208
Net loss for the year	-	-	-	-	-	-	(2,040,819)	(2,040,819)
Unrealized foreign exchange gain	-	-	-	-	-	4,676	-	4,676
Balance, December 31, 2012	17,472,029	2,690,798	-	-	-	(1,145)	(2,460,183)	229,470
Share subscriptions received	-	-	50,000	-	-	-	-	50,000
Convertible debenture – equity component	-	-	-	-	842,680	-	-	842,680
Net loss for the year	-	-	-	-	-	-	(1,326,790)	(1,326,790)
Unrealized foreign exchange loss	-	-	-	-	-	(63,424)	-	(63,424)
Balance, December 31, 2013	**17,472,029**	**$ 2,690,798**	**$ 50,000**	**$ -**	**$ 842,680**	**$ (64,569)**	**$ (3,786,973)**	**$ (268,064)**

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
For the years ended December 31, 2013 and 2012
(Expressed in Canadian Dollars)

	2013	2012
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	$ (1,326,790)	$ (2,040,819)
Items not involving cash:		
Write-off of exploration and evaluation assets	48,593	-
Depreciation	1,800	450
Convertible debenture accretion expense	11,074	-
Reverse acquisition transaction listing expense	-	932,094
	(1,265,323)	(1,108,275)
Changes in non-cash working capital balances:		
Prepaid expenses and deposits	(26,996)	17,257
Sales tax recoverable	(42,101)	(26,045)
Accounts payable and accrued liabilities	(13,626)	78,975
Due to related parties	129,781	62,306
	(1,218,265)	(975,782)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	-	204,303
Share subscriptions received	50,000	-
Proceeds on convertible debenture, net of issuance costs	965,853	-
	1,015,853	204,303
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(3,778)
Deferred acquisition costs	(10,000)	-
Exploration and evaluation asset acquisitions	(36,488)	(48,593)
Purchase of reclamation bonds	(185,196)	(19,693)
Net cash acquired from reverse acquisition (Note 2)	-	246,187
	(231,684)	174,123
Effect of changes in exchange rates on cash	(85,350)	4,676
Decrease in cash	(519,446)	(592,680)
Cash, beginning of year	556,209	1,148,889
Cash, end of year	**$ 36,763**	**$ 556,209**

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 December 31, 2013 and for the year then ended include 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, 2013, the Company had not yet achieved profitable operations, has accumulated losses of $3,786,973 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due (see Note 17). Management is continuing to investigate opportunities to raise financing for the Company.

2. REVERSE ASSET ACQUISITION

On December 10, 2012, the Company issued 10,762,500 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 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* 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 consolidated statement of financial position as of December 31, 2012 was presented as a continuance 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 included in the consolidated statement of comprehensive loss for the year ended December 31, 2012.

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 10,762,500 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 during the year ended December 31, 2012 was 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. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

Details of the Company's subsidiaries as at December 31, 2013 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 that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The Company has determined that the functional currency of its foreign subsidiaries is the British pound sterling. Assets and liabilities are translated to the presentation currency at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in the consolidated statements of comprehensive loss.

c) Exploration and Evaluation Assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Assets (continued)

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

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

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

d) Property, Equipment and Depreciation

Recognition and Measurement

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

Depreciation

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

Leasehold improvements	7 years straight-line

Additions are amortized at one-half the rate during the year of acquisition.

e) Impairment of Non-Financial Assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of Non-financial Assets (continued)

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

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

f) Provisions

Rehabilitation Provision

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

As at December 31, 2013 and 2012, the Company had no asset retirement or rehabilitation obligations.

Other Provisions

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

g) Income Taxes

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share Capital

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

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

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

i) Earnings/Loss Per Share

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

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

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

j) Share-based Payments

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based payments (continued)

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.

k) Financial Instruments

Financial assets are classified into one of four categories: fair value through profit or 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:

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.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment.

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 profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

Available-for-Sale Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, or that are not classified in any of the previous categories. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss is reclassified from accumulated other comprehensive loss to profit or loss.

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. 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 consolidated 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.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period that are unpaid. Accounts payable and accrued liabilities 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
Liability portion of convertible debenture	Other financial liabilities

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) New Standards and Interpretations Not Yet Adopted

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

IFRS 9 Financial Instruments

The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

IAS 36 Impairment of Assets

The IASB amended IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or CGUs is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The Company has not early-adopted the revised standards and is currently assessing the impact that the standards will have on the consolidated financial statements.

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 profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

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

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

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

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

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

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

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

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

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

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

6. PROPERTY AND EQUIPMENT

		Leasehold improvements
Cost		
Balance, December 31, 2011	$	9,128
Additions		3,778
Balance, December 31, 2012 and 2013	**$**	**12,906**
Accumulated depreciation		
Balance, December 31, 2011	$	-
Charge for year		450
Balance, December 31, 2012		450
Charge for year		1,800
Balance, December 31, 2013	**$**	**2,250**
Carrying amounts		
At December 31, 2012	$	12,456
At December 31, 2013	**$**	**10,656**

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended December 31, 2013 and 2012:

	Italy		Spain		
	Pietratonda	Frassine-Grasceta	Pinzas Gold Project	Calzadilla	Total
Balance, December 31, 2011	$ -	$ -	$ -	$ -	$ -
Acquisition costs - cash	16,160	32,433	-	-	48,593
Balance, December 31, 2012	16,160	32,433	-	-	48,593
Acquisition costs - cash	-	-	33,852	2,636	36,488
Write-down of acquisition costs	(16,160)	(32,433)	-	-	(48,593)
Balance, December 31, 2013	**$ -**	**$ -**	**$ 33,852**	**$ 2,636**	**$ 36,488**

7. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal

a) In 2012, the Company applied for three exploration licences in northern Portugal. During the year ended December 31, 2013, two licences known as Vila de Rei and Boticas were granted and the Company has been issued an exclusive right to acquire the third licence.

   i) Vila de Rei Project

   The Vila de Rei licence is located in central Portugal. During the year ended December 31, 2013, the Company paid a reclamation bond of $205,358 (€136,960) to the Portugal mining authority for the Vila de Rei licence.

   ii) Boticas Project

   The Boticas licence is located in northern Portugal.

b) Klondike Project

Subsequent to December 31, 2013, the Company acquired a 100% interest in Klondike Gold Corp.'s ("Klondike") Portuguese assets, which comprise five gold exploration permits covering 600 square kilometres in northern Portugal.

