FINANCIAL REVIEW

Fiscal Year Ended December 31, 2014

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

(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 statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Medgold Resources Corp. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years 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

Chartered Accountants

Vancouver, British Columbia
April 28, 2015

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.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014 and 2013

(Expressed in Canadian Dollars)

	2014	2013
ASSETS		
Current assets		
Cash	$ 499,464	$ 36,763
Prepaid expenses and deposits (Note 12)	24,654	96,457
Sales tax receivable	19,082	92,722
Total current assets	543,200	225,942
Non-current assets		
Long-term deposits (Note 12)	61,000	-
Exploration bonds (Note 6)	405,834	226,815
Property and equipment (Note 5)	63,240	10,656
Deferred acquisition costs (Note 6)	-	10,000
Exploration and evaluation assets (Note 6)	333,808	36,488
Total non-current assets	863,882	283,959
	$ 1,407,082	**$ 509,901**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 542,977	$ 408,880
Due to related parties (Note 12)	18,876	234,838
Total current liabilities	561,853	643,718
Non-current liabilities		
Due to related parties (Note 12)	53,310	-
Convertible debenture - liability component (Note 7)	151,146	134,247
Total non-current liabilities	204,456	134,247
Total liabilities	766,309	777,965
Shareholders' equity (deficit)		
Share capital (Note 8)	5,197,038	2,690,798
Share subscriptions received (Note 8)	-	50,000
Other reserves (Note 8)	1,331,491	842,680
Accumulated other comprehensive loss	(52,670)	(64,569)
Deficit	(5,835,086)	(3,786,973)
Total shareholders' equity (deficit)	640,773	(268,064)
	$ 1,407,082	**$ 509,901**

APPROVED ON BEHALF OF THE BOARD ON APRIL 28, 2015:

"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.

(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Exploration expenditures (Note 10)	$ 940,619	$ 760,830
General and administrative expenses		
Depreciation	6,725	1,800
Foreign exchange loss (gain)	8,107	(70,547)
Office and administration (Note 12)	81,011	97,451
Interest and bank charges (Note 7)	23,303	15,117
Legal and accounting	111,607	66,815
Management fees (Note 12)	135,300	141,000
Salaries and benefits (Note 12)	83,092	112,927
Shareholder communications (Note 12)	21,738	53,087
Share-based payments (Note 9)	486,570	-
Transfer agent and regulatory fees (Note 12)	25,224	28,521
Travel and accommodation (Note 12)	25,560	71,196
	1,008,237	517,367
Loss before other items	(1,948,856)	(1,278,197)
Interest and other income	1,353	-
Write-off of exploration and evaluation assets (Note 6)	-	(48,593)
Write-off of sales tax receivable	(100,610)	-
Net loss for the year	**(2,048,113)**	**(1,326,790)**
Other comprehensive gain (loss)		
Item that may be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on foreign exchange translation	11,899	(63,424)
Comprehensive loss for the year	**$ (2,036,214)**	**$ (1,390,214)**
Loss per share, basic and diluted	$(0.06)	$(0.08)
Weighted average number of shares outstanding	34,230,248	17,472,029

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

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

				Other equity reserves					
	Number of common shares	**Share capital**	**Share subscriptions received**	**Warrants reserve**	**Share-based payment reserve**	**Equity portion of convertible debenture reserve**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total shareholders' equity (deficit)**
Balance, December 31, 2012	17,472,029	$ 2,690,798	$ -	$ -	$ -	$ -	$ (1,145)	$ (2,460,183)	$ 229,470
Loss for the year	-	-	-	-	-	-	-	(1,326,790)	(1,326,790)
Share subscriptions received	-	-	50,000	-	-	-	-	-	50,000
Convertible debenture equity component	-	-	-	-	-	842,680	-	-	842,680
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)
Loss for the year	-	-	-	-	-	-	-	(2,048,113)	(2,048,113)
Shares issued for private placement	16,550,000	1,655,000	(50,000)	-	-	-	-	-	1,605,000
Shares issued for property acquisition	800,000	100,000	-	-	-	-	-	-	100,000
Share issuance costs	-	(18,760)	-	2,241	-	-	-	-	(16,519)
Warrants exercised	7,000,000	770,000	-	-	-	-	-	-	770,000
Share-based payments	-	-	-	-	486,570	-	-	-	486,570
Unrealized foreign exchange gain	-	-	-	-	-	-	11,899	-	11,899
Balance, December 31, 2014	**41,822,029**	**$ 5,197,038**	**$ -**	**$ 2,241**	**$ 486,570**	**$ 842,680**	**$ (52,670)**	**$ (5,835,086)**	**$ 640,773**

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

Medgold Resources Corp.
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	$ (2,048,113)	$ (1,326,790)
Items not involving cash:		
Write-off of exploration and evaluation assets	-	48,593
Write-off of sales tax receivable	100,610	-
Depreciation	6,725	1,800
Share-based payments	486,570	-
Convertible debenture accretion expense	16,899	11,074
	(1,437,309)	(1,265,323)
Changes in non-cash working capital balances:		
Prepaid expenses and deposits	10,803	(26,996)
Sales tax receivable	(26,970)	(42,101)
Accounts payable and accrued liabilities	(215,903)	(13,626)
Due to related parties	(162,652)	129,781
	(1,832,031)	(1,218,265)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	2,358,481	-
Share subscriptions received	-	50,000
Proceeds on convertible debenture, net of issuance costs	-	965,853
	2,358,481	1,015,853
INVESTING ACTIVITIES		
Purchase of property and equipment	(59,309)	-
Deferred acquisition costs	-	(10,000)
Exploration and evaluation asset acquisitions	(42,250)	(36,488)
Redemption (purchase) of reclamation bonds	31,624	(185,196)
	(69,935)	(231,684)
Effect of changes in exchange rates on cash	6,186	(85,350)
Increase (decrease) in cash	462,701	(519,446)
Cash, beginning of year	36,763	556,209
Cash, end of year	**$ 499,464**	**$ 36,763**
Supplemental Cash Flow Information		
Acquisition of Klondike – reclamation bonds	$ 204,930	$ -
Acquisition of Klondike – exploration and evaluation assets	$ 255,070	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These consolidated financial statements of the Company as at December 31, 2014 and for the year then ended include the Company and its subsidiaries (Note 3(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, 2014, the Company had not yet achieved profitable operations, has accumulated losses of $5,835,086 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

2. 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 consolidated 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 4.

3. 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, 2014 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
MedgoldMinas Unipessoal Lda.	Portugal	100%	Exploration company
MedCenterra Unipessoal Lda.	Portugal	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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Assets (continued)

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
Vehicles	8 years straight-line
Furniture and equipment	6% - 25% declining-balance
Computer equipment	25% declining-balance

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 income (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, 2014 and 2013, 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 income (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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income Taxes (continued)

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.

