



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018

(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, 2018. 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, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 519,462	\$ 1,038,406
Amounts receivable	191,218	204,937
Prepaid expenses and deposits (Note 12)	51,127	28,296
<b>Total current assets</b>	<b>761,807</b>	<b>1,271,639</b>
<b>Non-current assets</b>		
Long-term deposits (Note 12)	61,000	61,000
Exploration bonds	16,522	16,557
Property and equipment (Note 7)	161,142	179,919
Exploration and evaluation assets (Note 8)	43,020	43,020
<b>Total non-current assets</b>	<b>281,684</b>	<b>300,496</b>
	<b>\$ 1,043,491</b>	<b>\$ 1,572,135</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 100,898	\$ 103,770
Due to related parties (Note 12)	39,970	19,400
Exploration advances (Note 12)	272,312	-
<b>Total liabilities</b>	<b>413,180</b>	<b>123,170</b>
<b>Shareholders' equity</b>		
Share capital (Note 9)	12,439,083	12,313,267
Other equity reserves (Note 9)	1,169,204	1,095,432
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(12,820,024)	(11,801,782)
<b>Total shareholders' equity</b>	<b>630,311</b>	<b>1,448,965</b>
	<b>\$ 1,043,491</b>	<b>\$ 1,572,135</b>

APPROVED ON BEHALF OF THE BOARD ON NOVEMBER 26, 2018:

"Simon Ridgway"  
Simon Ridgway, Director

"Daniel James"  
Daniel James, 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,	
	2018	2017	2018	2017
<b>Exploration expenditures</b> (Note 11)	\$ 89,726	\$ 292,466	\$ 381,795	\$ 831,420
<b>General and administrative expenses</b>				
Depreciation	10,348	9,602	31,189	23,748
Foreign exchange loss (gain)	20,059	7,535	3,623	(8,816)
Office and administration (Note 12)	14,136	25,457	53,785	71,921
Legal and accounting	6,039	13,749	48,754	49,956
Management fees (Note 12)	27,600	36,200	82,800	90,120
Salaries and benefits (Note 12)	23,926	26,484	70,864	82,937
Shareholder communications (Note 12)	29,150	33,943	144,883	80,329
Share-based payments (Note 10)	107,634	128,554	138,088	128,554
Transfer agent and regulatory fees (Note 12)	1,439	1,389	13,882	17,048
Travel and accommodation (Note 12)	15,026	20,140	52,060	34,144
	255,357	303,053	639,928	569,941
<b>Loss before other items</b>	(345,083)	(595,519)	(1,021,723)	(1,401,361)
<b>Other items</b>				
Interest and other income	1,285	1,337	3,481	2,762
<b>Loss from continuing operations</b>	(343,798)	(594,182)	(1,018,242)	(1,398,599)
Loss on discontinued operations (Note 6)	-	(31,143)	-	(398,271)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (343,798)</b>	<b>\$ (625,325)</b>	<b>\$ (1,018,242)</b>	<b>\$ (1,796,870)</b>
Loss per share from continuing operations, basic and diluted	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.02)
Loss per share from discontinued operations, basic and diluted	\$ -	\$(0.00)	\$ -	\$(0.01)
Weighted average number of shares outstanding	89,886,232	85,693,384	89,711,397	83,437,654

*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, 2018 and 2017

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves				Deficit	Total shareholders' equity
			Warrants reserve	Share-based payment reserve	Accumulated other comprehensive income (loss)			
Balance, December 31, 2016	72,600,602	\$ 9,264,500	\$ 541,393	\$ 949,957	\$ (173,664)	\$ (9,217,469)	\$ 1,364,717	
Loss for the period	-	-	-	-	-	(1,796,870)	(1,796,870)	
Shares issued for services	97,727	21,500	-	-	-	-	21,500	
Warrants exercised	16,700,073	2,481,295	-	-	-	-	2,481,295	
Transfer of reserves on exercise of warrants	-	507,172	(507,172)	-	-	-	-	
Share-based payments	-	-	-	128,554	-	-	128,554	
Balance, September 30, 2017	89,398,402	12,274,467	34,221	1,078,511	(173,664)	(11,014,339)	2,199,196	
Loss for the period	-	-	-	-	-	(787,443)	(787,443)	
Shares issued for services	117,830	21,500	-	-	-	-	21,500	
Transfer of reserves on exercise of warrants	-	17,300	(17,300)	-	-	-	-	
Unrealized foreign exchange gain	-	-	-	-	15,712	-	15,712	
Balance, December 31, 2017	89,516,232	12,313,267	16,921	1,078,511	(157,952)	(11,801,782)	1,448,965	
Loss for the period	-	-	-	-	-	(1,018,242)	(1,018,242)	
Options exercised	370,000	61,500	-	-	-	-	61,500	
Transfer of reserves on exercise of options	-	64,316	-	(64,316)	-	-	-	
Share-based payments	-	-	-	138,088	-	-	138,088	
<b>Balance, September 30, 2018</b>	<b>89,886,232</b>	<b>\$ 12,439,083</b>	<b>\$ 16,921</b>	<b>\$ 1,152,283</b>	<b>\$ (157,952)</b>	<b>\$ (12,820,024)</b>	<b>\$ 630,311</b>	

