



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2016

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, 2016. The following information, prepared as of April 26, 2017, should be read in conjunction with the December 31, 2016 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 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 MD&A include, without limitation, statements relating to:

- the Company’s planned exploration activities for its mineral properties;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company’s cash position and its ability to raise equity capital or access debt facilities; and
- maturities of the Company’s financial liabilities or other contractual commitments.

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

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

- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;

- property title matters;
- local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition; and
- uncertainties relating to general economic conditions.

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

Forward-looking Statements contained in this 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 company engaged in the acquisition and exploration of precious and base metals properties. The Company is focusing on early- to mid-stage exploration projects in Europe in jurisdictions which are mining-friendly, with a strong mining code, and with excellent geological potential. The current focus is in Serbia and new jurisdictions are being reviewed.

Exploration Review

The Company is targeting gold (silver, lead and zinc) properties in the Oligo-Miocene igneous belt of 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 government, predominantly through 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. (“Fortuna”), for the purposes of generating gold-silver exploration projects in Serbia. The Company has been granted several exploration licences, and is in the process of applying for more, following multiple phases of project generation work. The work led to the identification of the Tlamino Project, where some highly significant channel-chip results have been obtained, and also led Fortuna to option the Project in March 2017.

In Portugal, the Company has taken the decision to significantly reduce exploration efforts, and will be letting a number of exploration licences lapse at the end of their term. The work completed over the last year has not successfully identified significant and large-scale mineralization suitable to justify further exploration expenditures.

Serbia

The Company has been granted six exploration licences, each covering approximately 100 square kilometres, targeting gold-silver epithermal and gold-dominant porphyry systems associated with the Oligo-Miocene igneous belt in the central and southern parts of the country. Five of these licences are located on the borders of Macedonia

and Bulgaria, in the very south of the country, and include the Donje Tlamino and Surlica-Dukat licences, which comprise the Tlamino Project optioned to Fortuna. The Company has applied for a further two licences, covering new targets generated through the strategic alliance with Fortuna.

Strategic Alliance with Fortuna

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

The private placement is part of a broader strategic alliance between the Company and Fortuna to explore for precious metal deposits in Serbia. The Company was required to use a minimum of 80% of the financing proceeds on project-generating exploration in Serbia within 12 months, which the Company had completed by January 2017. In February 2017, Fortuna exercised all of its warrants, and the Company is obligated to spend a minimum of 80% of the exercise proceeds on further reconnaissance work in Serbia within 12 months following the date of the warrant exercise.

Pursuant to the strategic alliance, as amended in January 2017, Fortuna has the right to enter into an option agreement to earn up to a 70% interest in up to two of the geological target areas (each a "Selected Property") identified by the Company's project generation and exploration work in Serbia. To acquire an initial 51% interest in the Selected Property, Fortuna must spend a minimum of US\$3.0 million on the Selected Property by no later than the third anniversary of the date of the option agreement. Once it has earned 51%, Fortuna can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Selected Property by completing a preliminary economic assessment on the Selected Property and spending an additional US\$5.0 million in qualified expenditures within three years following the date of the election by Fortuna.

In March 2017, Fortuna identified the Tlamino Project (comprised of the Donje Tlamino and Surlica-Dukat licences) as its first Selected Property, and the Company and Fortuna signed an Option Agreement in connection therewith. The Option Agreement was approved by the TSX Venture Exchange in April 2017.

Project Generative Work

The Company's field teams have been actively undertaking reconnaissance work on highly prospective ground in Serbia, including remote sensing and desktop GIS studies. In late 2016, the Company was granted five exploration licences as a block of five contiguous licences totalling 500 square kilometres in the southeast of the country, bordering Macedonia and Bulgaria. A sixth exploration licence was granted in March 2017.

