



FINANCIAL REVIEW

Third Quarter Ended September 30, 2020



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2020

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2020. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	\$ 1,636,580	\$ 704,127
Amounts receivable (Note 11)	6,866	84,327
Prepaid expenses and deposits (Note 11)	7,667	12,007
Total current assets	1,651,113	800,461
Non-current assets		
Long-term deposits (Note 11)	61,000	61,000
Property and equipment (Note 6)	83,648	108,807
Exploration and evaluation assets (Note 7)	43,020	43,020
Total non-current assets	187,668	212,827
	\$ 1,838,781	\$ 1,013,288
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 67,743	\$ 104,075
Due to related parties (Note 11)	63,797	78,392
Total liabilities	131,540	182,467
Shareholders' equity		
Share capital (Note 8)	15,751,347	13,829,198
Other equity reserves (Note 8)	1,521,921	1,499,127
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(15,408,075)	(14,339,552)
Total shareholders' equity	1,707,241	830,821
	\$ 1,838,781	\$ 1,013,288

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 24, 2020:

"Simon Ridgway"
Simon Ridgway, Director

"Jeremy Crozier"
Jeremy Crozier, Director

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

Medgold Resources Corp.

(Exploration Stage Company)

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

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Exploration expenditures (Note 10)	\$ 367,993	\$ 32,762	\$ 662,929	\$ 146,762
General and administrative expenses				
Consulting fees	15,000	-	15,000	-
Depreciation (Note 6)	8,585	8,336	25,159	25,365
Foreign exchange loss	(212)	7,100	3,773	21,092
Legal and accounting	18,135	20,540	82,668	76,643
Management fees (Note 11)	19,875	24,000	79,875	66,825
Office and administration (Note 11)	15,592	19,822	54,083	55,434
Salaries and benefits (Note 11)	16,286	29,667	66,767	85,606
Shareholder communications (Note 11)	15,880	29,711	49,872	95,581
Share-based payments (Note 9)	-	30,336	-	278,231
Transfer agent and regulatory fees (Note 11)	2,418	2,022	13,068	13,067
Travel and accommodation (Note 11)	3,385	8,510	16,274	28,887
	114,944	180,044	406,539	746,731
Loss before other items	(482,937)	(212,806)	(1,069,468)	(893,493)
Other items				
Interest and other income	-	1,575	945	5,371
Gain on disposal of property and equipment	-	-	-	4,700
Net loss and comprehensive loss for the period	\$ (482,937)	\$ (211,231)	\$ (1,068,523)	\$ (883,422)
Loss per share, basic and diluted	\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding	128,267,293	94,789,032	106,029,908	94,789,032

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

Medgold Resources Corp.

(Exploration Stage Company)

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

For the nine months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

			<u>Other equity reserves</u>				
	Number of common shares	Share capital	Warrants reserve	Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Balance, December 31, 2018	94,789,032	\$ 13,829,198	\$ 65,949	\$ 1,154,143	\$ (157,952)	\$ (13,093,095)	\$ 1,798,243
Loss for the period	-	-	-	-	-	(883,422)	(883,422)
Share-based payments	-	-	-	278,231	-	-	278,231
Balance, September 30, 2019	94,789,032	13,829,198	65,949	1,432,374	(157,952)	(13,976,517)	1,193,052
Loss for the period	-	-	-	-	-	(363,035)	(363,035)
Share-based payments	-	-	-	804	-	-	804
Balance, December 31, 2019	94,789,032	13,829,198	65,949	1,433,178	(157,952)	(14,339,552)	830,821
Loss for the period	-	-	-	-	-	(1,068,523)	(1,068,523)
Shares issued for private placement	40,000,000	2,000,000	-	-	-	-	2,000,000
Share issuance costs	-	(77,851)	22,794	-	-	-	(55,057)
Balance, September 30, 2020	134,789,032	\$ 15,751,347	\$ 88,743	\$ 1,433,178	\$ (157,952)	\$ (15,408,075)	\$ 1,707,241

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

Medgold Resources Corp.

(Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (482,937)	\$ (211,231)	\$ (1,068,523)	\$ (883,422)
Items not involving cash:				
Depreciation	8,585	8,336	25,159	25,365
Share-based payments	-	30,336	-	278,231
Gain on disposal of property and equipment	-	-	-	(4,700)
	(474,352)	(172,559)	(1,043,364)	(584,526)
Changes in non-cash working capital balances:				
Amounts receivable	3,390	(14,126)	77,461	158,741
Prepaid expenses and deposits	270	22,919	4,340	6,722
Accounts payable and accrued liabilities	(18,507)	(322,153)	(36,332)	(11,108)
Due to related parties	(61,654)	4,550	(14,595)	17,167
Exploration advances	-	380,500	-	380,500
Net cash used by operating activities	(550,853)	(100,869)	(1,012,490)	(32,504)
FINANCING ACTIVITIES				
Net proceeds from issuance of shares	1,794,943	-	1,944,943	-
Net cash provided from financing activities	1,794,943	-	1,944,943	-
INVESTING ACTIVITIES				
Purchase of property and equipment	-	-	-	(793)
Proceeds on disposal of property and equipment	-	-	-	8,312
Net cash provided from investing activities	-	-	-	7,519
Increase (decrease) in cash	1,244,090	(100,869)	932,453	(24,985)
Cash, beginning of period	392,490	1,512,283	704,127	1,436,399
Cash, end of period	\$ 1,636,580	\$ 1,411,414	\$ 1,636,580	\$ 1,411,414

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These condensed interim consolidated financial statements of the Company as at September 30, 2020 and for the period then ended include the Company and its subsidiaries (Note 2).

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At September 30, 2020, the Company had not yet achieved profitable operations, has accumulated losses of \$15,408,075 since its inception, and expects to incur further losses in the development of its business. For the period ended September 30, 2020, the Company incurred a net loss of \$1,068,523. The Company has been financed primarily through the issuance of equity instruments, but management cannot be certain it will continue to be able obtain such funding. All of these conditions 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.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has continued to result in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim consolidated financial statements are presented in Canadian dollars ("CAD").

The preparation of condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3.

Basis of Consolidation

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

Details of the Company's principal subsidiaries as at September 30, 2020 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Istrazivanja d.o.o.	Serbia	100%	Exploration company
MGold International Ltd.	Malta	100%	Holding company
Tlamino Mining Ltd.	Malta	100%	Holding company

Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses on translation are included in profit and loss.