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,	
	2018	2017	2018	2017
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss from continuing operations for the period	\$ (343,798)	\$ (594,182)	\$ (1,018,242)	\$ (1,398,599)
Items not involving cash:				
Shares issued for management fees	-	21,500	-	21,500
Depreciation	10,348	9,602	31,189	23,748
Share-based payments	107,634	128,554	138,088	128,554
	(225,816)	(434,526)	(848,965)	(1,224,797)
Changes in non-cash working capital balances:				
Amounts receivable	(26,291)	(2,373)	8,309	55,781
Prepaid expenses and deposits	(24,632)	(92,458)	(22,831)	(114,570)
Accounts payable and accrued liabilities	(57,756)	(16,294)	25,389	(7,514)
Due to related parties	737	6,250	20,570	23,617
Exploration advances	272,312	-	272,312	-
Operating cash flow used by continuing operations	(61,446)	(539,401)	(545,216)	(1,267,483)
Operating cash flow used by discontinued operations	-	(164,450)	(22,851)	(467,681)
Net cash used by operating activities	(61,446)	(703,851)	(568,067)	(1,735,164)
<b>FINANCING ACTIVITIES</b>				
Net proceeds from issuance of common shares	-	642,975	61,500	2,481,295
Net cash provided from financing activities	-	642,975	61,500	2,481,295
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(10,097)	3,149	(12,412)	(111,236)
Cash provided from (used by) continuing operations	(10,097)	3,149	(12,412)	(111,236)
Cash provided from discontinued operations	-	25,022	-	25,022
Net cash provided from (used by) investing activities	(10,097)	28,171	(12,412)	(86,214)
Effect of changes in exchange rates on cash	374	(2,487)	35	(21,252)
<b>Increase (decrease) in cash</b>	<b>(71,169)</b>	<b>(35,192)</b>	<b>(518,944)</b>	<b>638,665</b>
Cash, beginning of period	590,631	1,511,100	1,038,406	837,243
<b>Cash, end of period</b>	<b>\$ 519,462</b>	<b>\$ 1,475,908</b>	<b>\$ 519,462</b>	<b>\$ 1,475,908</b>

*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, 2018

(Expressed in Canadian Dollars)

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### 1. NATURE AND CONTINUANCE OF OPERATIONS

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

These condensed interim consolidated financial statements of the Company as at September 30, 2018 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 condensed interim 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, 2018, the Company had not yet achieved profitable operations, has accumulated losses of \$12,820,024 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

### 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.

#### 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 5.

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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### 2. BASIS OF PREPARATION (continued)

#### 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, 2018 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
Medgold Istrazivanja d.o.o.	Serbia	100%	Exploration 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). 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. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS

The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2018:

#### *Amendment to IFRS 2 Share-based Payment*

IFRS 2 Share-based Payment clarifies the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features for withholding tax obligations and modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity settled. This amendment did not have a material impact on the Company's financial statements.

#### *IFRS 9 Financial Instruments*

The Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss (“ECL”) impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The adoption of IFRS 9 did not have a material impact the Company's classification and measurement of financial assets and liabilities. The standard also had no impact on the carrying amounts of our financial instruments as at the transition date of January 1, 2018.

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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### 4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

#### *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*.

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the 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 there are indicators of impairment. 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.
- f) The determination of whether disposal groups or cash-generating units represent a component of the entity, the results of which should be recorded in discontinued operations in the condensed interim consolidated statements of loss and comprehensive loss and cash flows.