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, with the allocation of proceeds first to shares based on the fair value of the shares on the date of issuance and the remainder to warrants.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based Payments (continued)

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.

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 recognizes 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 profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

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 less 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.

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 income (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 income (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 income (loss) is reclassified from accumulated other comprehensive income (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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

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
Convertible debenture – liability component	Other financial liabilities

l) Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2014, the Company adopted the following revised standard that was issued by the IASB, which did not have a significant impact on the Company's consolidated financial statements:

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 cash-generating units 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 adoption of this amendment did not have an impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued and effective January 1, 2014 are either not applicable or did not have an impact on the Company's consolidated financial statements.

m) 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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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, such as the discount rate. These estimates affect the liability and equity components recognized in the consolidated statements of financial position and the accretion expense recognized in profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2012	$ 12,906	$ -	$ -	$ -	$ 12,906
Additions	-	-	-	-	-
Balance, December 31, 2013	12,906	-	-	-	12,906
Additions	-	41,196	5,299	12,814	59,309
Balance, December 31, 2014	**$ 12,906**	**$ 41,196**	**$ 5,299**	**$ 12,814**	**$ 72,215**
Accumulated amortization					
Balance, December 31, 2012	$ 450	$ -	$ -	$ -	$ 450
Charge for year	1,800	-	-	-	1,800
Balance, December 31, 2013	2,250	-	-	-	2,250
Charge for year	1,800	1,837	1,311	1,777	6,725
Balance, December 31, 2014	**$ 4,050**	**$ 1,837**	**$ 1,311**	**$ 1,777**	**$ 8,975**
Carrying amounts					
At December 31, 2013	$ 10,656	$ -	$ -	$ -	$ 10,656
At December 31, 2014	**$ 8,856**	**$ 39,359**	**$ 3,988**	**$ 11,037**	**$ 63,240**

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended December 31, 2014 and 2013:

	Spain		Portugal	Italy		
	Pinzas Project	Calzadilla	Klondike Project	Pietratonda	Frassine-Grasceta	Total
Balance, December 31, 2012	$ -	$ -	$ -	$ 16,160	$ 32,433	$ 48,593
Acquisition costs	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
Acquisition costs	-	-	297,320	-	-	297,320
Balance, December 31, 2014	**$ 33,852**	**$ 2,636**	**$ 297,320**	**$ -**	**$ -**	**$ 333,808**

Portugal

a) Vila de Rei and Boticas Projects

In 2012, the Company applied for three exploration licences in Portugal. In 2013, two licences known as Vila de Rei and Boticas were granted and the Company was issued an exclusive right to acquire the third licence.

i) Vila de Rei Project

The Vila de Rei licence is located in central Portugal. In 2013, the Company paid an exploration bond of $210,530 (€136,960) to the Portugal mining authority for the Vila de Rei licence. During the year ended December 31, 2014, the Company was refunded $31,624 (€20,601) of the exploration bond.

ii) Boticas Project

The Boticas licence is located in northern Portugal.

Subsequent to December 31, 2014, the Company entered into an agreement with Koza Ltd. (“Koza”), a subsidiary of the Turkish gold mining company, Koza Altin Isletmeleri A.S., whereby Koza has been granted an option to acquire up to a 75% interest in the Boticas gold project. Koza can earn an initial 55% interest in the project by spending $3,000,000 on exploration activities on the property over three years, of which $500,000 is committed to be spent in the first year. Upon completion of the initial $3,000,000 expenditures, Koza can earn an additional 20% (for a total of 75%) interest by spending a further $3,000,000 on exploration over the subsequent three-year period, for a total of $6,000,000 over six years. In addition, Koza has agreed to invest $1,500,000 by way of a private placement of the Company’s units. Each unit will consist of a common share and one warrant which will be exercisable for twelve months. The placement is intended to take place at the time of signing a formal option/joint venture agreement subsequent to December 31, 2014 and will be subject to TSX Venture Exchange (“TSX-V”) approval.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal (continued)

b) Strategic Alliance

On January 8, 2014, the Company entered into a strategic alliance agreement with Radius Gold Inc. ("Radius") whereby Radius has the right to option one of the Company's properties in Portugal.

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. As of December 31, 2014, Radius has not yet exercised its right to option one of the properties. The Company and Radius have two common directors.

c) Klondike Project

On January 24, 2014, 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 and an exploration bond of $204,930 (€135,000) held by the Portuguese mining authority. The five gold exploration permits make up the Lagares, Valongo, Ponte da Barca, Balazar, and Castelo de Paiva properties.

Total consideration for the acquisition was $500,000 and consists of the following payments:

i) $10,000 in cash upon signing of the Letter of Intent (paid in 2013);

ii) $40,000 in cash and $100,000 in the Company's shares (cash paid and 800,000 shares issued); and

iii) A final payment of $100,000 in cash and $250,000 in cash or shares to be paid by January 24, 2015 (2,347,418 shares issued by the Company with a value of $250,000 and $100,000 cash paid by Centerra Gold Corp. subsequent to December 31, 2014 (Note 6(d)).

Of the $500,000 purchase price, $295,070 was allocated to exploration and evaluation asset costs and $204,930 to exploration bonds. Additional transaction costs of $2,250 were recorded as exploration and evaluation asset costs.

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.

d) Valongo Belt Property

On December 2, 2014, the Company entered into an agreement with Centerra Gold Corp. ("Centerra") whereby Centerra has been granted an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licenses (collectively called the Valongo Belt Property).

Under the option agreement, Centerra has the right to earn a 51% interest in the Valongo Belt Property by incurring expenditures on the Valongo Belt Property totaling US$3,000,000 over three years, of which US$500,000 is committed to be spent by Centerra. To keep the option in good standing, Centerra must incur US$1,000,000 in the first year, a further US$1,500,000 in the second year, and a further US$500,000 in the third year. Of these expenditures, CAD$100,000 was paid subsequent to December 31, 2014 to Klondike to complete the Company's obligations relating to its purchase of the Klondike Project from Klondike. The Company will be the initial operator and manager of the project.

Once Centerra has acquired the initial 51% interest in the Valongo Belt Property, it may acquire a further 19% (for a total 70% interest) by incurring an additional US$3,000,000 on exploration within two years.

6. 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. In 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 had 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 in 2013 applications for six adjoining licences were submitted of which one was subject to public tender. During the year ended December 31, 2014, the Company withdrew eight of these applications.

b) Calzadilla Property

In 2012, the Company submitted a gold exploration permit application in the Province of Caceres, Spain, known as the Calzadilla Property. During the year ended December 31, 2014, the permit was granted.