3. 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

- a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the currency of the primary economic environment in which the entities operate.
- b) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

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

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

- c) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- d) Although the Company has taken steps to identify any decommissioning liabilities related to mineral properties in which it has an interest, there may be unidentified decommissioning liabilities present.
- e) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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

- a) The Company may be subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business and on dispositions of mineral property or interests therein, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events, and interpretation of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.
- b) In estimating the fair value of share-based payments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company does not hold any deposits with maturities of greater than three months from the date of acquisition. Cash and cash equivalents are comprised of the following:

As at	September 30, 2020	December 31, 2019
Cash	\$ 1,636,580	\$ 300,661
Cash equivalents	-	403,466
	<u>\$ 1,636,580</u>	<u>\$ 704,127</u>

5. DISCONTINUED OPERATIONS

In early 2015, the Company entered into an agreement whereby its former subsidiary, MedgoldMinas, proposed to acquire, subject to certain conditions, an interest in a mineral property located in Portugal, in consideration for the assumption of certain debts owing by the property owner. The conditions were not met and the transaction did not proceed. However, one of the creditors of the property owner subsequently filed a claim in Portugal against the owner for approximately €1.17 million. Upon request by the creditor, the court then added the Company and MedgoldMinas to be defendants in the event the property owner was found to be not liable to the creditor. The Company vigorously contested being brought into this proceeding as the Company and MedgoldMinas did not consummate the transaction with the property owner, did not acquire any interest in the property, and therefore did not assume any liabilities of the owner. In June 2019, the court held that the Company was not responsible for the debts owing by the property owner. This judicial decision was appealed by the plaintiff; however, in February 2020, the Court of Appeal upheld the original court decision in favour of the Company, and the Company was entitled to receive partial reimbursement of its court/legal fees. The plaintiff did not submit a counter-appeal, and while the Court of Appeal has not yet issued a final decision, the Company's legal counsel considers the legal action against the Company and MedgoldMinas to be concluded.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2018	\$ 12,906	\$ 188,331	\$ 25,487	\$ 35,463	\$ 262,187
Additions	-	-	793	-	793
Disposals	-	(32,586)	-	-	(32,586)
Balance, December 31, 2019	12,906	155,745	26,280	35,463	230,394
Additions	-	-	-	-	-
Balance, September 30, 2020	\$ 12,906	\$ 155,745	\$ 26,280	\$ 35,463	\$ 230,394
Accumulated amortization					
Balance, December 31, 2018	\$ 11,250	\$ 77,076	\$ 15,399	\$ 12,472	\$ 116,197
Charge for year	1,656	25,235	3,543	3,930	34,364
Disposals	-	(28,974)	-	-	(28,974)
Balance, December 31, 2019	12,906	73,337	18,942	16,402	121,587
Charge for period	-	19,411	2,725	3,023	25,159
Balance, September 30, 2020	\$ 12,906	\$ 92,748	\$ 21,667	\$ 19,425	\$ 146,746
Carrying amounts					
At December 31, 2019	\$ -	\$ 82,408	\$ 7,338	\$ 19,061	\$ 108,807
At September 30, 2020	\$ -	\$ 62,997	\$ 4,613	\$ 16,038	\$ 83,648

7. EXPLORATION AND EVALUATION ASSETS

Capitalized acquisition costs as of September 30, 2020 consist of \$43,020 (December 31, 2019: \$43,020) relating to its Serbian mineral property interests.

Serbia

a) Exploration Licences

As of September 30, 2020, the Company held four granted exploration licences, including the Donje Tlamino and Surlica-Dukat licences which comprise the Tlamino Project optioned to Fortuna Silver Mines Inc. ("Fortuna").

In April 2019, the Company submitted the withdrawal of the Crnook Licence, formerly part of the Ljubata Project. Subsequent to September 30, 2020, the Ljubata and Radovnica licences which comprised the Ljubata Project were allowed to lapse, and a new exploration licence adjoining the southern border of the Tlamino Project's Surlica Dukat licence was granted.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

b) Tlamino Project Option

Pursuant to an agreement signed in March 2017, as amended, the Company granted to Fortuna the option to acquire an initial 51% interest in the Tlamino Project (the "Project") by spending a minimum of US\$3,000,000 on the Project by no later than the third anniversary of the date of the option agreement. Fortuna earned its 51% interest during the 2019 fiscal year.

During the period ended September 30, 2020, the Company entered into a non-binding Letter of Intent (the "Letter") with Fortuna whereby the Company will be granted an exclusive option (the "Option") to purchase Fortuna's 51% interest in the Project for a cash consideration of US\$3.468 million. The Option is valid for three years and is exercisable upon the earlier of (i) the expiry of the term of the Option, (ii) the date of completion of the a sale by the Company of a 100% interest in the Project to a third party, or (iii) the date of completion of a merger between the Company and a third party.

Should the Company not complete a sale of the Project or corporate merger within the term of the Option, the Company will transfer its undivided 49% interest in the Project to Fortuna for no consideration, such that Fortuna will then hold an undivided 100% interest in the Project.

If the Company completes a sale of the Project or corporate merger as described above and received consideration attributable to the Project in excess of US\$13 per ounce of the Project's inferred mineral resource, the Company will pay to Fortuna an asset sale bonus equal to 10.2% of any amount in excess of US\$13 per ounce, less all the Company's costs related to the sale or corporate merger.

The Option is subject to the execution of a definitive agreement (the "Definitive Agreement") to be entered into between the Company and Fortuna and will contain terms and conditions customary for transactions of this type. The Option is subject to approval from the TSX Venture Exchange and the boards of directors of both companies.

The Company and Fortuna have one common director, namely, Simon Ridgway.

Bulgaria

During the period ended September 30, 2020, the Company entered into an exclusive letter agreement with Gecon EOOD ("Gecon"), a private Bulgarian company, with respect to an exploration licence application on the Zlogosh Property in western Bulgaria.

Under the terms of the agreement, the Company has the right to complete certain due diligence activities on the property which, if satisfactory, gives the Company the right to enter into an option agreement with Gecon to earn an initial 51% interest in Gecon by financing approximately €330,000 in permitting and permitting-related expenditures, followed by a second option to earn a further 44% interest in Gecon by incurring approximately €650,000 in exploration expenditures. The remaining 5% interest in Gecon may be purchased by the Company for €200,000 in cash on the third anniversary of Zlogosh exploration licence once awarded or, at the election of the residual shareholder, for €200,000 in shares of the Company subsequent to the attainment of incurring exploration expenditures to the value of €1,000,000.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES

Common Shares

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

During the period ended September 30, 2020, the following share capital activity occurred:

On July 15, 2020, the Company closed a private placement of 40,000,000 units at \$0.05 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for three years at a price of \$0.10. Of the total gross proceeds, \$2,000,000 was allocated to share capital and \$Nil to warrants. In connection with this financing, the Company paid finder's fees totaling \$43,500 cash and issued a total of 870,000 warrants which have the same terms as the unit warrants. The fair value of the finders' fee warrants was \$22,794 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 pricing model with the following assumptions: risk-free interest rate of 0.27%, dividend yield of 0%, volatility of 88% and expected life of three years. Other share issuance costs associated with this financing totalled \$11,557.

Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2019 to September 30, 2020 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	-	-
Issued on private placement	4,902,800	\$0.40
Balance, December 31, 2019	4,902,800	\$0.40
Issued on private placement	40,000,000	\$0.10
Issued for finance fee	870,000	\$0.10
Balance, September 30, 2020	45,772,800	\$0.13

Details of share purchase warrants outstanding as of September 30, 2020 are:

Expiry date	Number of warrants	Exercise price
October 16, 2020	4,902,800	\$0.40
July 14, 2023	40,870,000	\$0.10
	45,772,800	

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS

Option Plan Details

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

The following is a summary of changes in options for the period ended September 30, 2020:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Expired / forfeited		
February 23, 2024	\$0.15	1,930,000	-	-	(250,000)	1,680,000	1,680,000
June 18, 2024	\$0.11	500,000	-	-	-	500,000	500,000
June 28, 2026	\$0.15	1,290,000	-	-	(180,000)	1,110,000	1,110,000
July 24, 2027	\$0.20	200,000	-	-	-	200,000	200,000
February 7, 2028	\$0.20	100,000	-	-	-	100,000	100,000
January 15, 2029	\$0.15	2,025,000	-	-	-	2,025,000	2,025,000
June 2, 2029	\$0.15	570,000	-	-	-	570,000	570,000
		6,615,000	-	-	(430,000)	6,185,000	6,185,000
Weighted average exercise price		\$0.15	-	-	\$0.15	\$0.15	\$0.15

The weighted average remaining contractual life of the options outstanding at September 30, 2020 is 6.11 (December 31, 2019: 6.75) years.

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based compensation during the period ended September 30, 2020 was \$Nil (2019: \$278,231).

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

10. EXPLORATION EXPENDITURES

During the nine months ended September 30, 2020, the Company incurred the following exploration expenditures:

	Tlamino Project	Other	Total
Assaying	\$ 32,090	\$ -	\$ 32,090
Community relations and promotional	68,296	-	68,296
Field expenses	4,851	-	4,851
Geological and other consulting	200,802	90,163	290,965
Legal and accounting	197,537	-	197,537
Licenses, rights and taxes	10,813	-	10,813
Office and administration	91,007	-	91,007
Salaries and benefits	77,137	-	77,137
Travel	25,553	-	25,553
	708,086	90,163	798,249
Expense recoveries*	(135,320)	-	(135,320)
	\$ 572,766	\$ 90,163	\$ 662,929

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

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

* Expense recoveries for the Tlamino Project consist of funding from Fortuna per its option agreement with the Company (Note 7(b)).

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended September 30, 2020 and 2019 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Radius Gold Inc. ("Radius")	Exploration related charges and investment in the Company
Gold Group Management Inc. ("Gold Group")	Shared office, personnel and administrative charges
Mill Street Services Ltd. ("Mill Street")	Management and geological services
Virv International Inc. ("Virv")	Management and geological services
Wellhead Management Ltd. ("Wellhead")	Former management and geological services
Fortuna	Investment in the Company and mineral property option agreement

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

- a) During the periods ended September 30, 2020 and 2019, the Company reimbursed Gold Group for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
General and administrative expenses:				
Office and administration	\$ 14,110	\$ 15,623	\$ 48,522	\$ 46,769
Salaries and benefits	16,286	29,667	66,767	85,606
Shareholder communications	501	-	3,392	3,396
Transfer agent and regulatory fees	214	133	2,515	2,738
Travel and accommodation	385	1,616	4,873	4,262
	\$ 31,496	\$ 47,039	\$ 126,069	\$ 142,771

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Gold Group is controlled by Simon Ridgway, the Chairman of the Company. Salaries and benefits for the periods ended September 30, 2020 and 2019 include those for the Chief Financial Officer and the Corporate Secretary.

- b) Amounts receivable as at September 30, 2020 include \$Nil (December 31, 2019: \$27,444) due from Fortuna for project funding pursuant to the Tlamino Project option agreement (Note 7(b)).
- c) Prepaid expenses and deposits as at September 30, 2020 include an amount paid to Gold Group of \$438 (December 31, 2019: \$1,137) for administrative expenses paid in advance on the Company's behalf,
- d) Long-term deposits as of September 30, 2020 consists of \$61,000 (December 31, 2019: \$61,000) paid to Gold Group as a deposit pursuant to an agreement with Gold Group.
- e) Amounts due to related parties as of September 30, 2020 consists of \$34,461 (December 31, 2019: \$20,226) owing to Gold Group, \$24,069 (December 31, 2019: \$58,166) to the Chief Executive Officer of the Company for management and geological fees and expense reimbursement, and \$5,267 (December 31, 2019: \$Nil) owing to Mill Street, a company controlled by the Chairman of the Company, for management and geological fees. The amount for Gold Group is due on a monthly basis and secured by a deposit.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended September 30, 2020 and 2019 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Management fees	\$ 19,875	\$ 24,000	\$ 79,875	\$ 66,825
Geological fees	38,625	34,500	93,125	118,175
Salaries and benefits	4,858	9,167	19,066	25,208
Value of stock option grants recorded as share-based payments	-	-	-	168,785
	\$ 63,358	\$ 67,667	\$ 192,066	\$ 378,993

Key management compensation includes management and geological fees paid to Virv, a company controlled by the Chief Executive Officer of the Company, to Mill Street, and Wellhead, a company controlled by the former President of the Company.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

General Objectives, Policies and Processes

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

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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 June 30, 2020, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

The Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

As at	September 30, 2020			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Serbian Dinars (CDN equivalent)
Cash	\$ 2,893	\$ 3,444	\$ 12,329	\$ 108,345
Amounts receivable	-	-	-	2,523
Accounts payable and accrued liabilities	(14,892)	(4,691)	(5,993)	(13,004)
Net exposure	\$ (11,999)	\$ (1,247)	\$ 6,336	\$ 97,864

As at	December 31, 2019			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Serbian Dinars (CDN equivalent)
Cash	\$ 9,473	\$ 2,326	\$ 12,329	\$ 79,269
Amounts receivable	-	-	-	55,149
Accounts payable and accrued liabilities	(40,182)	-	(19,394)	(42,569)
Net exposure	\$ (30,709)	\$ 2,326	\$ (7,065)	\$ 91,849

Based on the above net exposures at September 30, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$9,100 (December 31, 2019: \$5,600) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2020, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian, British, and Serbian financial institutions. The Company considers this risk to be limited.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company's receivables consist of VAT receivable from the government of Serbia and receivables from Fortuna (Note 11(b)). The Company considers credit risk with respect to these amounts to be low.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2020, the Company had working capital of \$1,519,573 (December 31, 2019: \$617,994). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

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

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

Fair Value Hierarchy

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

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

The fair values of the Company's financial assets measured at fair value on a recurring basis as of September 30, 2020 were calculated as follows:

	Balance at September 30, 2020	Level 1	Level 2	Level 3
Financial Asset:				
Cash and cash equivalents	\$ 1,636,580	\$ 1,636,580	\$ -	\$ -

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity. There were no changes in the Company's capital management approach during the period ended September 30, 2020.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. The Company continues to assess its future capital needs and may consider access to additional capital to ensure that the Company has adequate financial resources to cover its corporate operating costs and carry out exploration activities for the next twelve months.