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, 2018

(Expressed in Canadian Dollars)

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### 6. DISCONTINUED OPERATIONS

During the 2017 fiscal year, the Company sold its 100% interest in its Portuguese subsidiary MedCenterra Unipessoal Lda. ("MedCenterra") for a cash payment of €167,500 (\$243,741) (equivalent to the amount of exploration bonds previously paid by MedCenterra for the Boticas and Chaves licences) of which €19,000 (\$28,041) of this amount was received during the period ended September 30, 2018. The Company was also entitled to receive a payment equal to any amounts recovered by MedCenterra from the Portuguese Mining Authority for exploration bonds previously paid by MedCenterra for the Valongo and Lagares licences, up to a maximum of €95,000, of which €15,000 (\$22,479) was received during the period ended September 30, 2018 and €80,000 (\$119,008) was received subsequently.

The MedCenterra results of operations for the period ended September 30, 2017 are presented as discontinued operations.

Due to the Company's decision during the 2017 fiscal year to cease all operations in Portugal, the results of operations for the Company's other Portuguese subsidiary, MedgoldMinas Unipessoal Lda. ("MedgoldMinas") and its dissolved Spanish subsidiary, Medgold Minera Sociedad Limitada, are also presented as discontinued operations for the period ended September 30, 2017.

There were no results from discontinued operations for the period ended September 30, 2018.

<b>Results of discontinued operations</b>	<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Exploration expenditures	\$ -	\$ 384,740
Depreciation	-	11,919
Loss on disposal of equipment	-	1,612
<b>Loss for the period</b>	<b>\$ -</b>	<b>\$ 398,271</b>

In early 2015, the Company entered into an agreement whereby its 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 has 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. This proceeding is still ongoing; however management considers any claim against the Company or MedgoldMinas to be completely without merit.

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

### 7. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
<b>Cost</b>					
Balance, December 31, 2016	\$ 12,906	\$ 93,893	\$ 23,549	\$ 31,653	\$ 162,001
Additions	-	113,648	1,938	-	115,586
Disposals	-	(19,210)	-	(6,354)	(25,564)
Balance, December 31, 2017	12,906	188,331	25,487	25,299	252,023
Additions	-	-	-	12,412	12,412
<b>Balance, September 30, 2018</b>	<b>\$ 12,906</b>	<b>\$ 188,331</b>	<b>\$ 25,487</b>	<b>\$ 37,711</b>	<b>\$ 264,435</b>
<b>Accumulated amortization</b>					
Balance, December 31, 2016	\$ 7,650	\$ 27,394	\$ 4,100	\$ 8,001	\$ 47,145
Charge for period for continuing operations	1,800	19,579	5,229	3,957	30,565
Charge for period for discontinued operations	-	10,584	-	1,422	12,006
Disposals	-	(13,235)	-	(4,377)	(17,612)
Balance, December 31, 2017	9,450	44,322	9,329	9,003	72,104
Charge for period	1,350	22,109	4,194	3,536	31,189
<b>Balance, September 30, 2018</b>	<b>\$ 10,800</b>	<b>\$ 66,431</b>	<b>\$ 13,523</b>	<b>\$ 12,539</b>	<b>\$ 103,293</b>
<b>Carrying amounts</b>					
At December 31, 2017	\$ 3,456	\$ 144,009	\$ 16,158	\$ 16,296	\$ 179,919
<b>At September 30, 2018</b>	<b>\$ 2,106</b>	<b>\$ 121,900</b>	<b>\$ 11,964</b>	<b>\$ 25,172</b>	<b>\$ 161,142</b>

# Medgold Resources Corp.

(Exploration Stage Company)

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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### 8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from January 1, 2017 to September 30, 2018:

		<b>Serbia</b>
Balance, December 31, 2016	\$	43,020
Balance, December 31, 2017		43,020
<b>Balance, September 30, 2018</b>	<b>\$</b>	<b>43,020</b>

#### Serbia

##### a) Exploration Licences

As of September 30, 2018, the Company held five granted exploration licences. Two of the licences, Donje Tlamino and Surlica-Dukat, comprise the Tlamino Project and the remaining three licences, Ljubata, Crnook, and Radovnica, comprise the Ljubata Project.