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. In 2013 the Company decided not to proceed with the acquisition. During the year ended December 31, 2014, the Company fulfilled its remaining commitment of €6,250.

Italy

a) Pietratonda Property

In 2012, the Company was granted a gold exploration licence in Italy called Pietratonda. An exploration bond amount of $7,333 (€5,000) has been made regarding this licence. During the year ended December 31, 2014, the Company relinquished this licence. Acquisition costs totaling $16,160 were written off in 2013.

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 $14,665 (€10,000) have been made regarding these two licences. In 2013, the Company relinquished the licenses, and as a result, acquisition costs totaling $32,433 were written off.

7. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of $975,000. The debenture was 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. Subsequent to December 31, 2014, the maturity date was extended to April 11, 2017. The debenture, in whole or in part, can be converted into common shares at the holder's option at a rate of $0.45 per share until the maturity date. At maturity, the principal not yet converted will be converted into shares at $0.45 per share. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at $0.45 per share until April 11, 2014. In September 2013, the exercise price of the warrants was reduced to $0.1665 per share. During the year ended December 31, 2014, the expiry date of the warrants was extended to April 11, 2015 and subsequent to December 31, 2014, extended further to April 11, 2016.

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, representing only the fair value of the interest payable that is required to be paid in cash, and an equity component of $850,638 representing the value of the mandatory conversion into common shares which is 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 of the interest payable 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, 2014, accretion of interest on the convertible debentures of $16,899 (2013: $11,074) was charged to profit or loss and is included in interest and bank charges.

		Liability component		Equity component
Balance, December 31, 2012	$	-	$	-
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
Accretion of discount		16,899		-
Balance, December 31, 2014	**$**	**151,146**	**$**	**842,680**

8. SHARE CAPITAL AND RESERVES

Common Shares

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

On December 2, 2013, the Company's outstanding shares, warrants, and convertible debentures were consolidated on the basis of one new share for every three existing shares. All references to common shares, warrants and convertible debentures in these consolidated financial statements reflect the share consolidation.

During the year ended December 31, 2014, the following share capital activity occurred:

i) 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. The sale proceeds were allocated all to share capital and none to warrants. 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 thirtieth day after the date on which such notice is given.

   The Company paid $3,850 cash and 38,500 warrants as finders' fees in connection with the financing. The finders' fee warrants have the same terms as the purchasers' warrants. The fair value of the 38,500 finders' fee warrants was $2,241 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finders' fee warrant has been estimated as of the date of the issuance using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.98%, dividend yield of 0%, volatility of 96% and expected life of two years. Other share issuance costs associated with this financing totalled $12,669.

ii) On January 24, 2014, the Company issued 800,000 common shares with a value of $100,000 to Klondike as part of the acquisition of Klondike's Portuguese properties (Note 6).

iii) On November 4, 2014, 7,000,000 of the 16,550,000 share purchase warrants issued on February 5, 2014 were exercised at a reduced exercise price of $0.11 per share as approved by the TSX-V, for gross proceeds of $770,000.

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

Escrow Shares

As at December 31, 2014, there were 2,330,000 (2013: 3,727,783) shares held in escrow. The shares held in escrow are released based on the passage of time, with the next release of 727,500 shares occurring June 14, 2015 and the final release of 1,602,500 shares occurring December 14, 2015.

8. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2014 and 2013 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2012	-	$0.00
Issued on convertible debenture private placement	2,166,667	$0.1665
Balance, December 31, 2013	2,166,667	$0.1665
Issued on private placement	16,588,500	$0.15
Exercised during the year[1]	(7,000,000)	$0.11
Balance, December 31, 2014	**11,755,167**	**$0.15**

Details of share purchase warrants outstanding as of December 31, 2014 are:

Expiry date	Number of warrants	Exercise price
February 4, 2016[1]	9,588,500	$0.15
April 11, 2016[2]	2,166,667	$0.1665
	11,755,167	

(1) In November 2014, the exercise price of 7,000,000 of these warrants was amended from $0.15 to $0.11 and those warrants were exercised at the reduced exercise price.
(2) In March 2014, the expiry date of these warrants was extended from April 11, 2014 to April 11, 2015 and in April 2015, the expiry date was extended further to April 11, 2016.

9. SHARE-BASED PAYMENTS

Option Plan Details

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

The following is a summary of changes in options for the year ended December 31, 2014:

			During the year				
Expiry date	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited/ cancelled**	**Closing balance**	**Vested and exercisable**
February 23, 2024	$0.15	-	3,455,000	-	-	3,455,000	3,455,000
Weighted Average Exercise Price		-	$0.15	-	-	$0.15	$0.15

9. SHARE-BASED PAYMENTS (continued)

There were no options issued or outstanding during and as at the year ended December 31, 2013.

Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2014 was $0.14 per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2014 is 9.15 years.

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the year ended December 31, 2014 included an expected volatility factor of 115%, risk-free interest rate of 2.41%, expected life of ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

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

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

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized as part of share-based compensation during the year ended December 31, 2014 was $486,570 (2013: $Nil).

As of December 31, 2014 there were no unrecognized compensation costs related to unvested share-based payment awards.

Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the year ended December 31, 2014 was $100,000 (2013: $Nil).

10. EXPLORATION EXPENDITURES

During the year ended December 31, 2014, the Company incurred the following exploration expenditures:

	Portugal								
	Vila de Rei	Boticas	Lagares	Ponte de Barca	Valongo	Balazar	Castelo de Paiva	Other	Total
Assaying	$ 6,664	$ 152	$ 45,150	$ 9,660	$ 3,638	$ -	$ 320	$ 1,411	$66,995
Field expenses	7,628	1,080	19,634	4,620	4,550	3,516	3,516	1,147	45,691
Geological and other consulting	64,724	33,725	72,789	40,754	44,787	25,589	23,868	9,523	315,759
Legal and accounting	2,679	-	5,279	1,078	1,078	677	677	124	11,592
Licences, rights and taxes	27,340	-	3,668	3,668	3,668	7,336	3,668	-	49,348
Office and administration	31,587	10,190	31,869	18,299	17,331	11,398	11,389	1,461	133,524
Salaries and benefits	28,975	2,572	83,386	15,462	14,253	11,183	10,818	5,566	172,215
Travel	33,723	15,555	29,962	18,774	22,178	11,512	11,512	2,279	145,495
Balance, end of year	**$203,320**	**$63,274**	**$291,737**	**$112,315**	**$ 111,483**	**$71,211**	**$65,768**	**$21,511**	**$940,619**