The block of five contiguous licences is located in the Serbo-Macedonian Massif ("SMM"), a belt of crustal rocks that runs through Serbia along a north-south axis, extending southwards through Macedonia and Bulgaria and into Greece. In Serbia, the SMM is west of, but parallel to, the Carpatho-Balkanides, which includes the Timok Magmatic Complex (TMC), host to a number of copper-gold porphyry-epithermal deposits. The SMM is under-explored when compared to the TMC, having seen lead and zinc exploration work by the Yugoslav government in the 1960s and 70s, but far less exploration post-2000. The sixth licence is located in the Carpatho-Balkanides along the contact of the SMM. The five contiguous licences are located along the Macedonian and Bulgarian borders, approximately 40 kilometres southeast of the city of Vranje, in southeast Serbia. They cover areas of Palaeozoic metasediments, including calcareous schists and marbles, which have been intruded by a series of Oligo-Miocene porphyritic felsic igneous dykes, and locally covered with recent alluvial sediments. Contact zones between dykes and favourable country rock are responsible for many of the known base and precious metal showings within the licence areas. Fairly extensive exploration was completed by the Yugoslav government in the 1960s and 1970s for lead and zinc. Precious metals are often referenced in the historical and archival exploration documentation, but were not the focus of any exploration efforts, nor systematically documented. Today, it is recognized that these mineralized systems are intermediate-sulphidation epithermal in nature, and management believes that their lack of historical precious metal exploration presents significant upside potential for the Company.

In 2016, the Company purchased an exploration dataset from Dundee Precious Metals which had in previous years conducted regional exploration campaigns over parts of these licence areas. The data include regional stream sediment sampling results and a number of fairly detailed soil sampling grids over historical showings and gold-anomalous stream sediment and rock chip results. The data are currently being reviewed and will be followed-up with a series of ground-truthing and quality-control exercises.

The sixth licence, called Kalna, is located on the Bulgarian border, approximately 50 kilometres northeast of the Tlamino Project and 20 kilometres south of the town of Pirot.

A further two licences have been applied for and are currently being processed by the Ministry of Mines in Serbia.

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

The Tlamino Gold Project

The Tlamino Gold Project is located in southern Serbia, and includes two historical showings: Liska and Barje. Both showings are associated with a regional east-west striking detachment fault, which in the vicinity of these showings has been overlain by conglomerates. Mineralization is located at the contact of the basement metamorphic rocks and the base of the conglomerate cover. Liska, located approximately 1.5 kilometres to the southwest of Barje, was drilled in the 1970s by Yugoslav state companies, and a lensoid-shaped mineralized volume of rock with 1-2 % combined Pb & Zn was found to strike NE towards Barje. The mineralization at Liska is located at the base of the conglomerate and parallel to the slope of the detachment fault. Liska was found to contain only anomalous concentrations of precious metals. At Barje, base metal contents are lower, but precious metals are found in much higher concentrations. The area between the two showings is overlain by a thin conglomerate cover likely in the range of 50 – 100 metre in thickness, and the Company considers the exploration potential under the conglomerate, between the two showings, to be excellent.

After identifying the project in the fall 2016, the Company completed a series of saw-cut surface channel samples over the outcrop at Barje, where approximately 70 metre x 25 metre of mineralized tectonic breccia is exposed on surface at the edge of the conglomerate cover. A total of 132 linear samples of 1 m in length by approximately 8 centimetres in width and 4 centimetres in depth, were collected from 7 channels, designed to test as large an areal extent of the outcrop as possible. Three channels were cut across the outcrop in an east-west direction, while 4 channels were cut across the outcrop in a general north-south direction. Gold assays ranged from 0.78 g/t Au to 132.5 g/t Au, with an average grade of 8.11 g/t Au and a median grade of 4.74 g/t Au. Silver concentrations ranged from 10.3 g/t Ag to 2110 g/t Ag, with an average grade of 210.6 g/t Ag and a median grade of 111.5 g/t Ag.

Applying a top-cut of 31.104 g/t Au (affects 4 / 132 samples) and 700 g/t Ag (affects 6 / 132 samples), the channel length-weighted assay averages are summarized as follows:

Channel	Orientation	Length (m)	Au (g/t)	Ag (g/t)	AuEq (g/t)*	Pb (%)	Zn (%)
1	EW	30	6.64	137.1	8.60	0.33	0.13
2	EW	40	8.32	193.0	11.08	0.29	0.07
3	NS	11	5.55	189.3	8.25	0.20	0.03
4	NS	12	8.63	351.8	13.66	0.44	0.06
5	NS	18	5.71	207.1	8.67	0.54	0.18
6	EW	14.5	3.23	59.6	4.08	0.28	0.01
7	NS	7	7.05	82.0	8.22	0.61	0.02

*Gold equivalent (AuEq) calculated for gold and silver using a gold:silver price ratio of 70:1.