##### b) Strategic Alliance

In 2016, in conjunction with an investment of \$1,500,000 in the Company by Fortuna Silver Mines Inc. ("Fortuna") by way of a private placement, the Company granted Fortuna the right to enter into an option agreement to earn up to a 70% interest in one of the geological target areas (a "Selected Property") identified by the Company's project generation and exploration work in Serbia.

During the 2017 fiscal year, the strategic alliance was amended whereby Fortuna has the right to enter into separate option agreements to earn up to a 70% interest in two geological target areas (each a "Selected Property") identified by the Company's generative work. Fortuna can earn a 51% stake in each Selected Property by spending US\$3,000,000 on each Selected Property over three years. Once Fortuna has earned a 51% interest, it can elect to form a 51:49 joint venture with the Company to further develop the Selected Property; or it can elect to earn an additional 19% interest in the Selected Property by spending an additional US\$5,000,000 in qualified expenditures and completing a Preliminary Economic Assessment on the Selected Property.

In March 2017, Fortuna chose the Tlamino Project as its first Selected Property and as such, entered into an option agreement with the Company during the 2017 fiscal year to earn up to a 70% interest in that project.

The Company and Fortuna have one common director.

# Medgold Resources Corp.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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### 9. 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, 2018, a total of 370,000 options were exercised for gross proceeds of \$61,500. The Company reallocated the fair value of these options previously recorded in the amount of \$64,316 from other equity reserve to share capital.

#### Share Purchase Warrants

A summary of share purchase warrants activity from January 1, 2017 to September 30, 2018 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2016	24,982,728	\$0.15
Exercised during the year	(16,700,073)	\$0.15
Expired during the year	(8,282,655)	\$0.14
Balance, December 31, 2017	-	-
<b>Balance, September 30, 2018</b>	-	-

As of September 30, 2018 there were no share purchase warrants outstanding.

### 10. 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, 2018:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Forfeited/cancelled		
February 7, 2019	\$0.20	-	100,000	-	-	100,000	50,000
February 23, 2024	\$0.15	3,230,000	-	-	-	3,230,000	3,230,000
June 28, 2026	\$0.15	2,170,000	-	(250,000)	-	1,920,000	1,920,000
July 24, 2027	\$0.20	645,000	-	(120,000)	(105,000)	420,000	420,000
February 7, 2028	\$0.20	-	150,000	-	-	150,000	150,000
July 24, 2028	\$0.37	-	300,000	-	-	300,000	300,000
		6,045,000	550,000	(370,000)	(105,000)	6,120,000	6,070,000
<b>Weighted average exercise price</b>		\$0.16	\$0.29	\$0.17	\$0.20	\$0.17	\$0.17

# Medgold Resources Corp.

(Exploration Stage Company)

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### 10. SHARE-BASED PAYMENTS (continued)

#### Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended September 30, 2018 was \$0.21 per option.

The weighted average remaining contractual life of the options outstanding at September 30, 2018 is 6.60 (December 31, 2017: 7.36) years.

#### *Options Issued to Employees*

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

#### *Options Issued to Non-Employees*

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

The model inputs for options granted during the period ended September 30, 2018 included expected volatility factors ranging from 65% to 119%, risk-free interest rates ranging from 1.63% to 2.41%, expected life ranging from one to ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the condensed interim consolidated statements of comprehensive loss.

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

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

#### Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based compensation during the period ended September 30, 2018 was \$138,088 (2017: \$128,554).

As of September 30, 2018, unrecognized compensation costs related to unvested share-based payment awards totaled \$1,860 (2017: \$Nil).

#### Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized during the periods ended September 30, 2018 and 2017.

# Medgold Resources Corp.

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### 11. EXPLORATION EXPENDITURES

During the nine months ended September 30, 2018, the Company incurred the following exploration expenditures:

	Serbia			Total
	Tlmino Project	Ljubata Project	Other	
Assaying	\$ 123,363	\$ 5,452	\$ 8,923	\$ 137,738
Drilling	364,323	-	-	364,323
Field expenses	41,041	6,517	-	47,558
Geological and other consulting	220,127	102,097	460	322,684
Licenses, rights and taxes	24,985	35,749	17,738	78,472
Office and administration	76,050	37,399	2,524	115,973
Salaries and benefits	271,763	107,000	22,486	401,249
Travel	77,304	34,803	647	112,754
	1,198,956	329,017	52,778	1,580,751
Expense recoveries*	(1,198,956)	-	-	(1,198,956)
Balance, end of period	\$ -	\$ 329,017	\$ 52,778	\$ 381,795