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**

11. INCOME TAXES

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

		2014		2013
Statutory income tax rate		26.00%		25.75%
Expected income tax (expense) recovery	$	(532,509)	$	(341,648)
Decrease (increase) resulting from:				
Non-deductible expenses and others		127,035		1,256
Differences between Canadian and foreign tax rates		39,003		8,865
Change in timing differences		39,684		875
Effect of change in tax rates		42,743		(65,656)
Impact of foreign exchange on tax assets and liabilities		(4,855)		(44,680)
Over provided in prior years		(49,425)		-
Unused tax losses and tax offsets not recognized		338,324		440,988
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:

		2014		2013
Non-capital loss carry-forwards	$	6,379,284	$	4,571,386
Resource properties		10,193,533		10,348,377
Equipment		133,733		129,912
Share issuance cost		13,215		-
Unrecognized deductible temporary differences	**$**	**16,719,765**	**$**	**15,049,675**

Subject to certain restrictions, the Company has non-capital losses of $3,035,077 (2013: $2,496,114) 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
2034		538,963
	$	**3,035,077**

11. INCOME TAXES (continued)

The Company also has non-capital losses for income tax purposes of $2,821,497 (2013: $1,970,692) available to reduce future UK taxable income, non-capital losses for income tax purposes of $133,312 (2013: $104,580) available to reduce future Spanish taxable income and $389,398 (2013: $nil) available to reduce future Portuguese taxable income. The UK and Spain non-capital losses do not expire and the Portugal non-capital losses expire in five years.

Resource Development Costs

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

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2014 and 2013 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Radius	Shared office, administrative and exploration related charges and investment in the Company
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Focus Ventures Ltd. ("Focus")	Shared administrative salary charges
Mill Street Services Ltd. ("Mill Street")	Management 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, 2014 and 2013, the Company reimbursed Gold Group for the following costs:

	2014	2013
General and administrative	$ 69,833	$ 72,444
Salaries and benefits	65,330	95,191
Shareholder communications	5,097	29,338
Transfer agent and regulatory fees	4,713	6,486
Travel and accommodation	16,551	32,511
	$ 161,524	**$ 235,970**

Salaries and benefits for the year ended December 31, 2014 include those for the Chief Financial Officer and the Corporate Secretary (2013: include those for a director, the Chief Financial Officer and the Corporate Secretary). An office and administrative agreement (the "Gold Group 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.

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) During the years ended December 31, 2014 and 2013, the Company reimbursed Radius for the following costs:

		2014		2013
General and administrative	$	-	$	1,527

Radius was reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company.

c) During the year ended December 31, 2014, the Company reimbursed Focus, a company with common directors, $17,761 (2013: $Nil) in shared salary and benefits costs for a director.

d) Prepaid expenses and deposits as at December 31, 2014 include an amount of $2,243 for administrative expenses paid in advance on the Company's behalf (2013: $61,000), paid to Gold Group as a deposit pursuant to the Gold Group Agreement.

e) Long-term deposits as of December 31, 2014 consist of $61,000 (2013: $Nil) paid to Gold Group as a deposit pursuant to the Gold Group Agreement.

f) Amounts due to related parties as of December 31, 2014 consist of $18,876 (2013: $101,492) owing to Gold Group; $26,655 (2013: $24,456) owing to David Hall, a director of the Company; $26,655 (2013: $26,000) owing to Jeremy Martin, a director of the Company; $Nil (2013: $55,230) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company; $Nil (2013: $19,047) owing to Radius; and $Nil (2013: $8,613) to Daniel James, the President of the Company. 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, 2016. The amounts for Radius, Mill Street and Daniel James were unsecured, interest-free and had no specific terms of repayment.

g) Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of the private placement that closed on February 5, 2014 at a cost of $500,000 and acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 of the warrants at a cost of $330,000. The Company and Radius have two common directors.

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, 2014 and 2013 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.

		2014		2013
Management fees	$	135,300	$	141,000
Geological fees	$	103,951	$	45,000
Salaries and benefits	$	21,058	$	18,493
Share-based compensation	$	232,370	$	-

Share-based payments to directors not specified as key management personnel during the year ended December 31, 2014 totaled $112,664 (2013: $Nil).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

In common with 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, 2014, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2014 and 2013, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2014			December 31, 2013		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	$ 5,185	$ 391	$ 43,903	$ 15,692	$ 248	$ 743
Accounts payable and accrued liabilities	(37,103)	-	(80,402)	(271,121)	-	(5,944)
Due to related parties	(53,310)	-	-	(46,569)	-	-
Net exposure	**$ (85,228)**	**$ 391**	**$ (36,499)**	**$(301,998)**	**$ 248**	**$ (5,201)**

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at December 31, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $12,100 (2013: $30,700) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2014, 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, 2014, the Company had a working capital deficiency of $18,653 (2013: $417,776). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms except for $350,000 which was due by January 24, 2015 and did not bear interest.

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.

13. 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, 2014 were calculated as follows:

	Balance at December 31, 2014	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 499,464	$ 499,464	$ -	$ -

14. CAPITAL MANAGEMENT

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. The Company's capital resources as of December 31, 2014 are not sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. In order to carry out planned exploration programs and business objectives, the Company will need to raise additional capital. The Company believes it will be able to raise additional debt or equity capital as required, but recognizes the uncertainty attached thereto.

15. SEGMENTED REPORTING

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

Year ended December 31, 2014	**Canada**	**England**	**Italy**	**Spain**	**Portugal**	**Consolidated**
Exploration expenditures	$ -	$ -	$ -	$ -	$ 940,619	$ 940,619
Sales tax receivable written off	$ -	$ 100,610	$ -	$ -	$ -	$ 100,610
Interest and other income	$ 1,353	$ -	$ -	$ -	$ -	$ 1,353
Net loss	$ 919,990	$ 149,563	$ -	$ 34,631	$ 943,929	$ 2,048,113
Capital expenditures*	$ -	$ 11,759	$ -	$ -	$ 344,870	$ 356,629

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
Net loss	$ 429,182	$ 31,533	$ 344,267	$ 108,700	$ 413,108	$ 1,326,790
Capital expenditures*	$ -	$ -	$ -	$ 36,488	$ -	$ 36,488

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

As at December 31, 2014	**Canada**	**England**	**Italy**	**Spain**	**Portugal**	**Consolidated**
Total current assets	$ 457,313	$ 18,477	$ -	$ 6,800	$ 60,610	$ 543,200
Total non-current assets	69,856	8,719	21,998	36,488	726,821	863,882
Total assets	**$ 527,169**	**$ 27,196**	**$ 21,998**	**$ 43,288**	**$ 787,431**	**$ 1,407,082**
Total liabilities	**$ 582,149**	**$ 90,413**	**$ -**	**$ 4,548**	**$ 89,199**	**$ 766,309**

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**

16. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2014, the following events occurred:

a) On February 13, 2015, the Company granted 500,000 stock options to employees of the Company at an exercise price of $0.15 per share, vesting immediately and expiring February 12, 2025.

b) On February 18, 2015, the Company closed a private placement of 2,272,728 units at $0.11 per unit for gross proceeds of $250,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for one year at a price of $0.16. The Company also paid cash of $660 and issued 42,000 warrants as finders' fees in connection with the placement. The finders' fee warrants have the same terms as the purchasers' warrants.

c) On February 13, 2015, the Company agreed to issue a total of 435,520 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2015. The shares will be issued in quarterly installments, and the first installment of 108,880 shares was issued as of April 13, 2015.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year End Report – December 31, 2014

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, 2014. The following information, prepared as of April 28, 2015, should be read in conjunction with the December 31, 2014 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. 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.