Consideration for the acquisition consists of the following payments:

   i) $10,000 in cash upon signing of the Letter of Intent (paid in December 2013 and recorded as a deferred acquisition cost);
   ii) $40,000 in cash and $100,000 in the Company's shares (cash paid and 800,000 shares issued subsequent to December 31, 2013); and
   iii) A final payment of $100,000 in cash and $250,000 in cash or shares (to be decided by the Company) to be paid by January 24, 2015.

As part of the acquisition, Klondike also retains a 2% net smelter return ("NSR") royalty, which will be re-purchasable for $1,000,000 per percentage point.

c) Strategic Alliance

Subsequent to December 31, 2013, the Company entered into a strategic alliance agreement with Radius Gold Inc. ("Radius") whereby Radius will have the right to option one of the Company's properties in Portugal. As well, Radius agreed to participate in a private placement by the Company that closed subsequent to the year-end in the amount of $500,000.

For a period of eighteen months, Radius may select one of the Company's Portuguese properties in which Radius will be granted the option to earn a 51% interest by spending $3,000,000 on exploration and development of that property. Upon exercise of the option, a joint venture will be formed between the Company and Radius to further develop the property.

7. EXPLORATION AND EVALUATION ASSETS (continued)

Spain

a) Pinzas Project

Pursuant to a binding Letter of Intent 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. During the year ended December 31, 2013, 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 is known as the Pinzas Project. Three of the applications were submitted in 2012 and completed during the year ended December 31, 2013. During the year ended December 31, 2013, new applications for six adjoining licences were submitted of which one is subject to public tender. Acquisition costs recorded during the year ended December 31, 2013 totalled $33,852.

b) Calzadilla Property

In 2012, the Company submitted a gold exploration permit application in the Province of Caceres, Spain, known as the Calzadilla Property. Acquisition costs recorded during the year ended December 31, 2013 totalled $2,636.

c) Other

In 2012, the Company entered into an agreement whereby a third party performed due diligence services on a potential property acquisition in Spain. Although the Company has not proceeded with the acquisition, the Company had a remaining commitment of €6,250, which was paid subsequent to the year-end.

Italy

a) Pietratonda Property

In 2012, the Company was granted a gold exploration licence in Italy called Pietratonda. An exploration bond amount of $7,153 (€5,000) has been made regarding this licence. Subsequent to December 31, 2013, the Company relinquished this licence and as a result, acquisition costs totaling $16,160 were written off during the current year.

b) Frassine - Grasceta Property

In 2012, the Company was granted two gold exploration licences in Italy called Frassine and Grasceta. The areas the two licences cover are adjoined. Two exploration bonds totaling $14,304 (€10,000) have been made regarding these two licences. During the year ended December 31, 2013, the Company decided to relinquish the licences, and as a result, acquisition costs totaling $32,433 were written off.

8. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of $975,000. The debenture is convertible into a maximum of 2,166,667 common shares of the Company at the rate of $0.45 per share on or before April 11, 2015, and bears interest at the rate of 8% per annum, payable in arrears. The debenture, in whole or in part, can be converted into common shares at the holder's option at a rate of $0.45 per share until the maturity date, at which time the remaining principal sum will be converted into shares at $0.45 per share. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at $0.45 per share until April 11, 2014. In September 2013, the exercise price of the warrants was reduced to $0.1665 per share. Subsequent to December 31, 2013, the expiry date of the warrants was extended to April 11, 2015.

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

Upon the issuance of the convertible debenture, the fair value was separated into a liability component of $124,362 and an equity component of $850,638 included in other equity reserves. The equity component was calculated as the difference between the gross proceeds received of $975,000 and the discounted cash flows associated with the debt using an estimated market rate for non-convertible instruments of 12% per annum.

Issuance costs of $9,147 were incurred and have been recorded against the liability and equity components and are being amortized to the consolidated statements of comprehensive loss over the life of the convertible debenture. During the year ended December 31, 2013, accretion of interest on the convertible debentures of $11,074 was charged to profit or loss.

	Liability component	Equity component
Face value of debenture at date of issue	$ 124,362	$ 850,638
Issuance costs allocated	(1,189)	(7,958)
Accretion of discount	11,074	-
Balance, December 31, 2013	**$ 134,247**	**$ 842,680**

9. SHARE CAPITAL AND RESERVES

Common Shares

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

At an annual and special shareholders' meeting held November 27, 2013, the shareholders of the Company approved a consolidation of the issued shares, warrants, and convertible debentures outstanding at December 2, 2013 on a one new for three old basis. As a result, the Company's issued shares have been reduced to 17,472,029. All references to common shares, warrants and convertible debentures in these consolidated financial statements reflect the share consolidation.

There were no share issuances during the year ended December 31, 2013.

During the year ended December 31, 2012, 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. The changes in issued share capital for the Acquisition are disclosed in the consolidated statement of changes in shareholders' equity.

Escrow Shares

As at December 31, 2013, there were 3,727,783 (2012: 4,893,344) shares held in escrow.

Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2013 and 2012 is as follows:

	Number of warrants	Exercise price
Balance, December 31, 2011 and 2012	-	-
Issued with convertible debenture	2,166,667	$0.1665
Balance, December 31, 2013	**2,166,667**	**$0.1665**

Details of share purchase warrants outstanding as of December 31, 2013 are:

Expiry date	Number of warrants	Exercise price
April 11, 2014 (Note 8)	2,166,667	$0.1665

Options

There were no share options issued or outstanding as at December 31, 2013 or 2012.

10. SHARE-BASED PAYMENTS

Expenses Arising from Share-based Payment Transactions

There were no expenses arising from share-based payment transactions recognized during the years ended December 31, 2013 and 2012 as part of share-based payment expense.

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 years ended December 31, 2013 and 2012.