14. SEGMENTED REPORTING

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

Period ended September 30, 2020	Canada	England	Serbia	Total
Exploration expenditures	\$ -	\$ -	\$ 662,929	\$ 662,929
Interest and other income	945	-	-	945
Net loss	(373,840)	(6,595)	(688,088)	(1,068,523)

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

*Capital expenditures consists of additions of property and equipment

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

14. SEGMENTED REPORTING (continued)

As at September 30, 2020	Canada	England	Serbia	Consolidated
Total current assets	\$ 1,529,667	\$ 2,893	\$ 118,553	\$ 1,651,113
Total non-current assets	61,000	-	126,668	187,668
Total assets	\$ 1,590,667	\$ 2,893	\$ 245,221	\$ 1,838,781
Total liabilities	\$ 108,354	\$ 10,319	\$ 12,867	\$ 131,540

As at December 31, 2019	Canada	England	Serbia	Consolidated
Total current assets	\$ 639,186	\$ 19,749	\$ 141,526	\$ 800,461
Total non-current assets	61,000	-	151,827	212,827
Total assets	\$ 700,186	\$ 19,749	\$ 293,353	\$ 1,013,288
Total liabilities	\$ 102,130	\$ 37,426	\$ 42,911	\$ 182,467

15. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2020, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

A total of 4,902,800 share purchase warrants with an exercise price of \$0.40 expired unexercised.



(the “Company”)

INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the Nine Months Ended September 30, 2020

General

This interim Management’s Discussion and Analysis (“Interim MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2020. The following information, prepared as of November 24, 2020, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for nine months ended September 30, 2020 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”). In addition, the following should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2019 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2020 condensed interim consolidated financial statements have not been reviewed by the Company’s auditors.

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

Forward Looking Information

This Interim MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation (“Forward-looking Statements”). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this Interim MD&A include, without limitation, statements relating to:

- mineral reserves or resources as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated and can be profitably produced in the future;
- the Company’s planned exploration activities for its mineral properties;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company’s cash position and its ability to raise equity capital or access debt facilities; and
- maturities of the Company’s financial liabilities or other contractual commitments.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as “anticipates”, “believes”, “plans”, “estimates”, “expects”, “forecasts”, “scheduled”, “targets”, “possible”, “strategy”, “potential”, “intends”, “advance”, “goal”, “objective”, “projects”, “budget”, “calculates” or statements that events, “will”, “may”, “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- uncertainty of mineral reserve and resource estimates;
- risks associated with mineral exploration and project development;

- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters;
- local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which unless contained could cause a slowdown in global economic growth and impact the Company's business, operations, financial condition and share price;

as well as those factors referred to in the "Risks and Uncertainties" section in this Interim MD&A.

Forward-looking Statements contained in this Interim MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company's properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matter;
- permitting, exploration and development activities proceeding on a basis consistent with the Company's current expectations;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates;
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels; and
- the accuracy of the Company's current mineral resource estimates.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

The Company is a Vancouver based mineral exploration entity engaged in the acquisition and exploration of precious and base metals properties. The Company is targeting early- to mid-stage exploration projects in the Balkan region, in jurisdictions which are mining-friendly, with strong mining codes, and with excellent geological potential. The Company's exploration activities are currently focused in Serbia and Bulgaria.

Due to restrictions on travel and for the safety of our employees because of the COVID-19 pandemic, the Company has curtailed certain operations for the time being. Most of the geological staff have returned home and in our corporate offices, most staff are working from home. We will return to the field and office when it is safe and cost effective to do so; meanwhile we will preserve the cash position of the Company.

Serbia - Exploration Review

The Company is targeting gold-silver epithermal systems associated with the Oligo-Miocene igneous belt within Serbia. This belt of rocks runs NW-SE across much of the country, and is under-explored for gold and silver, despite an abundance of freely available geological data. Much of this information was generated by the Yugoslav State, during the 1960s and 1970s, through phases of national-scale geological mapping and systematic exploration for lead and zinc.

In mid-2016, the Company signed a strategic alliance with Fortuna Silver Mines Inc. (NYSE: FSM) (TSX: FVI) (“Fortuna”), for the purposes of generating gold and silver exploration projects in Serbia. The Company was subsequently granted five exploration licences, two of which comprise the Tlamino Project. Exploration drilling programs conducted at the Tlamino Project in 2018 and 2019 led to the drill-definition of a zone of continuous gold mineralization at the Barje Prospect at Tlamino measuring 700 metres by 250 metres. In January 2020, the Company established a maiden Mineral Resource Estimate for the Barje prospect (see “Mineral Resource Estimate” below).

The above programs were fully funded by Fortuna and directed by a joint Fortuna-Medgold technical committee pursuant to the terms of the Tlamino Option Agreement announced on March 7, 2017.

After a reassessment of previous exploration data, the Company notified the Ministry of Mining and Energy in April 2019 that it wished to relinquish the Crnook Licence; a final technical report for the licence was submitted to the Ministry in June 2019. Following the relinquishment of the Crnook Licence the Company then held four granted exploration licences, each covering approximately 100 square kilometres. The licences were located adjacent to the borders of North Macedonia and Bulgaria, in the southeast of the country, and include the Donje Tlamino and Surlica-Dukat licences, which comprise the Tlamino Project optioned to Fortuna, and the adjacent Ljubata and Radovnica licences.

In October 2020, the Serbian Ministry of Mining and Energy issued new exploration licenses in respect to the Donje Tlamino and Surlica Dukat properties that comprise the Tlamino Project. These licenses are each valid for terms of three years and are renewable for terms of three and then two years. At the same time a new exploration license, Zuti Kamen, which covers an area of approximately 6 square kilometers adjoining the southern flank of Surlica Dukat, was also awarded on similar terms. The Radovnica licence was not renewed due to a shortfall in exploration expenditures arising out of inadequate geological merit, and the Ljubata license was relinquished, also on the grounds of inadequate geological merit.