Effective December 2, 2013, the Company's share capital was consolidated on the basis of one new share for every three existing shares (the "Share Consolidation"). 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.

Exploration Review

The Company has licences granted in Portugal and 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 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 Balazar, Valongo, Lagares, Castelo de Paiva and Ponte da Barca, totaling 604 square kilometres, which were acquired from Klondike Gold Corp. ("Klondike") in January 2014. The Company has two further exploration licences currently under application in Portugal: the Caramulo and Chaves areas. Both are expected to be granted in mid 2015.

The Company is exploring all seven current licences including completing a major reinterpretation of historical results. The early geological observations from this work have identified several key prospects where field work is ongoing.

Lagares Gold Project

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

Option to Centerra

In December 2014, the Company granted to Centerra the exclusive right to earn a 51% interest in the Lagares Project by incurring exploration expenditures totaling USD$3.0 million over three years, of which USD$500,000 is committed to be spent by Centerra. To keep the option in good standing, Centerra must incur USD$1.0 million in the first year, a further USD$1,500,000 in the second year, and a further USD$500,000 in the third year. Of these expenditures, CAD$100,000 was paid by Centerra subsequent to December 31, 2014 to Klondike to complete the Company's obligations relating to its purchase of the Lagares and other licences from Klondike. The Company is the initial operator and manager of the project.

Once Centerra has acquired the initial 51% interest in the Property, it may acquire a further 19% (for a total 70% interest) by incurring an additional USD$3.0 million on exploration within two years.

Exploration Programs

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

Castromil and Serra da Quinta are located along a northwest-trending faulted intrusive contact which is cut by northeast-trending faults. Mineralization is associated with fault intersections, lithological contacts and brecciation, with the better zones of mineralization occurring as flat-lying lenses which dip to the northeast. The interplay of these features has resulted in the trapping of gold in the granitic rocks immediately northeast of the intrusive contact.

The field teams have spent much of 2014 completing a series of detailed mapping and logging exercises, which have led the Company to significantly revise the geological model for the prospects and the wider region. The Castromil and Serra da Quinta prospects were mapped to a scale of 1:500 via a programme of line-mapping. All of the available historical drill core stored in the governmental facility in Porto has been logged and all of the historical exploration data was digitized and validated. From this phase of mapping and logging a programme of channel-chip sampling has been prepared. The sample lines were spaced between 100 to 150 metres apart, and orientated northwest-southeast, with a sample interval of 1 to 2 metres. Sampling methodologies resembled typical methodologies from a drill core sampling programme to best align samples from channels and core in future resource estimation work.

The channel results included: 69.00 metres @ 4.15 g/t Au; 40.70 metres @ 5.73 g/t Au, including 5.20 metres @ 15.50 g/t Au; and 15.50 metres @ 9.44 g/t Au, including 4.00 metres @ 18.00 g/t Au (*see Medgold news release dated December 2, 2014*).

Work in 2015 has focused on extending the areas of gold mineralization by lengthening existing channel sample lines and by sampling further along the strike of the fault-controlled mineralized corridor, which is now defined for four kilometers.

Diamond Drill Program

In late March 2015, the Company and Centerra commenced a diamond core drilling program on the Lagares Project, the Company's first drilling campaign in Portugal. An initial 3,000 metre program is planned to test the Castromil and Serra da Quinta mineralization identified from the channel-chip sampling program. Early drilling will include a few 'twin' boreholes which are intended to check the grade of gold mineralization that was intersected by historical drill-holes. A comparison will also be done of gold recovery characteristics of the mineralization intersected by the drill-hole 'twins'. Focus of the drilling will then turn to testing the down-dip continuation of gold mineralization at the Castromil and Serra da Quinta prospects which occurs as a stacked set of shallowly northeast-dipping tabular lenses of silicified granite that, overall, follow the faulted contact between the granite and metamorphosed sedimentary rocks. First results of the drilling program can be expected in May 2015.

Boticas Gold Project

In March 2015, the Company signed an agreement with Koza Ltd. ("Koza"), a subsidiary of the Turkish gold mining company, Koza Altın İsletmeleri A.Ş., whereby Koza has been granted an option to acquire up to a 75% interest in the Company's Boticas gold project in northern Portugal.

Koza can earn an initial 55% interest in the project by spending \$3.0 million on exploration activities on the Project over three years, of which \$500,000 is committed to be spent in the first year. Upon completion of the initial \$3m expenditures, Koza can earn an additional 20% interest by spending a further \$3.0 million on exploration over the subsequent three year period, for a total of \$6.0 million over six years. In addition, Koza has agreed to invest \$1.5 million by way of a private placement of units of the Company. Each unit will consist of a common share and one warrant which will be exercisable for 12 months. The placement is intended to take place at the time of signing a formal option / joint venture agreement and will be subject to TSXV approval.

Boticas is located in northern Portugal, approximately 30 kilometres north of the Jales-Gralheira historical gold mine. Mineralization at Boticas is intrusion-hosted and controlled by a major northeast-trending normal fault.

The 106 square kilometre Boticas licence covers approximately 12 kilometres strike length of a major regional structure that is considered to control the orogenic-type 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. Major dilational zones, such as the Limarinho zone, are common to many gold systems and have a tendency to repeat along the strike-length of a major structure, forming a series of en echelon mineralized zones. The possibility of repeating zones adds significant exploration potential.

The Boticas project was awarded a Federal Government and European Union-recognised status as a Project of National Interest (PIN). This was awarded in February 2015. The PIN application was fully supported by the Municipality of Boticas, and the governing committee for PIN projects, which is managed by a semi-automonous

group called AICEP. One of the primary functions of AICEP is to manage incoming financial support from the EU and award to suitable projects. The PIN status for the project significantly elevates its recognition within both the Federal Government and the EU, allowing access to apply for future EU grants and loans.