11. EXPLORATION EXPENDITURES

During the year ended December 31, 2013, the Company incurred the following exploration expenditures:

	Italy		Portugal		Spain	
	Pietratonda	Frassine-Grasceta	Vila de Rei	Boticas	Pinzas	Total
Assaying	$ 24,538	$ 20,996	$ 11,385	$ 17,078	$ -	$ 73,997
Field expenses	6,561	4,259	38,785	28,633	3,588	81,826
Geological and other consulting	68,885	42,939	103,060	41,466	40,442	296,792
Licences, rights and taxes	16,932	26,642	-	14,127	-	57,701
Office and administration	-	-	6,710	7,965	2,123	16,798
Shipping and courier	9,830	9,830	6,558	3,620	-	29,838
Travel	32,858	31,404	83,850	49,871	5,895	203,878
Balance, end of year	**$ 159,604**	**$ 136,070**	**$ 250,348**	**$ 162,760**	**$ 52,048**	**$ 760,830**

During the year ended December 31, 2012, the Company incurred the following exploration expenditures:

	Italy
Field expenses	$ 735
Geological and other consulting	408,711
Shipping and courier	13,327
Travel	87,298
Balance, end of year	**$ 510,071**

12. INCOME TAXES

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

		2013		2012
Statutory income tax rate		25.75%		24%
Expected income tax (expense) recovery	$	(341,648)	$	(490,918)
Decrease (increase) resulting from:				
Non-deductible expenses and others		2,131		174,497
Reverse acquisition		-		(3,205,824)
Differences between Canadian and foreign tax rates		8,865		2,794
Effect of change in tax rates		(65,656)		10,619
Impact of foreign exchange on tax assets and liabilities		(44,680)		(2,611)
Unused tax losses and tax offsets not recognized		440,988		3,511,443
Income tax recoverable	$	**-**	$	**-**

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2013		2012
Non-capital loss carry-forwards	$	4,571,386	$	1,017,852
Resource properties		10,348,377		2,586,446
Equipment		129,912		31,651
Share issuance cost		-		1,889
Unrecognized deductible temporary differences	**$**	**15,049,675**	**$**	**3,637,838**

Subject to certain restrictions, the Company has non-capital losses of $2,496,114 (2012: $2,599,937) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year	
2026	$ 414,420
2027	505,632
2028	258,679
2029	188,071
2030	182,118
2031	197,734
2032	263,577
2033	485,883
	$ 2,496,114

12. INCOME TAXES (continued)

The Company also has non-capital losses for income tax purposes of $1,970,692 available to reduce future UK taxable income and non-capital losses for income tax purposes of $104,580 available to reduce future Spanish taxable income. The UK and Spain 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.

13. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2013 and 2012 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
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

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

a) During the years ended December 31, 2013 and 2012, the Company reimbursed Gold Group for the following costs:

		2013		2012
General and administrative	$	72,444	$	4,825
Salaries and benefits		95,191		11,529
Shareholder communications		29,338		2,174
Transfer agent and regulatory fees		6,486		22
Travel and accommodation		32,511		3,085
	$	**235,970**	**$**	**21,635**

Salaries and benefits include those for a director, the Chief Financial Officer and the Corporate Secretary. An office and administrative agreement was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company.

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) During the years ended December 31, 2013 and 2012, the Company reimbursed Radius for the following costs:

		2013		2012
General and administrative	$	1,527	$	14,419

Radius was reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company. The cost-sharing arrangement with Radius terminated effective June 30, 2012.

c) Prepaid expenses and deposits include an amount of $61,000 (2012: $68,113) 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.

d) Amounts due to related parties as of December 31, 2013 consist of $101,492 (2012: $23,012) owing to Gold Group; $19,047 (2012: $17,520) owing to Radius; $55,230 (2012: $16,800) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company; $24,456 (2012: $23,863) owing to David Hall, a director of the Company; $26,000 (2012: $23,862) owing to Jeremy Martin, a director of the Company; and $8,613 to Daniel James, the President of the Company. The amounts for Radius, Mill Street and Daniel James are unsecured, interest-free and have no specific terms of repayment. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the years ended December 31, 2013 and 2012 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.

		2013		2012
Management fees	$	141,000	$	261,192
Geological fees	$	45,000	$	-
Salaries and benefits	$	18,493	$	917

There were no share-based payments to key management or directors not specified as key management personnel during the years ended December 31, 2013 and 2012.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

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

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2013, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2013 and 2012, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	2013			2012	
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)
Cash	$ 15,692	$ 248	$ 743	$ 450,095	$ 7,577
Accounts payable and accrued liabilities	(271,121)	-	(5,944)	(334,522)	-
Due to related parties	(46,569)	-	-	(47,725)	-
Net exposure	**$ (301,998)**	**$ 248**	**$ (5,201)**	**$ 67,848**	**$ 7,577**

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at December 31, 2013, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $30,700 (2012: $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. As at December 31, 2013, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2013, the Company had a working capital deficiency of $417,776, whereas on December 31, 2012 the Company had working capital of $148,728 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 (Note 17).

Determination of Fair Value

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

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value Hierarchy

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

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

The fair values of the Company's financial assets measured at fair value on a recurring basis as of December 31, 2013 were calculated as follows:

	Balance at December 31, 2013	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 36,763	$ 36,763	$ -	$ -

15. 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, 2013 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.

16. 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, 2013	**Canada**	**England**	**Italy**	**Spain**	**Portugal**	**Consolidated**
Exploration expenditures	$ -	$ -	$ 295,674	$ 52,048	$ 413,108	$ 760,830
Exploration and evaluation asset costs written off	$ -	$ -	$ 48,593	$ -	$ -	$ 48,593
Loss before income taxes	$ 429,182	$ 31,533	$ 344,267	$ 108,700	$ 413,108	$ 1,326,790
Capital expenditures*	$ -	$ -	$ -	$ 36,488	$ -	$ 36,488

Year ended December 31, 2012	**Canada**	**England**	**Italy**	**Spain**	**Portugal**	**Consolidated**
Exploration expenditures	$ -	$ -	$ 510,071	$ -	$ -	$ 510,071
Loss before income taxes	$ 46,701	$1,484,047	$ 510,071	$ -	$ -	$ 2,040,819
Capital expenditures*	$ 12,906	$ -	$ 48,593	$ -	$ -	$ 61,499

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

As at December 31, 2013	**Canada**	**England**	**Italy**	**Spain**	**Portugal**	**Consolidated**
Total current assets	$ 86,634	$ 138,725	$ -	$ 583	$ -	$ 225,942
Total non-current assets	20,656	-	21,457	36,488	205,358	283,959
Total assets	**$ 107,290**	**$ 138,725**	**$ 21,457**	**$ 37,071**	**$ 205,358**	**$ 509,901**
Total liabilities	**$ 454,331**	**$ 317,690**	**$ -**	**$ 5,944**	**$ -**	**$ 777,965**