The Tlamino Gold Project

The Tlamino Gold Project is located in southern Serbia, and includes three prospects: Barje, Liska and Karamanica. Outcropping mineralization was first observed at the Barje Prospect by Yugoslav State agencies in the 1950s and 1960s when a short adit was opened but no drilling was carried out. The prospect was then held by private and public companies between approximately 2005 and 2012 during which time limited drilling failed to intersect significant mineralization.

The Company, with its Option partner Fortuna, carried out drilling at the Barje, Liska and Karamanica prospects in multiple phases between May 2018 and October 2019. A total of 33 diamond drill holes were completed at the Barje prospect over 4,991.5 metres, which identified gold and silver mineralization with lesser amounts of lead, zinc and copper. Drilling at the Liska prospect included 10 drill holes over 2,139.4 metres. While this drilling identified the presence of mineralization, the metal grades returned are not considered to be economically significant, or, where potentially economic, are currently interpreted to be isolated with a lack of demonstrated continuity. Drilling of 10 holes at the Karamanica prospect over 1,996.5 metres returned only weak mineralization associated variously with fault zones, dark carbonaceous schists, and the margins of porphyritic intrusions.

Mineral Resource Estimate

On January 30, 2020, the Company announced a maiden Mineral Resource Estimate for the Barje prospect. An Inferred Mineral Resource containing approximately 680,000 oz AuEq in 7.1 Mt grading 3.0 g/t AuEq at cut-off grade of 0.7 g/t AuEq was reported and is presented in Table 1 below. An example cross-section and a block model view of the resource are given in Figure 1 below. The Mineral Resource Estimate was prepared in accordance with National Instrument 43-101 and CIM Definition Standards by Addison Mining Services Ltd. of the United Kingdom.

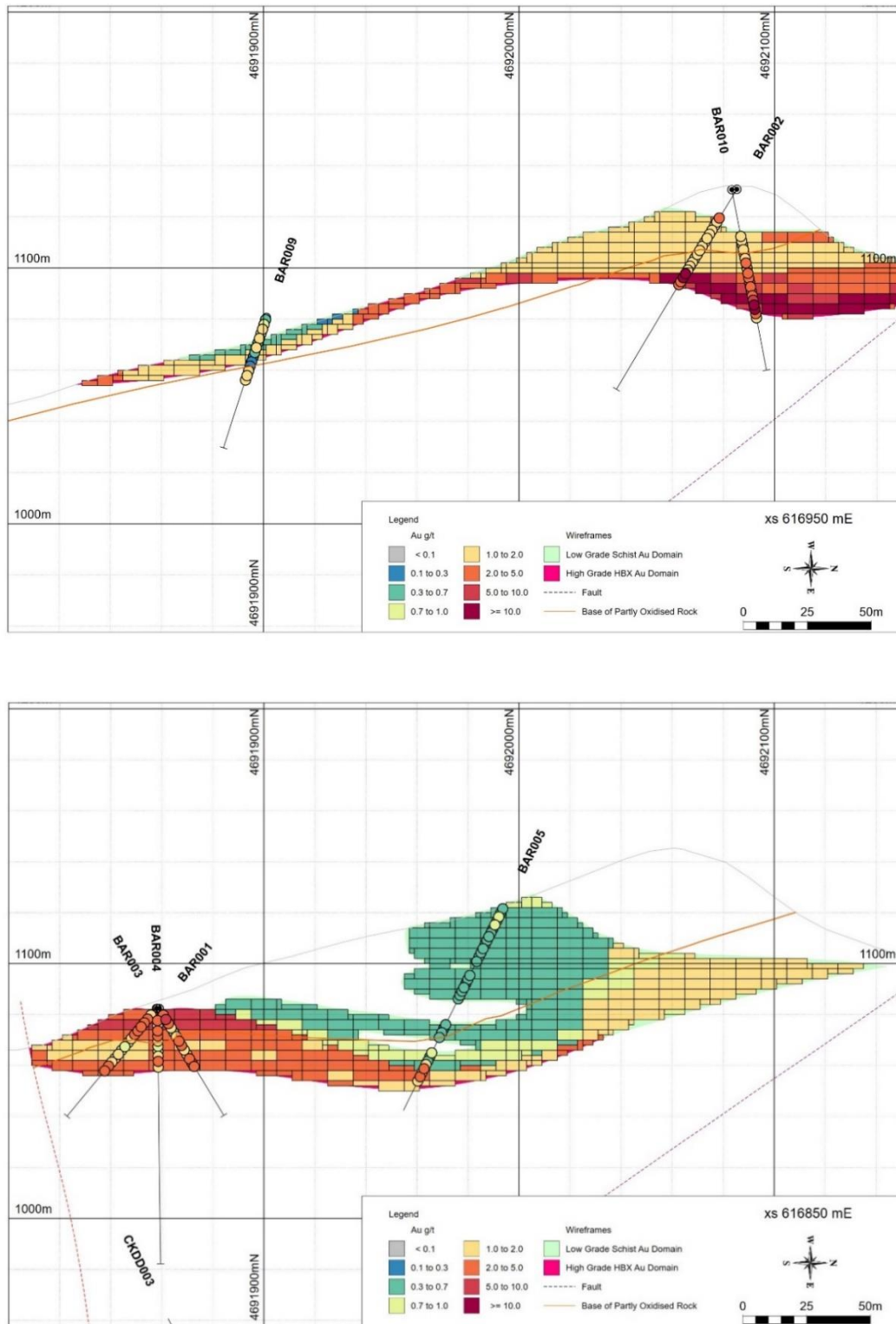
Table 1 –Mineral Resource Estimate for the Barje Prospect.