During the nine months ended September 30, 2017, the Company incurred the following exploration expenditures:

	Continuing operations - Serbia			Discontinued operations Portugal
	Tlmino Project	Other	Total Serbia	
Assaying	\$ 27,511	\$ 36,705	\$ 64,216	\$ 1,989
Field expenses	33,967	25,123	59,090	-
Geological and other consulting	186,462	214,954	401,416	141,577
Geophysics	73,297	-	73,297	-
Licenses, rights and taxes	22,951	61,659	84,610	14,458
Office and administration	48,989	67,891	116,880	33,648
Salaries and benefits	173,363	216,016	389,379	190,131
Travel	45,536	99,836	145,372	18,163
	612,076	722,184	1,334,260	399,966
Expense recoveries*	(502,840)	-	(502,840)	(15,226)
Balance, end of period	\$ 109,236	\$ 722,184	\$ 831,420	\$ 384,740

\* Expense recoveries for the Tlmino Project consist of funding from Fortuna per their option agreement with the Company (Note 8).

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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### 12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had transactions during the periods ended September 30, 2018 and 2017 with related parties who consisted of directors, officers and the following companies with common directors:

<u>Related party</u>	<u>Nature of transactions</u>
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
Mill Street Services Ltd. ("Mill Street")	Management services
Wellhead Management Ltd. ("Wellhead")	Management 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, 2018 and 2017, the Company reimbursed Gold Group, a private company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
General and administrative expenses:				
Office and administration	\$ 13,763	\$ 22,046	\$ 52,246	\$ 65,251
Salaries and benefits	23,700	26,485	70,174	81,267
Shareholder communications	-	856	1,775	3,010
Transfer agent and regulatory fees	-	45	2,639	5,265
Travel and accommodation	4,443	1,221	8,970	11,662
	<b>\$ 41,906</b>	<b>\$ 50,653</b>	<b>\$ 135,804</b>	<b>\$ 166,455</b>

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 periods ended September 30, 2018 and 2017 include those for the Chief Financial Officer and the Corporate Secretary.

- b) During the period ended September 30, 2018, the Company reimbursed Radius, a company with a common director, \$12,079 (2017: \$101,304) for the services of a geological consultant.
- c) Prepaid expenses and deposits as at September 30, 2018 include an amount paid to Gold Group of \$3,551 (December 31, 2017: \$1,248) for administrative expenses paid in advance on the Company's behalf.
- d) Long-term deposits as of September 30, 2018 consists of \$61,000 (December 31, 2017: \$61,000) paid to Gold Group as a deposit pursuant to the Company's office and administrative services agreement with Gold Group.
- e) Amounts due to related parties as of September 30, 2018 consist of \$29,905 (December 31, 2017: \$19,400) owing to Gold Group and \$10,065 (December 31, 2017: \$ Nil) owing to the President of the Company for reimbursement of expenses. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amount for the President of the Company is unsecured, interest-free and has no specific terms of repayment.

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### 12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- f) Exploration advances as at September 30, 2018 total \$272,312 (December 31, 2017: \$Nil) for project funding received from Fortuna pursuant to the Tlamino Project option agreement (Note 8) but not yet expended by 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 September 30, 2018 and 2017 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,	
	2018	2017	2018	2017
Management fees	\$ 27,600	\$ 36,200	\$ 82,800	\$ 91,248
Geological fees	33,900	46,800	101,700	114,373
Salaries and benefits	7,792	7,792	22,917	23,829
	<b>\$ 69,292</b>	<b>\$ 90,792</b>	<b>\$ 207,417</b>	<b>\$ 229,450</b>

Key management compensation includes management and geological fees paid to Mill Street, a company controlled by a director of the Company and Wellhead, a company controlled by the President of the Company.

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

In common with all other 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.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

#### a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at September 30, 2018, the Company is exposed to foreign currency risk and interest rate risk.