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 Au, 8.19 g/t Au 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 Au, 4.98 g/t Au 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 g/t Au 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 results have confirmed the validity new structural interpretation which will be used to explore for and sample additional targets.

Exploration work commenced at Boticas in April 2015, with a grid-soil sampling program across the Limarinho and Limarinho South zones. Lines were spaced 500 metres apart and samples collected at 50 metre intervals. The samples will be assayed for gold and a full multi-element analysis suite. Results are expected in May 2015.

Under the Joint Venture agreement with Koza, a focussed exploration program commenced immediately following the signing the Agreement in March 2015, and will comprise a large grid-soil sampling program, extending lines from the existing program to the northwest, and adding additional lines to both the northeast and southwest at a similar line spacing. The Company will also undertake a detailed mapping and structural analysis program in May 2015 over the principal prospects, to better understand the structural controls on mineralization, and how the veins

are distributed. A ground geophysics program is also planned for mid-2015, which will likely be a total-field magnetic survey, which will be used to also help delineated the major structural features of the central prospects of Limarinho. A program of diamond-core drilling will likely follow shortly thereafter and is tentatively scheduled for the second half of 2015.

Vila de Rei Gold Project

A stream sediment survey was completed at the Vila de Rei gold project in central Portugal in Q2 2014, covering the entire 300 square kilometre licence area. A total of 150 samples were submitted for gold and multi-element analysis. The results highlight a positive correlation between gold, arsenic and lead, which is echoed in the rock sampling results. The combination of these three elements has confirmed known prospects, but more importantly, have identified new zones. A stream sediment anomaly has identified a new area called Pombeira, where a zone of intense silica-pyrite alteration has been identified which extends over an apparent thickness of approximately 300 metres, and is broadly analogous to the Pampilhal anomaly. Results from a brief program of channel-chip sampling across the key zones of mineralization, yielded only weak to weak-to-moderate gold anomalism. The majority of results yielded values less than 0.1 g/t Au and a high of 0.78 g/t Au. Rock chip sampling, completed prior to the channel sampling, yielded a single high-value of 3.66 g/t Au, but this wasn't repeated in the channel sampling.

Work was also undertaken at the Pampilhal anomaly, which is located in the central-eastern part of the licence, and comprised a programme of detailed geological mapping of the silica ribs. Focus was made to map the zones of intense iron-oxide and pyrite matrix-fill from widespread hydrothermal brecciation. The brecciation phase is considered to be "syn-mineral", and therefore directly related to the distribution of gold, and hosted within extensive linear ribs which are considered to be "early-mineral". It has been observed that the zones of highest grade, where sampling yielded assay results ranging from trace to 12.45 g/t Au, are associated with large pods of iron-oxide and pyrite. New geological thinking considers that these pods are possible mineral "blow-out" zones filled with mineralization akin to the breccia matrix. Furthermore, given that the iron-oxide and pyrite mineralization is apparent as matrix in-fill, and therefore either forming syn- or post-silica rib formation, it is postulated that broader zones of mineralization may exist as stratigraphically-controlled replacement horizons within carbonaceous and/or ferruginous meta-sedimentary host rocks.

A programme of trench sampling is proposed at Pampilhal. It will focus upon topographically-recessive zones along the strike of the silica ribs where no mineralization is exposed, and along the margin of ribs to try identifying any possible fluid out-flow points into a favourable stratigraphic horizon to a form a replacement zone. This work is expected to commence in mid 2015.

Ponte da Barca Gold Project

The Ponte da Barca gold project is located in the very north of Portugal, close to the Spanish border. During Q2 2014, the Company completed a program of grid-soil sampling on the property combined with detailed geological mapping at a scale of 1:500 at the Coto de Cruz and Muia prospects. A total of 113 soil samples were collected from the two prospects. The soils were collected on a tight grid with a line spacing of 50 metres and a sample spacing of 50 or 25 metres. The results demonstrate a clear geochemical association between gold and arsenic, typified by the common presence of arsenopyrite in mineralized rock. At Coto de Cruz an east-west gold-arsenic anomalous corridor has been defined over 400 metres.

Follow-up work from the soil sampling involved a programme of reconnaissance rock-chip sampling throughout the Coto de Cruz area. Results from this programme ranged from trace up to 35.3g/t, 25.0g/t and 20.7 g/t Au. The high-grade results are from an east-west trending quartz vein, and its alteration halo, coincident with the soil sampling anomaly.

A total of 50 rock samples have been collected throughout the project. The rock samples range from detection to 35.3 g/t Au with 26 rock samples grading greater than 1 g/t Au (52%) and 6 grading greater than 10 g/t Au (12%). The Company intends to conduct a significant follow-up work program of trench sampling to better define this zone of very high-grade mineralization in mid 2015.

A remote sensing study has also been completed across the licence area, and has identified a major northeast-trending deformation zone, within which is a series of intensely deformed 'shear pockets'. Coto de Cruz is located within one of these ellipsoidal shear pockets and a further four have been identified within the licence area. Ground-truthing these zones will be undertaken in mid 2015.

Other Licences

The Company is undertaken limited exploration work at the Valongo, Castelo de Paiva and Balazar licences. Work at Valongo had previously focussed on the ancient Roman working at Santa Justa, with a programme of prospect-wide geological mapping completed, and reccie rock-chip sampling. At Castelo de Paiva historical stream sediment geochemical data undertaken by the BRGM was analysed and plotted against a regional Landsat-Aster image interpretation. Several anomalies have been identified and will be ground-truthed in mid 2015. At Balazar a limited geophysical programme using a Ground Penetrating Radar (GPR) was completed. Two lines were placed across the key prospect of Lagao Negra in the north of the licence. The survey broadly defined a possible north-south trending structure. A programme of grid soil sampling at Balazar was completed in Q1 2015 with samples analysed using a hand-held XRF. The results identify a broad semi-linear anomaly which will be the focus of a follow-up trenching programme to be undertaken in mid 2015.

Spanish Projects

The Company is actively reviewing projects in Spain, typically in the provinces of Extremadure, Castille y Leon and Galicia. Furthermore, the Company is applying geological models currently evolving in Portugal, to similar geological environments in Spain. The Company has recently been awarded a licence in the Extremadura Province, called the Calzadilla Gold Project, and has licences under application in Galicia.