Resource Category	Tonnage (tonnes)	Au		Ag		AuEq	
		Contained oz	g/t	Contained oz	g/t	Contained oz	g/t
Inferred	7,100,000	570,000	2.5	8,600,000	38	680,000	3.0

Notes to the Mineral Resource Estimate:

1. The independent Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is Mr. Richard Siddle, MSc, MAIG, of Addison Mining Services Ltd since November 2014. The effective date of the Mineral Resource Estimate is January 13, 2020.
2. These Mineral Resources are not Mineral Reserves as they do not have demonstrated economic viability. The quantity and grade of reported Inferred Resources in this Mineral Resource Estimate are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as Indicated or Measured, however it is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
3. Mineral Resources in Table 1 are presented as undiluted and in-situ for an open-pit scenario and are considered to have reasonable prospects for economic extraction. Pit optimization was carried out assuming pit slopes of 45° with other parameters as per the cut-off grade (see below).
4. A cut-off grade of 0.7 g/t AuEq was used for the Mineral Resource Estimate. This cut-off grade was calculated on the basis of the following assumptions: a gold price of 1350 USD/oz, a silver price of 16 USD/oz, mining costs of 3.30 USD/t, mining recovery and dilution of 5% and processing costs including tailings and concentrate handling of \$21/t. G&A costs were included within mining and processing costs. Per metallurgical test work completed to date, recovery to concentrate after flotation of 89.4% for gold and 92.3% for silver were assumed; metals were assumed to be 80% payable. Recovery of gold and silver from partially oxidized material has not been tested. For the selection of cut-off grade and for pit optimization parameters, the partially oxidized material was assumed to have the same concentrate recoveries as indicated from the combined fresh rock composites.
5. Geological and block models for the Mineral Resource Estimate used data from 33 surface drillholes performed by the Company in 2018 and 2019; data from four drillholes completed by Avala Resources Ltd., a prior operator, were used to constrain the model though they did not intercept significant mineralization. The drill database was validated prior to resource estimation and QA/QC checks were made using industry-standard control charts for blanks, core duplicates and commercial certified reference material inserted into assay batches by the Company and by comparison of umpire assays performed at a second laboratory. No QA/QC was possible on the data relating to the drilling by Avala.
6. The geological model as applied to the Mineral Resource Estimate comprises two mineralized domains, a shallowly inclined high-grade hydrothermal breccia unit and a lower-grade schist unit immediately overlying the hydrothermal breccia. Individual wireframes were created for each domain. Weathering domains of fresh and partially oxidized material were defined within the two mineralised domains.
7. The block model was prepared using Micromine version 2020, Services Pack 1, A 10 m x 10 m x 4 m block model was created with sub-blocks of minimum 2 m x 2 m x 2 m on domain boundaries. Grade estimation from drillhole data was carried out for Au, Ag, As, Cu, Pb, Zn, Fe, S using Ordinary Kriging and was validated by comparison of input and output statistics, kriging neighbourhood analysis and by inspection of the assay data and block model in cross section. A gold equivalent (AuEq) grade was calculated for each block using the formula $AuEq = ((Ag \text{ g/t}) \times 0.012) + (Au \text{ g/t})$.
8. Bulk density values were calculated for each block of the model based on a broad linear relationship observed between 152 measured bulk density values within the mineralized domains and the assayed values of As, Cu, Fe, S, Pb and Zn. Blocks within the partially oxidized material were assigned a single bulk density value of 2.54 g/cm³.
9. Estimates in Table 1 have been rounded to two significant figures.
10. CIM Definition Standards for Mineral Resources have been followed.
11. The independent Qualified Person has been made aware that the Company's previously approved three-year work program for the Donje Tlamino exploration licence covering the Barje Prospect ended 31st October 2019. The Company met all minimum work and expenditure requirements related to this work program and has submitted an additional work program to cover a further 3-year exploration period. The Company has no reason to expect that the additional work program should not be renewed. The independent Qualified Person is not aware of any additional known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues that could materially affect the Mineral Resource Estimate.

Figure 1 – Cross-sections through the Barje Mineral Resource Estimate for the Barje Prospect



Metallurgical Test Work

In October 2020, the Company announced the completion of metallurgical test work from the Barje Prospect. Highlights of this work are as follows:

- Conventional flotation has produced a concentrate grading 48.9 g/t Au and 824 g/t Ag with recoveries to concentrate of 83.4 % for gold and 82.4% for silver from a composite sample representing the main hydrothermal breccias; this material type hosts approximately 72% of the total gold inventory reported in the current Mineral Resource Estimate for the Barje Prospect.
- A second composite sample representing the mineralized schist immediately above the hydrothermal breccias produced a flotation concentrate grading 24.4 g/t Au and 238 g/t Ag with recoveries to concentrate of 71.2% for gold and 79.2% for silver; this second material type hosts approximately 16% of the total gold inventory reported in the current Mineral Resource Estimate.

Metallurgical test work was performed on three composite samples derived from drill core assay rejects from the main hydrothermal breccias (“HG Fresh”), from the mineralized schist immediately above the hydrothermal breccias (“LG Fresh”) and from oxidized material developed on both the HG Fresh and LG Fresh materials (“OX”). At approximately 3.9 g/t Au, 1.0 g/t Au and 1.3 g/t Au, the head grades of these three composites are considered representative of the material types forming the basis of the Mineral Resource Estimate.

Each composite sample was characterized mineralogically using QEMSCAN and TESCAN techniques as a basis for informing metallurgical processing requirements. Subsequent flotation testing, via conventional means, of both HG and LG Fresh samples returned positive results, with HG Fresh producing a concentrate grading 48.9 g/t Au and 824.0 g/t Ag at a gold recovery of 83.4% and a silver recovery of 82.4%. HG Fresh represents approximately 72% of the total gold inventory within the Mineral Resource Estimate at Barje. Flotation testing of LG Fresh produced a concentrate grading 24.4 g/t Au and 228.0 g/t Ag at a gold recovery of 71.2% and a silver recovery of 79.2%. LG Fresh represents a further 16.5% of the total gold inventory within the Mineral Resource Estimate at Barje. While OX was not subjected to flotation test work, leaching tests have demonstrated that gold extraction of up to 80% can be achieved from this material. OX represents the balance, or 11.5%, of the total gold inventory within the Mineral Resource Estimate at Barje. Gravity test work returned gold recoveries of 41.4% for LG Fresh, 38% for HG Fresh, and 12% for OX.

All metallurgical test work was performed by ALS Metallurgical Laboratories in Kamloops, British Columbia, and overseen by Addison Mining Services Ltd. and Bara Consulting Ltd., both of the United Kingdom.

Preliminary Economic Assessment

In August 2020, the Company commenced the preparation of a Preliminary Economic Assessment (“PEA”) for the Barje Prospect. The purpose of this study is to constrain the self-standing economics of the Tlamino Project, and most particularly its capacity to yield a marketable metal concentrate, to which end a program of metallurgical test work will be completed. Addison Mining Services Ltd. and Bara Consulting Ltd., both of the United Kingdom, have been appointed as leaders of the PEA and metallurgical studies. Reach Partners Limited, also of the United Kingdom, has been engaged to provide guidance in the fields of concentrate specification and marketing terms.

The highly positive results from the metallurgical test work will be incorporated into the PEA. It is anticipated that the results of the PEA will be reported in the current quarter.