As at December 31, 2012	**Canada**	**England**	**Italy**	**Spain**	**Portugal**	**Consolidated**
Total current assets	$ 204,830	$ 471,461	$ -	$ -	$ -	$ 676,291
Total non-current assets	12,456	658	67,628	-	-	80,742
Total assets	**$ 217,286**	**$ 472,119**	**$ 67,628**	**$ -**	**$ -**	**$ 757,033**
Total liabilities	**$ 145,316**	**$ 382,247**	**$ -**	**$ -**	**$ -**	**$ 527,563**

17. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2013, the following events occurred:

a) On February 5, 2014, the Company closed a private placement of 16,550,000 units at $0.10 per unit for gross proceeds of $1,655,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of $0.15. If the closing price of the Company's shares is $0.21 or greater for a period of ten consecutive trading days, the Company may accelerate the expiry of the warrants by giving notice in writing to the holders, and in such case, the warrants will expire on the 30th day after the date on which such notice is given. The Company also issued 36,500 warrants as finders' fees in connection with the placement. The finders' fee warrants have the same terms as the purchaser's warrants.

   The Company received proceeds of $50,000 in connection with this placement prior to December 31, 2013, and has recorded the amount in equity as share subscriptions received.

b) On February 24, 2014, the Company granted 3,455,000 stock options to directors, officers, employees and consultants of the Company at an exercise price of $0.15 per share, vesting immediately and expiring February 23, 2024.

c) On March 27, 2014, the Company extended the expiry date of outstanding warrants to purchase up to 2,166,667 common shares at $0.1665 per share by one year to April 11, 2015.

(the "Company")

(formerly Emerick Resources Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year End Report – December 31, 2013

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, 2013. The following information, prepared as of April 28, 2014, should be read in conjunction with the December 31, 2013 consolidated financial statements. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

This MD&A 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. As a result of the transaction described below, the Company is 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.

Share Consolidation

Based on comments received from potential investors, the Company's Board of Directors decided in November 2013 that in order to facilitate future equity financings for the Company and to attract new business opportunities, it was necessary to consolidate the share capital on the basis of one new share for every three existing shares (the "Share Consolidation"). The shareholders of the Company approved the consolidation on November 27, 2013, and the consolidation was made effective December 2, 2013. The Company's name and trading symbol remained the same; only the CUSIP number of the common shares was changed.

All references to common shares, stock options, warrants, and convertible debentures in this MD&A reflect the Share Consolidation.

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 10,762,500 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 was 17,472,029 shares, of which Medgold UK's shareholders owned 61.6% at closing. All outstanding options in the Company were cancelled.

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. Daniel 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. In addition, the Company's name was changed from Emerick Resources Corp. to "Medgold Resources Corp.".

For accounting purposes, the Acquisition was 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 was accounted for consistent with IFRS 2 *Share-based Payment* ("IFRS 2") whereby Medgold UK was 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 was 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 statements of financial position as at December 31, 2013 and 2012 are presented as a continuance of Medgold UK.

The Properties

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

Portuguese Projects

The Company is targeting orogenic and intrusion-related gold systems in northern Portugal. The Company holds seven exploration licences covering over 1,000 square kilometres in Portugal; Vila de Rei and Boticas which are both 3-year permits covering a total of 406 square kilometres and issued in March and July 2013, respectively, and

Balazar, Valongo, Legares, Castelo do Paiva and Ponte de Barca, totaling 604 square kilometres, which were acquired from Klondike Gold Corp. ("Klondike") in January 2014.

The Valongo Belt Gold Projects

Four of the five projects acquired from Klondike cover the majority of the Valongo anticline, which covers several orogenic gold occurrences in the very north of Portugal. The Valongo anticline is a large overturned fold hosting numerous gold occurrences, many of which were exploited by the Romans. Recent interpretations clearly demonstrate that mineralization within the Valongo belt was introduced by a series of faults and fractures, and is focused into "saddle reefs", *en echelon* vein arrays, and silica replacement zones commonly with zones of massive sulphide and silicification hosted in a number of different units, including granites, quartzites and schists.

The most advanced project is the Castromil – Serra do Quinta project, located within the Legares licence, which consists of a structurally-controlled zone of mineralization hosted within granites. The project has received historical exploration drilling, over four phases, and undertaken by four companies. A total of 5,539 diamond core metres was drilled from 139 collars. Of this, a total of 4,244 metres from 88 collars was drilled at Castromil and 1,295 metres from 51 collars was drilled from Serra do Quinta.

Historical drilling results* reported by all companies include:

95-09	33.4m @ 2.82 g/t Au from surface, inc. 12.0 m @ 6.13 g/t Au from 14.3 m
95-08	17.1 m @ 2.30 from surface
96-02	29.4 m @ 2.57 g/t Au from surface
MIL01	22.3 m @ 1.93 g/t Au from 7.0 m
MIL09	27.2 m @ 2.6 g/t Au from 3.4 m

** Historical reports indicate a total of 5,539 metres of diamond drilling was completed in 139 holes. These are historical data provided for information purposes and the Company has not completed sufficient work to verify these results.*

Historical exploration, undertaken by previous explorers, focused on near-surface high-grade mineralization. In addition to the diamond drilling, multiple phases of percussion drilling were also completed, which were generally shallow and vertically-inclined holes. The various phases of drilling culminated in a 1997 mineral resource estimate (historical, see below) at Castromil (excluding Serra do Quinta) of 2.42 Mt at 1.89 g/t Au measured and indicated for approximately 145,000 oz Au. ("*Class III feasibility study, Castromil Gold Mine, Portugal, for Connary Minerals plc*", ACA Howe Mining & Metallurgy Ltd., October 1997; "the Connary Report"). Recent work by the Company's adviser, Prof. Jim Mortensen, a leading authority of orogenic gold systems, clearly demonstrates that the mineralization is open at depth and along strike in both directions, highlighting the potential for additional discovery.