The Calzadilla Gold Project

The Calzadilla project is located in the Extremadura province in central-west Spain. The Calzadilla permit was granted to the Company in Q4 2014 and is approximately 42 square kilometres. The project is located approximately 40 kilometres west of the town of Plasencia. The project has had limited recent exploration conducted, with a phase of panned concentrate soil sampling, licence-wide geological mapping, and trench sampling completed in the 1980s. The licence area is dominated by a package of Pre-Cambrian meta-sediments, typically greywackes, slates and conglomerates, with rare localities of granite. Mineralization appears to be fault-controlled and hosted by a series of north-trending quartz veins and associated fault breccia zones. The area has very poor rock exposure, and therefore exploration methods will rely heavily on geochemistry. An initial phase of grid-soil samples will be undertaken in late 2015 to cover the area of principle anomalism identified by previous explorers. Furthermore, a number of the old trenches, opened by previous explorers, are still accessible, and therefore the Company plans to channel-chip sample along the walls of the trenches. Within one of the trenches, a fault is observed, with a zone of breccia and cataclasite identified in the hangingwall, and with a few thin quartz veins. The area is famous for the discovery of some of the largest gold nuggets in Extremadura Spain, and as a result, our sampling methods will ensure a large and representative sample is collected. If the channel-chip sampling and grid-soil sampling is successful, the Company will extend a number of the trenches, and add additional trenches aiming to extend the zone of mineralized structure.

The Pinzas Gold Project

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 in March 2013. Despite ongoing lobbying with the provincial government of Galicia, the Company is still awaiting issuance of the six licences won via a public tender and the three licences applied for surrounding the public tender licences. As a result of non-action by the provincial government, the Company has withdrawn its applications for the three contiguous exploration permits. The Company has also withdrawn its application for five of the six public tender licences, with only one permit remaining called ‘Vilachan’. The issuance of the Vilachan licence is still pending and we continue to lobby the government.

Quality Assurance and Quality Control (QA-QC)

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

Qualified Person

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

Selected Annual Information

The following table provides financial results for the years ended December 31, 2014, 2013 and 2012:

	2014 ($)	**2013 ($)**	**2012 ($)**
Exploration expenditures	940,619	760,830	510,071
General and administrative expenses	1,008,237	517,367	598,654
Net loss	2,048,113	1,326,790	2,040,819
Basic and diluted loss per share	0.06	0.08	0.26
Total assets	1,407,082	509,901	757,033
Total long-term liabilities	204,456	134,247	-
Cash dividends	-	-	-

During the year ended December 31, 2013, the Company issued a convertible debenture of which the long-term liability component as of December 31, 2013 totaled $134,247. The long term liability amount of $204,456 as of December 31, 2014 consists of $151,146 for the long-term liability component of the convertible debenture and $53,310 for amounts owed to related parties.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2014:

	Dec. 31, 2014 ($)	**Sep. 30, 2014 ($)**	**June 30, 2014 ($)**	**Mar. 31, 2014 ($)**	**Dec. 31, 2013 ($)**	**Sep. 30, 2013 ($)**	**June 30, 2013 ($)**	**Mar. 31, 2013 ($)**
Exploration expenditures	350,735	262,465	161,314	166,105	221,602	162,239	155,496	221,493
General and administrative expenses	132,254	136,647	156,264	583,072	29,415	79,855	199,803	208,294
Net loss	583,282	398,076	317,578	749,177	267,177	274,527	355,299	429,787
Basic and diluted loss per share	0.01	0.01	0.01	0.03	0.02	0.02	0.02	0.02

The net loss for the quarter ended March 31, 2014 was significantly impacted by a share-based compensation charge of $486,570, and exploration expenditures and net loss for the two most recent quarters have increased somewhat due to increased exploration work conducted by the Company. Otherwise, the Company's exploration expenditures, general and administrative exploration, net loss and loss per share have remained at fairly consistent levels throughout the past two fiscal years.

Results of Operations

Quarter ended December 31, 2014

For the quarter ended December 31, 2014, the Company had a net loss of $583,282 compared to a net loss of $267,177 for the quarter ended December 31, 2013, an increase of $316,105. Exploration costs for the current quarter were $350,735 compared to $221,602 for the comparative quarter, an increase of $129,133. The current quarter also recorded a write-off of sales tax receivable relating to Great Britain as the recovery of this amount is doubtful. There were no such charges in the comparative quarter. On the other hand, the comparative quarter included a $16,160 write-off of exploration and evaluation asset costs whereas the current quarter did not.

General and administrative expenses totaled $132,254 for the current quarter compared to $29,415 for the comparative quarter, an increase of $102,839. However, the general and administrative costs for the current quarter were impacted by a foreign exchange loss of $1,069 compared to a foreign exchange gain of $51,493 for the comparative quarter. When excluding foreign exchange gains/losses, the current quarter costs were just $50,277 higher than the comparative quarter. Notable cost increases in the current quarter involved legal and accounting and

management fees. Legal and accounting fees were $39,283 during the current quarter compared to a recovery amount of $39,046 in the comparative quarter. The comparative quarter's legal expense recovery resulted from a discount received on legal fees associated with a reverse asset acquisition completed in late 2012. Management fees were $8,164 higher due to the Chief Executive Officer's monthly compensation being increased at the end of the comparative year and management fees for the President being paid in British Pounds which increased in value compared to the Canadian dollar. Notable cost decreases for the current quarter were $13,205 in travel and accommodation, $8,751 in office and administration, and $8,914 in shareholder communications. These cost decreases were primarily the result of cost cutting measures implemented in the latter part of 2013.

Year ended December 31, 2014

For the year ended December 31, 2014, the Company had a net loss of $2,048,113 compared to a net loss of $1,326,790 for the year ended December 31, 2013, an increase of $721,323. Exploration costs for the current year were $940,619 compared to $760,830 for the comparative year, an increase of $179,789. As in the quarterly comparison, the current year recorded a write-off of sales tax receivable of $100,610 compared to no such charge in the comparative year and the comparative year only recorded a write-off of exploration and evaluation assets costs totaling $48,593.

General and administrative expenses totaled $1,008,237 for the current year compared to $517,367 for the comparative year, an increase of $490,870. This increase was the result of a share-based compensation charge of $486,570 relating to the granting of stock options during the current year whereas there was no such charge in the comparative year. General and administrative expenses for the current year included a foreign exchange loss of $8,107 compared to a gain of $70,547 for the comparative year. When excluding the non-cash share-based compensation charges and foreign exchange gains/losses, the general and administrative costs for the current year are $74,354 less than the comparative year. Notable cost decreases were $45,636 in travel and accommodation, $31,349 in shareholder communications, $29,835 in salaries and benefits, $16,440 in office and administration, and $5,700 in management fees. Similar to the quarterly comparison, salaries and benefits, travel and accommodation, shareholder communications, and office and administration costs were lower due in part to cost cutting measures implemented in the latter part of 2013. Management fees were lower in the current year due to a portion of the compensation to the President of the Company being allocated to exploration expenditures. Legal and accounting fees were the only significant cost increase for the current year which was mostly due to an increase in transactions in Portugal.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the year ended December 31, 2014 is as follows:

Portugal – Exploration expenditures incurred during the current year included $203,320 on Vila de Rei, $63,274 on Boticas, and 652,514 on Lagares, Ponte da Barca, Valongo, Balazar, and Castelo de Paiva, the five properties acquired from Klondike. Most significant overall expenditures incurred were $315,759 on geological consulting costs, $172,215 on salaries and benefits, $145,495 on travel, and $133,524 on office and administration.