Fortuna Agreements

Pursuant to the Tlamino Option Agreement signed in March 2017, as amended, Fortuna has exercised its option to acquire a initial 51% interest in the Tlamino Project having spent a minimum of US\$3.0 million on exploration of the Tlamino Project prior to the third anniversary of the date of the Option Agreement.

In June 2020, the Company entered into a non-binding Letter of Intent (the “Letter”) with Fortuna whereby the Company will be granted an exclusive option (the “Option”) to purchase Fortuna’s 51% interest in the Tlamino Project for a cash consideration of US\$3.468 million. The Option is valid for three years and is exercisable upon the earlier of (i) the expiry of the term of the Option, (ii) the date of completion of the a sale by the Company of a 100% interest in the Tlamino Project to a third party, or (iii) the date of completion of a merger between the Company and a third party.

Should the Company not complete a sale of the Tlamino Project or corporate merger within the term of the Option, the Company will transfer its undivided 49% interest in the Tlamino Project to Fortuna for no consideration, such that Fortuna will then hold an undivided 100% interest in the Tlamino Project.

If the Company completes a sale of the Tlamino Project or corporate merger as described above and receives consideration attributable to the Project in excess of US\$13 per ounce of the Tlamino Project's inferred mineral resource, the Company will pay to Fortuna an asset sale bonus equal to 10.2% of any amount in excess of US\$13 per ounce, less all the Company's costs related to the sale or corporate merger.

The Option is subject to the execution of a definitive agreement (the "Definitive Agreement") to be entered into between the Company and Fortuna, and will contain terms and conditions customary for transactions of this type. The Option is subject to approval from the TSX Venture Exchange and the boards of directors of both companies. The Company and Fortuna have one common director.

Zlogosh Property, Bulgaria

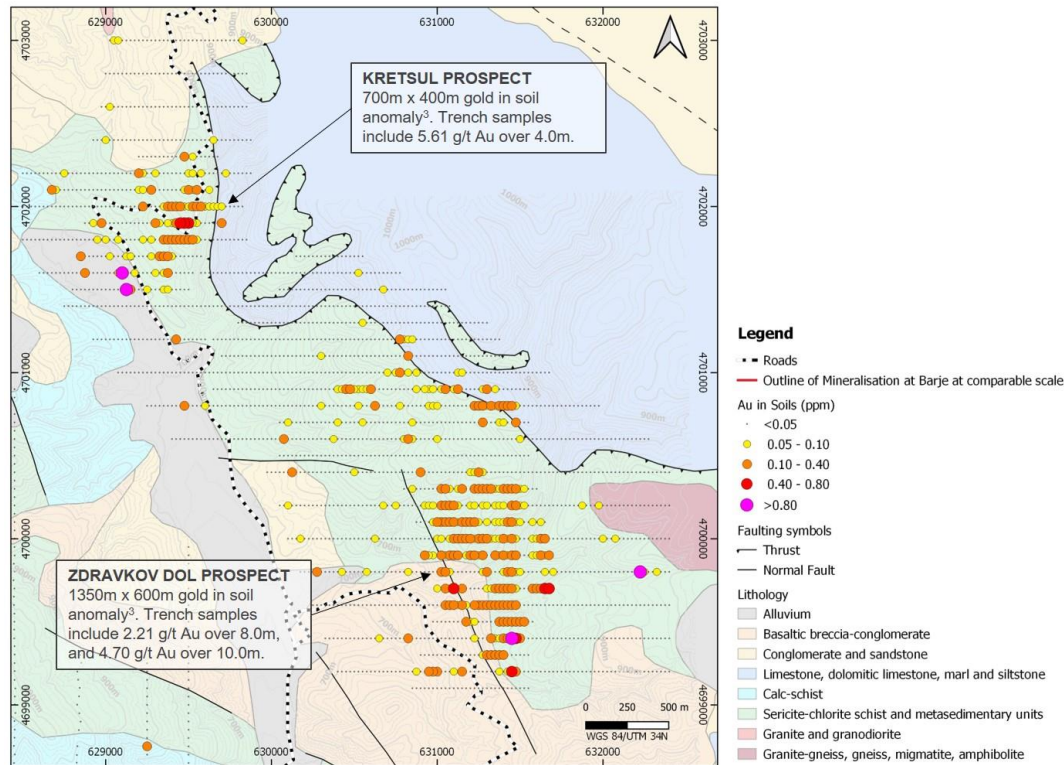
In April 2020, the Company entered into an exclusive Letter Agreement with Gecon EOOD with respect to an Exploration License application made by Gecon at Zlogosh ("Zlogosh", the "Zlogosh Property"), Kyustendil Oblast, western Bulgaria. The main mineralized targets at Zlogosh are situated approximately 40 kilometres by road from the Company's Tlamino Project in Serbia, with which they appear to share considerable geological similarity.

Work by previous operators at Zlogosh identified multiple gold-in-soil anomalies including a 1,350 metre by 600 metre anomaly named the Zdravkov Dol target. Results from limited trench sampling at Zdravkov Dol returned intervals including 4.70 g/t Au over 10.0 metres and 2.21 g/t Au over 8.0 metres. Other gold-in-soil targets include Kretsul, which returned 5.61 g/t Au over 4.0 metres in trench sampling, and Dobri Dol which returned 3.04 g/t Au over 10.0 metres and 8.64 g/t Au over 5.0 metres in trenching. The location of mineralized targets at Zlogosh is shown in Figure 2. Reported soil and trench sample results within the Zlogosh Property are the work of previous operators; this work has not been verified by the Qualified Person. Details of sample collection, preparation and analysis are not known, and no QAQC data have been reviewed for the reported work. Similarity of geology between the Zlogosh Property and the Tlamino Project is not evidence for similarity of mineralization.

Subject to satisfactory completion of due diligence and completion of permitting, the Company is planning to conduct drilling and other exploration activities at Zlogosh to test a conceptual exploration target of a similar or greater order than that seen at the Tlamino Project (see the Company's news release dated January 30, 2020). Extensive historical datasets of stream sediment, soil and rock samples are available for Zlogosh, and the Company intends to apply its understanding gained at Tlamino to these similar and highly prospective targets. The Company remains committed to the advancement of the Tlamino Project in parallel with activities at Zlogosh.

Under the terms of the Letter Agreement, the Company has the right to complete certain due diligence activities regarding Zlogosh which, if satisfactory, give the Company the right to enter into an option agreement with Gecon EOOD. Certain site and administrative aspects of the aforementioned due diligence activities are on hold due to restrictions brought about by the COVID-19 pandemic and are duly provided for under the terms of the Letter Agreement. The Letter Agreement provides that said option agreement will allow the Company to earn an initial 51% interest in Gecon EOOD by financing approximately €330,000 in permitting and permitting-related expenditures, followed by a second option to earn a further 44% interest in Gecon EOOD by incurring approximately €650,000 in exploration expenditures. The remaining 5% interest in Gecon EOOD may be purchased by the Company for €200,000 in cash on the third anniversary of the Zlogosh Exploration License once awarded or, at the election of the residual shareholder, for €200,000 in shares of the Company subsequent to the attainment of exploration expenditures to the value of €1,000,000. Gecon EOOD is a private company incorporated under the laws of the Republic of Bulgaria.