A qualified person has not done sufficient work to classify the historical mineral resource given in the Connary Report as a current mineral resource, and the Company is not treating the historical mineral resource as current. Neither the qualified person nor the Company has independently verified the information contained in the Connary Report. The historical mineral resource was prepared by ACA Howe Mining & Metallurgy Ltd. using a geologically constrained block model, with block grades calculated using an anisotropic inverse distance weighting method with an elliptical search radius oriented down the plunge of interpreted mineralized rock volumes. The qualified person has been unable to verify whether the definitions of "measured" and "indicated" used in the Connary Report in the context of its mineral resource statement are equivalent to those set out in section 1.2 of National Instrument 43-101. The mineral resource statement in the Connary Report does not report the measured and indicated resource categories separately, and reports no resources in the inferred category. The definition of "Class III feasibility study" described in the Connary Report does not correspond to the definition of "feasibility study" as set out in section 1.4 of National Instrument 43-101. The work described in the Connary Report appears to the Company and its qualified person to have been performed to a high technical standard and they consider it reliable, but it is currently unknown what work would be required to upgrade or verify the historical mineral resource as current, or if it is possible.

Work completed throughout the year by Klondike primarily focused on data assimilation from the libraries in Portugal and the re-logging of the historical core. Prof. Jim Mortensen provided detailed analysis of the controls on

mineralization and the implications for exploration, citing significant potential along strike and at depth, as quoted above.

Future work will continue this re-interpretation work, with detailed underground mapping and sampling planned, plus surface trench sampling. Furthermore, a programme of check-sampling on the historical core will be undertaken allowing the Company to include historical work within an updated resource calculation. Exploration in the licence area will also be continued, as the Castromil – Serra do Quinta project is located on a major fault which extends both north and south of the project and remains a high-priority target.

Exploration work will also be conducted on the other licences; Valongo, Balazar and Castelo do Paiva. At Balazar a small geophysical programme of Ground Penetrating Radar (GPR) will be conducted, in conjunction with the University of Porto. It is expected that several lines of over a kilometre will be aligned across the main Lagoa Negra target. At Valongo, the extensive Roman workings will be mapped and sampled, with continuation of the quartzite-host units explored further to the south.

The Ponte de Barca Gold Project

The Ponte de Barca licence is located in northern Portugal and approximately 75 kilometres northeast from the city of Porto. The geology and controls on mineralization are very similar to the Boticas project, where high-grade mineralization is controlled by a series of strike-extensive and high-angle tension veins. Klondike has completed some limited rock-chip sampling, with 15 samples collected, yielding results from trace to 14.8, 12.9 and 12.0 g/t Au. *The Company has not independently verified Klondike's results.*

Future exploration work will initially focus on the prospects of Muia and Coto de Cruz, where Klondike's rock sampling yielded high-grade results, with the zones of mineralization and alteration mapped and sampled in detail.

The Boticas Gold Project

Boticas is located in northern Portugal, approximately 30 kilometres north of the Jales/Gralheira historical gold mine. The property is hosted in granites with gold mineralization controlled by large-scale regional faults, which is common to many large-scale orogenic gold deposits around the world.

The 106 square kilometre Boticas licence covers approximately 12 kilometres strike length of a major regional structure that is considered to control orogenic gold mineralization. The Limarinho prospect, which has been the focus of historical exploration, is oriented orthogonal to this major structure, and is considered to be a major dilational, or 'crumple' zone, which is of sufficient scale to potentially host a multi-million ounce gold system. Furthermore, and typical of orogenic gold systems, these dilational zones commonly repeat along major regional structures creating a series of *en echelon* mineralized zones which opens up additional exploration potential.

Recent reconnaissance sampling completed by the Company has identified a new zone of mineralization located 200 metres to the southeast of the Limarinho prospect, with five grab samples yielding best results of 13.1 g/t, 8.19 g/t and 0.80 g/t Au. Early indications suggest that this zone may be an *en echelon* zone off-set from, and parallel to, the main Limarinho zone.

Previous licence-wide exploration, undertaken by COGEMA of France in the 1980s, which involved detailed grid-soil sampling, identified 15 gold anomalies throughout the licence, of which only three were drill-tested. Drilling was undertaken by COGEMA in the late 1980s and Kernow Resources & Developments Ltd ("Kernow") in the early and late 2000s, with both companies primarily focusing on the Limarinho prospect. Drilling defined gold mineralization over at least 600 metres in strike and 150 metres in width, remaining open in both directions, and drill-tested to a vertical depth of greater than 150 metres, yet also remains open at depth. Historical drilling results* reported by both companies include:

KL4	20.4 m @ 2.92 g/t Au from 20.7 m, 9.05 m @ 3.37 g/t Au from 145.0 m
PF3	19.7 m @ 2.80 g/t Au from 32.3 m
PF11	12.1 m @ 2.98 g/t Au from 51.1 m
PF17	13.5 m @ 2.17 g/t Au from 65.7 m
PF8	10.0 m @ 1.37 g/t Au from 86.2 m

** Historical reports indicate a total of 3,234 metres of diamond drilling was completed in 26 holes. These are historical data provided for information purposes and the Company has not completed sufficient work to verify these results.*

The historical drilling indicates that Limarinho has a higher grade core of gold mineralization, as evidenced by Kernow's hole KL4 which returned 20.4 metres at 2.92 g/t Au, and the Company's channel sample yielding 3.98 g/t Au over 14.10 metres (as reported by the Company's press release February 5, 2013), which is surrounded by a broad zone of roughly 1 g/t Au mineralization. Previous mineralization studies indicated that the gold is typically free, associated with a late mineral phase, with gold grains occupying micro-fractures, highlighting potential for high percentage gold recoveries.

Licence-wide exploration, including grid-soil sampling and rock-chip sampling, will also be undertaken to explore for repeating zones of mineralization along the structural corridor of the main NE-trending fault. At the same time, detailed structural studies will be initiated to better understand the mechanical controls upon the gold mineralization.

In September 2013, the Company announced that the rock sampling program has identified a significant new zone of gold mineralization called Limarinho South, with sample results from 0.05 g/t Au up to 6.55 g/t Au in 14 rock samples. Selective grab samples gave grades of 6.55 g/t, 4.98 g/t and 0.15 g/t Au, and a channel-chip sample yielded a length-weighted average of 10.8 metres at 1.01 g/t Au (true width uncertain). These are in addition to the selective vein sampling results of 0.24 to 13.1 g/t Au reported in the Company's August 1, 2013 news release (http://www.medgoldresources.com/images/content/Aug1.pdf). Together these results outline the new Limarinho South zone which is approximately 350 metres by 250 metres, elongated north-south, and located 200 metres-300 metres to the southeast of the existing Limarinho gold anomaly.