##### Foreign Currency Risk

As at September 30, 2018, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2018			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 34,025	\$ 6,371	\$ -	\$ 149,778
Amounts receivable	-	-	120,160	66,855
Accounts payable and accrued liabilities	(13,991)	-	-	(59,657)
<b>Net exposure</b>	<b>\$ 20,034</b>	<b>\$ 6,371</b>	<b>\$ 120,160</b>	<b>\$ 156,976</b>

  

	December 31, 2017			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Dinars (CDN equivalent)
Cash	\$ 209,858	\$ 9,134	\$ 10,990	\$ 106,854
Amounts receivable	-	-	5,410	24,866
Accounts payable and accrued liabilities	(30,491)	(724)	(20,474)	(8,283)
<b>Net exposure</b>	<b>\$ 179,367</b>	<b>\$ 8,410</b>	<b>\$ (4,074)</b>	<b>\$ 123,437</b>

Based on the above net exposures at September 30, 2018, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$30,400 (December 31, 2017: \$30,700) increase or decrease in profit or loss, respectively.

##### Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2018, 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.

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### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### b) Credit Risk

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

#### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2018, the Company had working capital of \$348,627 (December 31, 2017: \$1,148,469). 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, 2018 were calculated as follows:

	<b>Balance at September 30, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial Asset:				
Cash	\$ 519,462	\$ 519,462	\$ -	\$ -

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### 14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity. There were no changes in the Company's capital management approach during the period ended September 30, 2018.

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 did not expect its capital resources as of September 30, 2018 to be sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. As such, the Company raised additional capital by way of equity financing subsequent to the period end (Note 16).

### 15. SEGMENTED REPORTING

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

<b>Period ended September 30, 2018</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Total continuing operations</b>
Exploration expenditures	\$ -	\$ -	\$ 381,795	\$ 381,795
Interest and other income	3,481	-	-	3,481
Net loss	640,101	2,435	375,706	1,018,242
Capital expenditures*	-	-	12,412	12,412

<b>Period ended September 30, 2017</b>	<b>Continuing operations</b>			<b>Total continuing operations</b>	<b>Discontinued operations Portugal</b>
	<b>Canada</b>	<b>England</b>	<b>Serbia</b>		
Exploration expenditures	\$ -	\$ -	\$ 831,420	\$ 831,420	\$ 384,740
Interest and other income	2,762	-	-	2,762	-
Net loss	411,617	46,443	940,539	1,398,599	398,271
Capital expenditures*	-	-	114,385	114,385	-

\*Capital expenditures consists of additions of property and equipment

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### 15. SEGMENTED REPORTING (continued)

<b>As at September 30, 2018</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Portugal</b>	<b>Consolidated</b>
Total current assets	\$ 379,317	\$ 154,462	\$ 228,028	\$ -	\$ 761,807
Total non-current assets	62,608	7,916	194,638	16,522	281,684
<b>Total assets</b>	<b>\$ 441,925</b>	<b>\$ 162,378</b>	<b>\$ 422,666</b>	<b>\$ 16,522</b>	<b>\$ 1,043,491</b>
<b>Total liabilities</b>	<b>\$ 332,813</b>	<b>\$ 20,710</b>	<b>\$ 59,657</b>	<b>\$ -</b>	<b>\$ 413,180</b>

<b>As at December 31, 2017</b>	<b>Canada</b>	<b>England</b>	<b>Serbia</b>	<b>Portugal</b>	<b>Consolidated</b>
Total current assets	\$ 732,449	\$ 380,531	\$ 142,259	\$ 16,400	\$ 1,271,639
Total non-current assets	63,958	2,326	206,282	27,930	300,496
<b>Total assets</b>	<b>\$ 796,407</b>	<b>\$ 328,857</b>	<b>\$ 348,541</b>	<b>\$ 44,330</b>	<b>\$ 1,572,135</b>
<b>Total liabilities</b>	<b>\$ 56,295</b>	<b>\$ 30,491</b>	<b>\$ 8,123</b>	<b>\$ 28,261</b>	<b>\$ 123,170</b>

### 16. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2018, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

The Company closed a private placement of 4,902,800 units at \$0.30 per unit for gross proceeds of \$1,470,840. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of \$0.40. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for ten consecutive trading days is \$0.60 or greater, the Company may give notice to the holders of the warrants that the warrants will expire thirty calendar days after receipt of such notice. The Company paid cash finder's fees totaling \$22,409 on a portion of this financing.