The channel samples described here represent the sampling of an outcrop face. The Company's current exploration model for Barje is premised on the interpretation that the outcrop face represents a faulted oblique cross-section through 'strata-bound' mineralization striking NE-SW, and located at the base of the conglomerate sequence, directly analogous to the mineralization at Liska. However, the Company does not yet have direct observational evidence to suggest its interpretation is correct. The reader is cautioned therefore that the true thickness of the mineralization described here is unknown, and further work will be required before the true thickness of mineralization can be determined.

A plan map showing the locations of the channel samples has been posted on the Company's website at <http://www.medgoldresources.com/>.

Following the completion of a detailed structural interpretation of the geology between the Barje and Liska prospects, a program of ground geophysics is now underway, and will be completed by June 2017. The induced polarization & resistivity (IP-Res) survey will be focused along east-west lines for a total of 34 line-km. The objective of the survey is to attempt to recognize the geophysical signature of the Liska mineralization, which is well

constrained by historical drilling, and if successful use this signature to search for buried mineralization in the vicinity of the Barje outcrop. The geophysics may also help to map faults and the base of the conglomeratic cover.

In addition to the IP-Res survey at Barje-Liska, a second program of approximately 27 line-km will be conducted over the Karamanica prospect, located approximately 8 kilometres to the west-northwest of Barje-Liska, and also located within the Donje Tlamino and Surlica-Dukat licences.

Further work at Barje-Liska will include the completion of a proposed 1,500 metre diamond drilling program, aiming to test the high-grade mineralization sampled at Barje and any significant IP anomalies identified from the geophysical survey. The drilling contractor has been selected and drilling is expected to commence in late July or early August 2017.

Portuguese Projects

The Company currently holds five exploration licences in Portugal which are focused on orogenic gold systems with a total land-holding of over 1,000 square kilometres.

Following the completion of a 2,500 metre diamond drilling program at Boticas in 2016, and a 3,000 metre diamond drilling program in 2015 at Lagares, both under an Option Agreement with Centerra Gold Inc. (“Centerra”), it has been determined that these projects hold insufficient exploration upside to warrant further work, and the licences will be allowed to lapse on the expiration dates later this year. Centerra have decided to withdraw from the Option Agreement which covers both Boticas and Lagares licences. As a result, the Company will be significantly reducing our presence in Portugal, decreasing our exploration team and land-holding. The Company’s option agreement with Luso Recursos for the Marrancos project will also be terminated.

A summary of the projects are described below.

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.

In 2015, the Company and Centerra completed a diamond core drilling program on the Lagares Project. A total of 31 drill holes were completed for a total of 2,988.05 metres at the Castromil, Serra da Quinta and Castromil North prospects.

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

Castromil

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

Serra da Quinta

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

See the Company’s news releases dated July 27, and September 28, 2015.

Boticas Gold Project

The Boticas Gold Project is located in the north of Portugal close to the Spanish border and is comprised of the Boticas licence (106 square kilometres) which is fully enveloped by the Chaves licence (approximately 500 square kilometres). The licences host orogenic-type mineralization hosted exclusively within granites. The principal prospect is the Limarinho prospect, located in the Boticas licence, which has been the focus of ancient exploitation and historical exploration, and is an east-northeast-trending zone comprised of sericitic alteration and a series of gold mineralized lenses.

In 2016, the Company and Centerra completed a diamond core drilling program on the Boticas Project focused on the Limarinho prospect. A total of 15 drill holes were completed for a total of 2515.85 metres. Highlights from the program include the following best intercepts:

- MBT001: 49.13 m @ 1.43 g/t Au, from 20.87 m
- MBT002: 14.60 m @ 1.13 g/t Au, from 85.60 m
- MBT003: 7.90 m @ 3.40 g/t Au, from 107.00 m
- MBT005: 20.70 m @ 2.54 g/t Au, from 12.95 m
- MBT008: 59.0 m @ 1.30 g/t Au, from 12.00 m

See the Company's news release dated December 21, 2016.

Marrancos Gold Project

On June 29, 2016, the Company entered into an option agreement to acquire up to a 100% interest in the Marrancos Gold Project which covers a total area of 39 square kilometres in the Braga District in central-northern Portugal, about 20 kilometres north of the city of Braga. The Marrancos Project is centred on the intersection of the northwest-trending Vigo-Regua fault and the northeast-trending Portela das Cabras-Carbalinho fault, which is considered to be the macro-control on the regional mineralization.

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

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

Caramulo Gold Project

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

The Company commenced field work in the 2016, with a program of reconnaissance mapping and sampling, covering the main soil anomalous corridor, as identified by both Rio and the Geological Survey. A strike extensive shear corridor, containing multi centimetric veins, has been identified and is extensive over 100s of metres. A number of rock samples yielded anomalous results from zones between the historically identified prospects.