Limarinho South was discovered by applying a new structural concept of repeating *en echelon* zones controlled by, and hosted within, major faults. The Company subsequently identified and mapped several favorable structural targets, including the Limarinho South zone. Importantly, the new results have confirmed the validity new structural interpretation which will be used to explore for and sample additional targets.

Planned future work at Boticas will focus on detailed geological mapping and further channel-chip sampling at Limarinho, plus systematic rock-chip sampling and channel-chip sampling at Limarinho South. The aim of this work is to determine clear drill targets and delineate high-grade zones of mineralization and possible extensions to the northeast and southwest. Furthermore, licence-wide exploration will include grid-soil sampling, at wide-spaced soil lines, but with very small-spaced sample intervals, to geochemically explore the major northeast-trending fault.

Vila de Rei Gold Project

The Vila de Rei licence is located in central Portugal, covering an area of 300 square kilometres, targeting sediment-hosted orogenic gold mineralization. The project area covers 40 line kilometres of a principal regional structure and comprises four previously identified geochemical anomalies, the largest of which extends over 3 kilometres. 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 g/t, 22.85 g/t 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.*

Field work undertaken in April 2013 comprised reconnaissance work over the Pampilhal and Rei anomalies, but also involved licence-wide prospecting. A total of 106 rock grab samples were collected, (including 11 QC samples), with 55 from Pampilhal prospect and 40 from Rei prospect. Fifty-five rock samples were collected from the Pampilhal prospect with 41 (75%) yielding greater than 0.1 g/t Au and 11 (20%) greater than 1.0 g/t Au.

Preliminary exploration at the Pampilhal prospect outlined highly anomalous gold mineralization associated with silicification over a 2.4 kilometres by 1.3 kilometres area, including over 2.8 kilometres combined strike length of linear, structurally-controlled gold-bearing silica ridges or "ribs". Sampling maps have been posted on the Company's website at www.medgoldresources.com/vila-de-rei.asp.

The program of work identified a number of key observations:

- The longest exposed silica rib, now named Discovery Ridge (formerly Dan's Ridge), extends for over 1.2 km and returned anomalous gold along its entire length, with assays ranging from trace to 12.45 g/t Au and including samples of 3.48 g/t and 1.06 g/t Au. Thirty-two rock grab samples were collected along its length at approximately 40-100 metre intervals.
- The Western Ridge, in the northern end of the prospect, is exposed over 300 m and returned remarkably consistent high gold assays for a first-pass sampling program. Five rock grab samples were collected along its length at approximately 75-100 metre intervals, returning 2.10 g/t, 1.20 g/t, 1.45 g/t, 2.36 g/t and 1.15 g/t Au.

- In the southern end of the prospect, the Southeast Ridge is exposed over 365 m. Eight rock grab samples were collected, yielding results from 0.046 g/t to 3.76 g/t Au and including samples of 3.32 g/t Au and 1.84 g/t Au.

At the Rei prospect, the Company collected a total of 40 rock grab samples, and has identified a new zone of silica-hematite mineralization, located 500 metres to the north of Redcorp Ventures' linear anomaly, covering an area of approximately 600 metres by 400 metres, and yielded results from below detection up to 1.14 g/t, 0.84 g/t and 0.81 g/t Au.

During Q3 2013, exploration work included systematic channel-chip sampling of the Pampilhal silica ribs, with a total of 266 samples collected, including 34 QAQC samples (standard, blanks, field duplicated and laboratory duplicates). Channels were located at 50 to 100 metre intervals along the strike length of the ribs with sample widths from 0.5 metres to 4 metres. All channel samples were contiguous. Samples were submitted for analysis in late 2013 and the results are currently being reviewed, with follow-up work required.

Further work will comprise detailed structural analysis of the ribs to determine specific controls on grade distribution. This study will help develop the large-scale structural model for the region and will be applied to exploration in the wider area. In addition to the structural analysis, a licence-wide stream sediment sampling programme, at a sample density of 1 sample per 3 square kilometres, was completed by the end of Q1 2014. Coincident with stream sediment sampling, reconnaissance sampling and geological mapping will be undertaken.

Strategic Alliance

In January 2014, the Company entered into a strategic alliance agreement with Radius Gold Inc. ("Radius") whereby Radius will have the right to option one of the Company's properties located in Portugal. As well, Radius participated in the Company's February 2014 private placement financing in the amount of $500,000.

For a period of 18 months, Radius may select one of the Company's Portuguese properties in which Radius will be granted the option to earn a 51% interest by spending $3.0 million on exploration and development of that property. Upon exercise of the option, a joint venture will be formed between the Company and Radius to further develop the property.

Spanish Projects

The Company has applied for three contiguous exploration permits in northwest Spain, located in the southwest part 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. The outcome of the public tender has been delayed and is expected mid-2014.

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.

The Company has completed the application process and paid all taxes for the three exploration permits at Pinzas which were expected to be issued in Q2 2013, and are now expected to be issued in Q2 2014. 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 g/t, 5.49 g/t and 2.73 g/t Au in 11 samples. Mineralization is hosted within a 14 kilometre 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 Penarroya-Espana in the 1980's with 3,705 metres 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 historical 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 g/t 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, the Company 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 LOI was modified to give the Company 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 has enabled the Company to solely develop the potential of the project area which contains multiple historical workings and strong geological signatures for gold mineralization.

Italian Projects

During 2013, the Company held three gold exploration licences in Italy, each 8 square kilometres 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 kilometres 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 licences cover potentially high-grade, limestone-hosted Carlin-type epithermal gold targets, one of the most prospective gold deposit types.

Pietratonda Licence

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 g/t) to a maximum of 0.415 g/t, while gold values in rocks range from below detection (<0.005 g/t) to a maximum of 1.015 g/t. Together they show anomalous values over an area of about 1,400 metres north-south by 500 metres 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 its 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 metre sample grid, with zones of anomalism later infilled by a 25 by 25 metre 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 g/t, 1.21 g/t 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%. 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% As, and 104.5 ppm, 69.2 ppm and 47.4 ppm Hg, both of which show 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.