Figure 2: Location of mineralized targets at Zlogosh.



³Reported soil and trench sample results within the Zlogosh Property are the work of previous operators; this work has not been verified by the Qualified Person. Details of sample collection, preparation and analysis are not known, and no QA/QC data have been reviewed for the reported work. Similarity of geology between the Zlogosh Property and the Tiamina Project is not evidence for similarity of mineralization.

Qualified Person

Mr. Thomas Sant, FGS, CGeol, EurGeol, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this Interim MD&A.

Quarterly Information

The following table provides information for the eight fiscal quarters ended September 30, 2020:

	Sep. 30, 2020 (\$)	June 30, 2020 (\$)	Mar. 31, 2020 (\$)	Dec. 31, 2019 (\$)	Sep. 30, 2019 (\$)	June 30, 2019 (\$)	Mar. 31, 2019 (\$)	Dec. 31, 2018 (\$)
Exploration expenditures	367,993	218,019	76,917	125,001	32,762	28,489	85,511	123,703
General and administrative expenses	114,944	148,183	143,412	239,565	180,044	211,948	354,739	154,151
Loss for the period	(482,937)	(366,164)	(219,422)	(363,035)	(211,231)	(234,556)	(437,635)	(273,071)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)

Exploration expenditures for the first six quarters presented were lower than the two most recently completed quarters due to option agreement funding from Fortuna ceasing during the quarter ended March 31, 2020. General and administrative expenses for the quarter ended March 31, 2019 was higher than other quarters presented due to a share-based payment charge of \$197,678 which related to the granting of stock options.

Results of Operations

Quarter ended September 30, 2020

For the quarter ended September 30, 2020, the Company had a net loss of \$482,937 compared to a net loss of \$211,231 for the quarter ended September 30, 2019, an increase of \$271,706. This increase was due to exploration costs being \$367,993 for the current quarter compared to \$32,762 for the comparative quarter, an increase of \$335,231. The current quarter exploration costs were significantly higher because Fortuna funding on the Tlamino Project ceased earlier in the fiscal year and therefore there were no exploration cost recoveries in the current quarter.

General and administrative expenses totaled \$114,944 for the current quarter compared to \$180,044 for the comparative quarter, a decrease of \$65,100. This decrease is partly due to the comparative quarter including a share-based payments expense of \$30,336 compared to no such expense for the current quarter. The share-based payments expense relates to the granting of stock options during the comparative period. Other notable cost decreases in the current quarter were in shareholder communications, travel and accommodation, and salaries and benefits which was due to reduced corporate activity and cost cutting efforts in response to the COVID-19 pandemic. The Company also used less investor relations services during the current quarter.

Nine months ended September 30, 2020

For the nine-month period ended September 30, 2020, the Company had a net loss of \$1,068,523 compared to a net loss of \$883,422 for the nine-month period ended September 30, 2019, a decrease of \$185,101.

Exploration costs for the current period were \$662,929 compared to \$146,762 for the comparative period, an increase of \$516,167. As with the quarterly comparison, exploration costs for the comparative period were less because of cost recoveries relating to Fortuna funding throughout that entire period whereas the current period recorded cost recoveries on the Tlamino Project activity for just a portion of the period.

General and administrative expenses totaled \$406,539 for the current period compared to \$746,731 for the comparative period, a decrease of \$340,192 which is primarily due to the comparative period including a share-based payments expense of \$278,231 relating to the granting of stock options while the current period recorded no such expense. As with the quarterly comparison, other most notable cost decreases were in shareholder communications, travel and accommodation, and salaries and benefits which was also due to reduced corporate activity and cost cutting efforts in addition to less investor relations services during the current period. Management fees were higher for the current period due in part to an increase in the CEO's compensation commencing in April 2019 and a change in the allocation of his compensation between general administration and exploration.

Liquidity and Capital Resources

The Company's cash and cash equivalent resource as at September 30, 2020 was \$1,636,580 compared to \$704,127 as at December 31, 2019. As at September 30, 2020, the Company had current assets totaling \$1,651,113 and current liabilities totaling \$131,540, for working capital of \$1,519,573.

In October 2018, the Company raised gross proceeds of \$1,470,840 from a private placement financing to fund general working capital requirements. From 2017 until February 2020, the Company's operations on the Tlamino Project were largely funded by Fortuna.

During the period ended September 30, 2020, the Company completed a private placement financing for gross proceeds of \$2,000,000 to fund exploration work and general working capital requirements. With this financing, the Company expects it will have sufficient capital resources to cover its corporate operating costs and exploration expenditures through the next twelve months.

The Company will seek to raise additional capital from time to time and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity.

Related Party Transactions

See Note 11 of the condensed interim consolidated financial statements for the nine months ended September 30, 2020 for details of other related party transactions which occurred in the normal course of business.

Other Data

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

Share Position and Outstanding Options and Warrants

As at the date of this Interim MD&A, the Company's outstanding share position is 134,789,032 common shares and the following stock options and share purchase warrants are outstanding:

No. of options	Exercise price	Expiry date
1,680,000	\$0.15	February 23, 2024
500,000	\$0.11	June 18, 2024
1,110,000	\$0.15	June 28, 2026
200,000	\$0.20	July 24, 2027
100,000	\$0.20	February 7, 2028
2,025,000	\$0.15	January 15, 2029
570,000	\$0.15	June 2, 2029
6,185,000		
No. of warrants	Exercise price	Expiry date
40,870,000	\$0.10	July 14, 2023

Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2019.

Risks and Uncertainties

Global Pandemic

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the COVID-19 coronavirus which was declared a global pandemic by the World Health Organization in March 2020. COVID-19 infections have been reported globally.

The extent to which COVID-19 may impact the Company's business, including its operations and the market for its securities, will depend on future developments which cannot be predicted, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. The continued spread of COVID-19 globally could materially and adversely impact the Company's business, financial condition and results of operations including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to any drill programs and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation.

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

The Company's mineral properties are located in economically stressed, but politically stable European countries and consequently may be subject to a higher level of risk compared to less economically stressed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in such nations can be affected by changing economic, regulatory and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration expenditures in British pound sterling, Euros, and Serbian dinars. At this time there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the British pound sterling, Euro, or Serbian dinar 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.