Quality Assurance and Quality Control (QA-QC)

Channel sampling at Barje followed a standardized protocol to ensure representative and unbiased quantities of material from across each sample. Samples were delivered by Company personnel directly to the assay lab prep facilities in Bor, Serbia. Samples were analysed by ALS Chemex using analytical method codes Au-ICP21 and ME-MS61, with overlimits for gold and silver analysed by GRA21, and for Ag, Pb, and Zn by OG62. The Company routinely inserted appropriate multi-element geochemical standards and blanks into its sample stream at Barje, and additionally collected regular field duplicate samples.

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

Qualified Person

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

Selected Annual Information

The following table provides financial results for the years ended December 31, 2016, 2015 and 2014:

	2016 (\$)	2015 (\$)	2014 (\$)
Exploration expenditures	863,157	512,331	940,619
General and administrative expenses	1,078,061	711,933	1,008,237
Net loss	2,200,346	1,182,037	2,048,113
Basic and diluted loss per share	0.04	0.03	0.06
Total assets	1,603,587	1,089,109	1,407,082
Total long-term liabilities	-	206,202	204,456
Cash dividends	-	-	-

General and administrative expenses for the 2016 and 2014 fiscal years were both higher than that for the 2015 fiscal year due primarily to share-based payments expense relating to the granting of stock options. The share-based payment expense for 2016 was \$416,919 compared to \$46,468 for 2015 and \$486,570 for 2014. As of December 31, 2016, the Company had no long-term liability as this related to a convertible debenture that was settled during 2016.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2016:

	Dec. 31, 2016 (\$)	Sep. 30, 2016 (\$)	June 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)	Sep. 30, 2015 (\$)	June 30, 2015 (\$)	Mar. 31, 2015 (\$)
Exploration expenditures (recovery)	(68,610)	595,109	183,013	153,645	150,630	150,852	92,263	118,586
General and administrative expenses	267,330	130,768	549,901	130,062	408,788	6,497	90,439	206,209
Net loss	458,556	725,169	732,914	283,707	518,155	156,781	182,702	324,399
Basic and diluted loss per share	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.01

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

Results of Operations

Quarter ended December 31, 2016

For the quarter ended December 31, 2016, the Company had a net loss of \$458,556 compared to a net loss of \$518,155 for the quarter ended December 31, 2015, a decrease of \$59,599. This decrease is primarily due to a net recovery of \$68,610 in exploration costs in the current quarter compared to \$150,630 in expenditures in the comparative quarter, a difference of \$219,240. The current quarter net cost recovery of exploration expenditures is related to the Centerra option agreement whereby Centerra reimbursed the Company for costs incurred on their behalf, including exploration bonds. The current quarter also recorded a write-down of exploration and evaluation assets of \$252,126 on its Portugal properties compared to a write-down of \$1,073 in the comparative quarter.

General and administrative expenses totaled \$267,330 for the current quarter compared to \$408,788 for the comparative quarter, a decrease of \$141,458. The general and administrative costs for the comparative quarter were significantly higher largely due to a foreign exchange loss of \$249,579, compared to \$87,096 in the current quarter, a difference of \$162,483. Other than foreign exchange loss, a notable cost decrease in the current quarter was in legal and accounting as more legal services were required during the comparative quarter relating to mineral property agreements. The most significant cost increase in the current quarter was in interest charges. The higher interest charges were associated with convertible note debt of which the principal was fully settled by being converted to shares, and cash paid for accumulated interest.

Year ended December 31, 2016

For the year ended December 31, 2016, the Company had a net loss of \$2,200,346 compared to a net loss of \$1,182,037 for the year ended December 31, 2015, an increase of \$1,018,309. Exploration costs, net of recoveries, for the current year were \$863,157 compared to \$512,331 for the comparative year, an increase of \$350,826. The current and comparative years recorded the same write-downs of \$252,126 and \$1,073, respectively, on exploration and evaluation asset costs as in the quarterly periods.