Throughout the summer of 2013, the Company completed extensive reconnaissance fieldwork throughout the Pietratonda licence and into the wider region, collecting representative samples and building a geological model for the controls on Au-Sb mineralization. 39 samples were collected and submitted for assay analysis – with results pending. Furthermore, SEM analysis and detailed petrographical studies of selected samples will be completed in order to assist in understanding the textural relationships of the Au and Sb mineralization within the silicified limestones.

Based on these results, the Company decided in March 2014 to relinquish the Pietratonda licence.

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 g/t 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.*

The Company 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 metres by 50 metres over key areas of mapped jasperoid mineralization. Samples were analyzed at ALS Minerals at the Rosia Montana Laboratory, Romania. Assay results from the grid sampling identified weakly anomalous zones of jasperoid mineralization. Furthermore, reconnaissance mapping inferred a number of faults throughout the licence areas, but these showed a weak correlation with Au anomalism. Based on these results, the Company decided in November 2013 to relinquish the Frassine and Grasceta licences, and this process was finalized in March 2014.

Quality Assurance and Quality Control (QA-QC)

Samples were prepared and analysed for gold by fire assay with atomic adsorption finish by ALS Minerals at the Rosia Montana Laboratory, Romania. Multi-elements 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.

Qualified Person

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

Selected Annual Information

The following table provides financial results for the years ended December 31, 2013 and 2012 and the period from Medgold UK's incorporation on April 12, 2011 to December 31, 2011:

	2013 ($)	2012 ($)	2011 ($)
Exploration expenditures	760,830	510,071	158,250
General and administrative expenses	517,367	598,654	261,114
Net loss	1,326,790	2,040,819	419,364
Basic and diluted loss per share	0.08	0.26	0.08
Total assets	509,901	757,033	1,158,000
Total long-term liabilities	134,247	-	-
Cash dividends	-	-	-

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 cash used to cover exploration and general and administrative expenditures has more than offset additions to assets. During the current year, the Company issued a convertible debenture of which the long-term liability component as of December 31, 2013 totaled $134,247.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2013:

	Dec. 31, 2013 ($)	Sep. 30, 2013 ($)	June 30, 2013 ($)	Mar. 31, 2013 ($)	Dec. 31, 2012 ($)	Sep. 30, 2012 ($)	June 30, 2012 ($)	Mar. 31, 2012 ($)
Exploration expenditures	221,602	162,239	155,496	221,493	143,515	142,293	120,993	103,270
General and administrative expenses	29,415	79,855	199,803	208,294	178,850	118,196	210,419	91,189
Net loss	267,177	274,527	355,299	429,787	1,254,459	260,489	331,412	194,459
Basic and diluted loss per share	0.02	0.02	0.02	0.02	0.15	0.03	0.06	0.02

The net loss for the quarter ended December 31, 2012 was significantly higher than other quarters presented because of a listing expense of $932,094 resulting from the Acquisition. The net loss for the quarter ended June 30, 2012 was significantly impacted by legal costs of $122,566 relating to the Acquisition that were charged in that period.

Results of Operations

Quarter ended December 31, 2013

For the quarter ended December 31, 2013, the Company had a net loss of $267,177 compared to a net loss of $1,254,459 for the quarter ended December 31, 2012, a difference of $987,282. The comparative quarter net loss was significantly higher due to the listing cost of $932,094 recorded upon the Acquisition. Exploration costs for the current quarter were $221,602 compared to $143,515 for the comparative quarter, an increase of $78,087. The increase in exploration expenditures was due to the Company holding more mineral properties in the current quarter than in the comparative quarter.

General and administrative expenses totaled $29,415 for the current quarter compared to $178,850 for the comparative quarter, a decrease of $149,435. However, general and administrative expenses for the current quarter included a foreign exchange gain of $51,493 compared to a gain of $86 for the comparative quarter and a recovery of legal expenses due to a reduction in fees. The comparative quarter general and administrative expenses were also higher due to more management fees and legal and accounting costs leading up to the Acquisition. While the current quarter included these types of costs to a lesser degree, it did have an increase in other costs after the Acquisition, such as office and administration, travel and accommodation, shareholder communications, and transfer agent and regulatory fees due to increased corporate activity.

Year ended December 31, 2013

For the year ended December 31, 2013, the Company had a net loss of $1,326,790 compared to a net loss of $2,040,819 for the year ended December 31, 2012, a decrease of $714,029. As was the case with the quarterly comparison, the comparative year recorded a listing expense of $932,094. When excluding this expense, the current year net loss would have been $218,065 higher than the previous year. Exploration costs for the current year were $760,830 compared to $510,071 for the comparative year, an increase of $250,759. Exploration expenditures increased since the Acquisition as the Company began investigating and acquiring more properties. Adding to the current year's net loss was a write-off of exploration and evaluation asset costs of $48,593 relating to the Frassine, Grasceta, and Pietratonda properties in Italy. There were no such write-offs in the comparative year.

General and administrative expenses totaled $517,367 for the current year compared to $598,654 for the comparative year, a decrease of 81,287. Similar to the quarterly comparison, the current year recorded a foreign exchange gain of $70,547 compared to a minimal amount of $86 in the comparative year. Costs such as salaries and benefits, office and administration, shareholder communications, transfer agent and regulatory fees, and travel and accommodation were higher as a result of the larger operations since the Acquisition. Also similar to the quarterly comparison, general and administrative expenses during the comparative year was mostly impacted by management fees and legal and accounting costs leading up to the Acquisition. Management fees and legal and accounting costs have been significantly reduced since the Acquisition.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the year ended December 31, 2013 is as follows:

Italy – A total of $295,674 was incurred on the Pietratonda and Frassine-Grasceta properties with $111,824 of that amount being spent on geological consulting, $64,262 on travel, and $45,534 on assaying. During the current year, the Company decided to relinquish the Frassine and Grasceta licences and as a result, wrote off $32,433 in acquisition costs relating to those licenses. During the current year, the Company also decided to relinquish the Pietratonda licence and as a result, wrote off $16,160 in acquisition costs relating to that licence.

Portugal – A total of $413,108 was incurred on the Vila de Rei and Boticas properties with $144,526 of that amount being spent on geological consulting costs and $133,721 on travel.

Spain – A total of $52,048 was incurred on the Pinzas property with $40,442 of that amount being spent on geological consulting.