As a result of the Company acquiring Klondike's Portuguese assets during the current year, $297,320 has been recorded as acquisition costs.

Liquidity and Capital Resources

The Company's cash resources increased from $36,763 as at December 31, 2013 to $499,464 as at December 31, 2014. During the current year, the Company raised gross proceeds of $1,655,000 by way of a private placement and an additional $770,000 from the exercise of share purchase warrants. Subsequent to December 31, 2014, the Company raised another $250,000 by way of a private placement. The Company has been using these funds for exploration expenditures and general working capital. At December 31, 2014, the Company had current liabilities totaling $561,853 and a working capital deficiency of $18,653. Of those current liabilities, $250,000 was settled with the issuance of 2,347,418 common shares and $100,000 was paid by Centerra subsequent to December 31, 2014.

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, 2014, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2014, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2014			December 31, 2013		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	$ 5,185	$ 391	$ 43,903	$ 15,692	$ 248	$ 743
Accounts payable and accrued liabilities	(37,103)	-	(80,402)	(271,121)	-	(5,944)
Due to related parties	(53,310)	-	-	(46,569)	-	-
Net exposure	**$ (85,228)**	**$ 391**	**$ (36,499)**	**$ (301,998)**	**$ 248**	**$ (5,201)**

Based on the above net exposures at December 31, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $12,100 (December 31, 2013: $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, 2014, 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. All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms except for $350,000 which was due by January 24, 2015 and did not bear interest.

Determination of Fair Value:

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

The condensed interim consolidated statements of financial position carrying amounts for cash and, 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, 2014 were calculated as follows:

	Balance at December 31, 2014	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 499,464	$ 499,464	$ -	$ -

Related Party Transactions

The Company had transactions during the three and twelve month periods ended December 31, 2014 and 2013 with related parties who consisted of directors, officers and the following companies with common directors:

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

During the three and twelve month periods ended December 31, 2014 and 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,	
	2014	2013	2014	2013
Office and administration	$ 17,028	$ 20,698	$ 69,833	$ 72,444
Salaries and benefits	20,472	17,721	65,330	95,191
Shareholder communications	709	11,252	5,097	29,338
Transfer agent and regulatory fees	204	2,825	4,713	6,486
Travel and accommodation	3,977	19,204	16,551	32,511
	$ 42,390	**$ 71,700**	**$ 161,524**	**$ 235,970**

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 for the year ended December 31, 2014 include those for the Chief Financial Officer and the Corporate Secretary whereas the period ended December 31, 2013 also includes that for Ralph Rushton, a Director.

During the year ended December 31, 2014, the Company reimbursed Focus, a company with common directors, $17,761 (2013: $Nil) in shared salary and benefits costs for Ralph Rushton, a director.

Prepaid expenses and deposits as at December 31, 2014 include an amount of $2,243 for administrative expenses paid in advance on the Company's behalf (2013: $61,000) paid to Gold Group as a deposit pursuant to the Gold Group Agreement).

Long term deposits as of December 31, 2014 consists of $61,000 (December 31, 2013: $Nil) paid to Gold Group as a deposit pursuant to the office and administrative agreement. This deposit was reclassified from prepaid expenses and deposit to a long-term deposit during the current year.

Amounts due to related parties as of December 31, 2014 consist of $18,876 (December 31, 2013: $101,492) owing to Gold Group for accrued shared administrative costs, $26,655 (December 31, 2013: $24,456) owing to David Hall, a Director of the Company for accrued management fees, $26,655 (December 31, 2013: $26,000) owing to Jeremy Martin, a Director of the Company for accrued management fees, $Nil (December 31, 2013: $55,230) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company for accrued management fees, $Nil (December 31, 2013: $19,047) owing to Radius for shared administrative, leasehold improvement and equipment costs, and $Nil (December 31, 2013: $8,613) to Daniel James, the President of the Company, for salary owing. 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, 2016. The amounts for Radius, Mill Street, and Daniel James were

unsecured, interest free and had no specific terms of repayment.

Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of the private placement that closed on February 5, 2014 at a cost of $500,000 and acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 of the warrants at a cost of $330,000. The Company and Radius have two common directors.

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, 2014 and 2013 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,	
	2014	**2013**	**2014**	**2013**
Management fees	$ 32,164	$ 24,000	$ 135,300	$ 141,000
Geological fees	25,746	22,500	103,951	45,000
Salaries and benefits	6,004	4,744	21,058	18,493
Share-based compensation	-	-	232,370	-
	$ 63,914	**$ 51,244**	**$ 492,679**	**$ 204,493**

Subsequent to December 31, 2014, the Company agreed to issue a total of 435,520 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2015. The shares will be issued in quarterly installments, and the first installment of 108,880 shares was issued as of April 13, 2015.

Share-based payments to directors not specified as key management personnel during the year ended December 31, 2014 totaled $112,664 (2013: $Nil).

Other Data

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

Share Position, Outstanding Options, Warrants and Convertible Debentures

As at April 28, 2015, the Company's outstanding share position is 46,551,055 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
500,000	$0.15	February 12, 2025
3,955,000		

No. of warrants	Exercise price	Expiry date
9,588,500[1]	$0.15	February 4, 2016
2,314,728	$0.16	February 17, 2016
2,166,667	$0.1665[2]	April 11, 2016[3]
14,069,895		

[1] In November 2014 the exercise price of 7,000,000 of these warrants was amended from $0.15 to $0.11 and those warrants were exercised at the reduced exercise price.

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

[3] During the year ended December 31, 2014, the expiry date of the warrants was extended from April 11, 2014 to April 11, 2015 and subsequent to December 31, 2014, extended further to April 11, 2016.

No. of debentures	Conversion rate	Expiry date
2,166,667	$0.45	April 11, 2017[1]

[1] Subsequent to December 31, 2014, the Company extended the expiry date of the debentures from April 11, 2015 to April 11, 2017.

Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2014, the Company adopted the following revised standard that was issued by the IASB:

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 adoption of this amendment did not have an impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued and effective January 1, 2014 are either not applicable or did not have an impact on the Company's consolidated financial statements.

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

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

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.