General and administrative expenses totaled \$1,078,061 for the current year compared to \$711,933 for the comparative year, an increase of \$366,128. Contributing to this increase is a share-based payment expense of \$416,919 for the current year whereas the comparative year recorded an expense of \$46,468. These share-based payment expenses are related to stock options granted during those periods. Notable cost increases in the current year involved interest charges and finance costs. As with the quarterly comparison, the higher interest charges relate to the conversion of convertible note debt to common shares and payment of accrued interest in cash during the current year. Finance costs during the current year totaled \$20,176 while no such charge was recorded in the comparative year. The finance cost relates to a short-term loan to the Company that was obtained and settled within the current year and consisted of interest, transaction costs, and the value attributed to warrants issued to the lender as a loan fee. Also similar to the quarterly comparison, there was a significant cost decrease during the current year in legal and accounting fees due to a greater requirement for such services in the comparative year. A notable cost decrease in the current year was in management fees. The lower management fees were due to a portion of the Chief Executive Officer's compensation being allocated to exploration expenditures during the current year.

Liquidity and Capital Resources

The Company's cash resource as at December 31, 2016 was \$837,243, an increase from \$215,282 as at December 31, 2015. At December 31, 2016, the Company had current assets totaling \$976,118 and current liabilities totaling \$238,870, for working capital of \$737,248. No longer included in current liabilities is the liability component of the convertible debenture debt that was issued in 2013 and had a maturity date of April 11, 2017 as the principal amount of \$975,000 for the debenture was converted into 2,166,667 common shares of the Company and accrued interest totaling \$319,054 was paid in full settlement of the debt during the year ended December 31, 2016.

On March 24, 2016, the Company obtained a short-term loan of \$100,000 to provide funding for general working capital requirements. The loan was repayable within six months and subject to interest at 8% per annum. In consideration for the loan, the Company issued to the lender share purchase warrants to purchase up to 500,000 common shares of the Company, exercisable for one year at \$0.09 per share. The loan was settled during the year ended December 31, 2016 and a total of \$1,742 in interest paid.

During the year ended December 31, 2016, the Company raised gross proceeds totaling \$1,700,000 from two private placements. The first placement raised \$200,000 and consisted of 2.0 million units at \$0.10 per unit. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one

additional common share of the Company at \$0.12 until May 11, 2017. The second placement raised \$1,500,000 and consisted of 10.0 million units at \$0.15 per unit. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.15 until June 16, 2017. The proceeds from the first placement were used for exploration expenditures and general working capital requirements. Of the \$1,500,000 proceeds from the second placement, at least 80% was used towards project generation and exploration activity in Serbia.

During the period ended December 31, 2016, the Company also raised \$981,454 through the exercise of 6,256,240 share purchase warrants. These warrant proceeds have been used for exploration expenditures and general working capital requirements. Subsequent to December 31, 2016, another 12,413,573 warrants were exercised, raising additional proceeds of \$1,838,320. Of these warrant proceeds, \$1,500,000 was from Fortuna and at least 80% of that amount must be used towards project generation and exploration activity in Serbia. The balance of the proceeds from the warrant exercises will be used for exploration expenditures and general working capital requirements.

The Company's current capital resources, which includes the capital raised subsequent to December 31, 2016, is considered sufficient to cover its corporate operating costs and carry out planned exploration activities for the next twelve months. 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.

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 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 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, 2016, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2016				December 31, 2015		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Serbian Dinars (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	\$ 186,067	\$ 5,442	\$ 156,316	\$ 73,054	\$ 13,987	\$ 4,043	\$ 130,189
Amounts receivable	-	-	25,380	70,469	-	-	-
Accounts payable and accrued liabilities	(20,806)	-	(134,051)	(42,949)	(46,919)	-	(216,059)
Net exposure	\$ 165,261	\$ 5,442	\$ 47,645	\$ 100,574	\$ (32,932)	\$ 4,043	\$ (85,870)

Based on the above net exposures at December 31, 2016, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$31,900 (2015: \$11,500) increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2016, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

Related Party Transactions

The Company had transactions during the periods ended December 31, 2016 and 2015 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, administrative and exploration related charges
Focus Ventures Ltd. (“Focus”)	Shared administrative salary charges
Mill Street Services Ltd. (“Mill Street”)	Management services
Fortuna	Investment in the Company and mineral property option agreement

During the periods ended December 31, 2016 and 2015, 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,	
	2016	2015	2016	2015
General and administrative expenses:				
Office and administration	\$ 20,584	\$ 21,481	\$ 85,076	\$ 75,856
Salaries and benefits	28,410	21,740	108,817	100,188
Shareholder communications	-	-	1,241	3,871
Transfer agent and regulatory fees	100	1,239	4,249	5,825
Travel and accommodation	593	3,684	14,078	14,015
	\$ 49,687	\$ 48,144	\$ 213,461	\$ 199,755
Exploration expenditures	\$ -	\$ -	\$ -	\$ 2,634

Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits for the years ended December 31, 2016 and 2015 include those for the Chief Financial Officer and the Corporate Secretary.