Liquidity and Capital Resources

The Company's cash resources decreased from $556,209 as at December 31, 2012 to $36,763 as at December 31, 2013. During the current year, the Company raised $975,000 by issuing a debenture which is convertible into 2,166,667 common shares of the Company at the rate of $0.45 per share. The debenture was issued on April 12, 2013 with maturity on April 11, 2015. The holder of the debenture has the option to convert all or part of the principal sum to shares up to the maturity date, at which time the remaining principal sum will be automatically converted to shares.

The Company also issued to the convertible debenture holder share purchase warrants (which were subsequently amended) whereby the holder is currently entitled to purchase up to 2,166,667 common shares at $0.1665 per share until April 11, 2015. The only cash requirement for the debenture is an interest factor of 8% per annum which is to be paid upon conversion. The debenture proceeds were used for exploration expenditures and general working capital.

Subsequent to December 31, 2013, the Company raised additional gross proceeds of $1,655,000 through a private placement. The private placement proceeds are being used for exploration expenditures and general working capital.

The Company's current capital resources 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 is actively looking for opportunities to raise additional equity capital and believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

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 the consolidated financial statements.

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

General Objectives, Policies and Processes:

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

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2013, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2013, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	2013			**2012**	
	British Pound Sterling (CDN equivalent)	**US Dollars** (CDN equivalent)	**Euros** (CDN equivalent)	**British Pound Sterling** (CDN equivalent)	**US Dollars** (CDN equivalent)
Cash	$ 15,692	$ 248	$ 743	$ 450,095	$ 7,577
Accounts payable and accrued liabilities	(271,121)	-	(5,944)	(334,522)	-
Due to related parties	(46,569)	-	-	(47,725)	-
Net exposure	**$ (301,998)**	**$ 248**	**$ (5,201)**	**$ 67,848**	**$ 7,577**

Based on the above net exposures at December 31, 2013, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $30,700 increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2013, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2013, the Company had a working capital deficiency of $417,776 whereas on December 31, 2012 the Company had working capital of $148,728 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 consolidated statements of financial position carrying amounts for cash and, accounts payables and accrued liabilities, and due to related parties approximate fair value due to their short-term nature.

Fair Value Hierarchy:

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

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

The fair values of the Company's financial assets as of December 31, 2013 were calculated as follows:

	Balance at December 31, 2013	**Level 1**	**Level 2**	**Level 3**
Financial Asset:				
Cash	$ 36,763	$ 36,763	$ -	$ -

<u>Related Party Transactions</u>

The Company's related parties with transactions during the year ended December 31, 2013 consist of directors, officers and the following companies with common directors:

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

During the three and twelve month periods ended December 31, 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2013	**2012**	**2013**	**2012**
General and administrative expenses:				
General and administrative	$ 20,698	$ 4,825	$ 72,444	$ 4,825
Salaries and benefits	17,721	11,529	95,191	11,529
Shareholder communications	11,252	2,174	29,338	2,174
Transfer agent and regulatory fees	2,825	22	6,486	22
Travel and accommodation	19,204	3,085	32,511	3,085
	$ 71,700	**$ 21,635**	**$ 235,970**	**$ 21,635**

An office and administrative agreement was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salary and benefits include those for Ralph Rushton (a Director), the Chief Financial Officer and the Corporate Secretary.

During the three and twelve month periods ended December 31, 2013, the Company reimbursed Radius, a company with common directors and officers, for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2013	**2012**	**2013**	**2012**
General and administrative expenses:				
General and administrative	$ 1,527	$ 14,419	$ 1,527	$ 14,419

Radius was reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company. The cost-sharing arrangement with Radius terminated effective June 30, 2012.

Prepaid expenses and deposits include an amount of $61,000 (December 31, 2012: $68,113) 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.

Amounts due to related parties as of December 31, 2013 consist of $101,492 (December 31, 2012: $23,012) owing to Gold Group for accrued shared administrative costs, $19,047 (December 31, 2012: $17,520) owing to Radius for shared administrative, leasehold improvement and equipment costs, $55,230 (December 31, 2012: $16,800) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company for accrued management fees, $24,456 (December 31, 2012: $23,863) owing to David Hall, a Director of the Company for accrued management fees, $26,000 (December 31, 2012: $23,862) owing to Jeremy Martin, a Director of the Company for accrued management fees, and $8,613 to Daniel James, the President of the Company for salary owing. The amounts for Radius, Mill Street, and Daniel James are unsecured, interest free and have no specific terms of repayment. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2014.

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the three and twelve month periods ended December 31, 2013 and 2012 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended December 31,		Year ended December 31,	
	2013	**2012**	**2013**	**2012**
Management fees	$ 24,000	$ 58,328	$ 141,000	$ 261,192
Geological fees	22,500		45,000	
Salaries and benefits	4,744	917	18,493	917

There were no share-based payments to key management or directors not specified as key management personnel during the years ended December 31, 2013 and 2012.

Other Data

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

Share Position, Outstanding Warrants and Convertible Debentures

As at April 28, 2014, the Company's outstanding share position is 34,822,029 common shares and the following stock options, share purchase warrants, and convertible debentures are outstanding:

No. of options	Exercise price	Expiry date
3,455,000	$0.15	February 23, 2024

No. of warrants	Exercise price	Expiry date
2,166,667	$0.1665[1]	April 11, 2015[2]
16,586,500	$0.15	February 4, 2016

[1] In September 2013, the exercise price of the warrants were reduced from $0.45 to $0.1665 per share.

[2] On March 27, 2014, the Company extended the expiry date of the warrants by one year to April 11, 2015.

No. of debentures	Conversion rate	Expiry date
2,166,667	$0.45	April 11, 2015

Adoption of New and Amended IFRS Pronouncements

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 require the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The statement of comprehensive income in the consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's consolidated financial statements for the current or prior periods presented:

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 previous IFRS, consolidation was 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.

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 previous IFRS, entities had 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.

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.

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 previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 19 *Post-Employment Benefits*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Future Accounting Changes

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

IFRS 9 Financial Instruments

The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 *Financial Instruments* in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

IAS 36 Impairment of Assets

The IASB amended IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or CGUs is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The Company has not early-adopted the revised standards and is currently assessing the impact that the standards will have on the consolidated financial statements.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

The Company's mineral properties are located in economically stressed, but politically stable 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 exploration expenditures in British pound sterling and Euros. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the British pound sterling or Euro could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's

operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are not considered significant in the Company's areas of operations.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.