During the year ended December 31, 2016, the Company reimbursed Radius, a company with a common director, \$91,546 (2015: \$44,436) in shared salary and benefits for the services of a geologist.

During the year ended December 31, 2016, the Company reimbursed Focus, a company with common directors, \$9,150 (2015: \$11,074) in shared salary and benefits costs for the Company’s former vice-president.

Prepaid expenses and deposits as at December 31, 2016 include an amount of \$1,122 (2015: \$2,250) paid to Gold Group for administrative expenses paid in advance on the Company’s behalf.

Long-term deposits as of December 31, 2016 consists of \$61,000 (2015: \$61,000) paid to Gold Group as a deposit pursuant to an office and administrative agreement.

Amounts due to related parties as of December 31, 2016 consist of \$18,792 (2015: \$54,331) owing to Gold Group for accrued shared administrative costs; \$13,968 (2015: \$8,224) owing to Radius for shared personnel costs; and \$Nil (2015: \$10,500) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management services. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for Radius and Mill Street were unsecured, interest-free and had no specific terms of repayment.

During the year ended December 31, 2016, Radius exercised 2,000,000 share purchase warrants at cost of \$300,000, thereby acquiring 2,000,000 common of shares of the Company.

During the year ended December 31, 2016, Fortuna, a company with a common director, acquired 10,000,000 common shares of the Company by way of a private placement for \$1,500,000 and entered into a strategic alliance relating to project generation in Serbia.

Subsequent to December 31, 2016, Fortuna exercised 10,000,000 share purchase warrants at cost of \$1,500,000, thereby acquiring 10,000,000 common of shares of the Company. As a result of its warrant exercise, Fortuna owns 20,000,000 common shares of the Company, or approximately 24% of the issued capital of the Company at the time of exercise. According to TSX Venture Exchange policies, Fortuna is deemed to be a control person of the Company as it owns more than 20% of the issued shares of the Company.

Key Management Compensation

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 2016 and 2015 at their exchange amounts are the following items paid or

accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Management fees	\$ 35,820	\$ 37,110	\$ 129,027	\$ 150,697
Geological fees	46,230	33,164	148,541	136,045
Salaries and benefits	9,167	8,250	28,875	29,792
Value of stock options grants recorded as share-based payments	-	-	137,357	-
	\$ 91,217	\$ 78,524	\$ 443,800	\$ 316,534

During the year ended December 31, 2016, the Company issued in quarterly instalments, a total of 300,000 common shares of the Company (2015: 435,520 common shares) to Daniel James in part consideration for his ongoing services as the Company's President during 2016. Included in management fees during the year ended December 31, 2016 is the total fair value of the share issuances of \$46,875 (2015: \$41,920).

The value of stock options granted to directors not specified as key management personnel during the year ended December 31, 2016 and recorded as share-based based payments expense totaled \$96,956 (2015: \$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 26, 2017, the Company's outstanding share position is 85,014,175 common shares and the following stock options and share purchase warrants are outstanding:

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

No. of warrants	Exercise price	Expiry date
1,853,700	\$0.12	May 11, 2017
1,900,000	\$0.15	September 20, 2017
2,900,000	\$0.15	October 12, 2017
6,653,700		

Future Accounting Changes

The Company will be required to adopt the following standards and amendments issued by the IASB as described below. The Company is in the process of evaluating the impact of the new standards and amendments on its financial statements.

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

Issued by IASB January 29, 2016

Effective for annual periods beginning January 1, 2017

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)

Issued by IASB January 19, 2016

Effective for annual periods beginning January 1, 2017

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IFRS 9 Financial Instruments

Issued by IASB July 2014

Effective for annual periods beginning January 1, 2018

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

IFRS 16 Leases

Issued by IASB January 2016

Effective for annual periods beginning January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

Issued by IASB November 2016

Effective for annual periods beginning January 1, 2018

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

The Company's mineral properties are located in economically stressed, but politically stable European countries and consequently may be subject to a higher level of risk compared to less economically stressed countries.

Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in such nations can be affected by changing economic, regulatory and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration expenditures in British pound sterling, 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.