(An Exploration Stage Company)

# CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Smythe CPA

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF MEDGOLD RESOURCES CORP.

*Opinion*
We have audited the consolidated financial statements of Medgold Resources Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

*Basis for Opinion*
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*
We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,291,313 during the year ended December 31, 2018. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Other Information*
Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Herve Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019



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# Medgold Resources Corp.

(Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*As at December 31, 2018 and 2017*

(Expressed in Canadian Dollars)

| | 2018 | 2017 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | $ 1,436,399 | $ 1,038,406 |
| Amounts receivable (Note 12) | 182,887 | 204,937 |
| Prepaid expenses and deposits (Note 12) | 15,822 | 28,296 |
| Total current assets | 1,635,108 | 1,271,639 |
| **Non-current assets** | | |
| Long-term deposits (Note 12) | 61,000 | 61,000 |
| Exploration bonds (Note 7) | - | 16,557 |
| Property and equipment (Note 6) | 145,990 | 179,919 |
| Exploration and evaluation assets (Note 7) | 43,020 | 43,020 |
| Total non-current assets | 250,010 | 300,496 |
| | **$ 1,885,118** | **$ 1,572,135** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 71,917 | $ 103,770 |
| Due to related parties (Note 12) | 14,958 | 19,400 |
| Total liabilities | 86,875 | 123,170 |
| **Shareholders' equity** | | |
| Share capital (Note 8) | 13,829,198 | 12,313,267 |
| Other equity reserves (Note 8) | 1,220,092 | 1,095,432 |
| Accumulated other comprehensive loss | (157,952) | (157,952) |
| Deficit | (13,093,095) | (11,801,782) |
| Total shareholders' equity | 1,798,243 | 1,448,965 |
| | **$ 1,885,118** | **$ 1,572,135** |

APPROVED ON BEHALF OF THE BOARD ON APRIL 29, 2019:

*"Simon Ridgway"*
Simon Ridgway, Director

*"Jeremy Crozier"*
Jeremy Crozier, Director

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

# Medgold Resources Corp.

(Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

*For the years ended December 31, 2018 and 2017*

(Expressed in Canadian Dollars)

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Exploration expenditures** (Note 10) | $ | 505,498 | $ | 1,349,910 |
| **General and administrative expenses** | | | | |
| Depreciation (note 6) | | 44,093 | | 30,565 |
| Foreign exchange gain | | (21,840) | | (29,552) |
| Legal and accounting | | 64,245 | | 60,419 |
| Management fees (Note 12) | | 110,400 | | 126,320 |
| Office and administration (Note 12) | | 72,896 | | 97,079 |
| Salaries and benefits (Note 12) | | 97,354 | | 110,561 |
| Shareholder communications (Note 12) | | 206,929 | | 93,377 |
| Share-based payments (Note 9) | | 139,948 | | 128,554 |
| Transfer agent and regulatory fees (Note 12) | | 16,131 | | 21,235 |
| Travel and accommodation (Note 12) | | 63,923 | | 52,754 |
| | | 794,079 | | 691,312 |
| **Loss before other item** | | (1,299,577) | | (2,041,222) |
| **Other item** | | | | |
| Interest and other income | | 8,264 | | 4,473 |
| **Loss from continuing operations** | | (1,291,313) | | (2,036,749) |
| Loss from discontinued operations (Note 5) | | - | | (547,564) |
| **Net loss for the year** | **$** | **(1,291,313)** | **$** | **(2,584,313)** |
| **Other comprehensive loss** | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain on foreign exchange translation | | - | | 15,172 |
| **Comprehensive loss for the year** | **$** | **(1,291,313)** | **$** | **(2,569,141)** |
| Loss per share from continuing operations, basic and diluted | | $(0.01) | | $(0.02) |
| Loss per share from discontinued operations, basic and diluted | | - | | $(0.01) |
| Weighted average number of shares outstanding | | 90,762,890 | | 84,953,661 |

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

# Medgold Resources Corp.

(Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

*For the years ended December 31, 2018 and 2017*

(Expressed in Canadian Dollars)

| | | | Other equity reserves | | | | |
|---|---|---|---|---|---|---|---|
| | **Number of common shares** | **Share capital** | **Warrants reserve** | **Share-based payment reserve** | **Accumulated other comprehensive income (loss)** | **Deficit** | **Total shareholders' equity** |
| 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 year | - | - | - | - | - | (2,584,313) | (2,584,313) |
| Shares issued for services | 215,557 | 43,000 | - | - | - | - | 43,000 |
| Warrants exercised | 16,700,073 | 2,481,295 | - | - | - | - | 2,481,295 |
| Transfer of reserves on exercise of warrants | - | 524,472 | (524,472) | - | - | - | - |
| Share-based payments | - | - | - | 128,554 | - | - | 128,554 |
| Unrealized foreign exchange gain on disposal of subsidiary (Note 5) | - | - | - | - | 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 year | - | - | - | - | - | (1,291,313) | (1,291,313) |
| Shares issued for private placement | 4,902,800 | 1,421,812 | 49,028 | - | - | - | 1,470,840 |
| Share issuance costs | - | (31,697) | - | - | - | - | (31,697) |
| Options exercised | 370,000 | 61,500 | - | - | - | - | 61,500 |
| Transfer of reserves on exercise of options | - | 64,316 | - | (64,316) | - | - | - |
| Share-based payments | - | - | - | 139,948 | - | - | 139,948 |
| **Balance, December 31, 2018** | **94,789,032** | **$ 13,829,198** | **$ 65,949** | **$ 1,154,143** | **$ (157,952)** | **$ (13,093,095)** | **$ 1,798,243** |

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

# Medgold Resources Corp.

(Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*For the years ended December 31, 2018 and 2017*

(Expressed in Canadian Dollars)

| | 2018 | 2017 |
|---|---|---|
| **Cash provided by (used in):** | | |
| **OPERATING ACTIVITIES** | | |
| Net loss from continuing operations for the year | $ (1,291,313) | $ (2,036,749) |
| Items not involving cash: | | |
| Shares issued for services | - | 43,000 |
| Depreciation | 44,093 | 30,565 |
| Share-based payments | 139,948 | 128,554 |
| Foreign exchange | - | (5,611) |
| | (1,107,272) | (1,840,241) |
| Changes in non-cash working capital balances: | | |
| Amounts receivable | 14,594 | 45,334 |
| Prepaid expenses and deposits | 12,474 | (8,936) |
| Accounts payable and accrued liabilities | (4,140) | 3,450 |
| Due to related parties | (4,442) | (13,360) |
| Cash used in operating activities from continuing operations | (1,088,786) | (1,813,753) |
| Cash used in operating activities from discontinued operations (Note 5) | (20,257) | (506,859) |
| Net cash used in operating activities | (1,109,043) | (2,320,612) |
| **FINANCING ACTIVITIES** | | |
| Net proceeds from issuance of common shares | 1,500,643 | 2,481,295 |
| Net cash provided by financing activities | 1,500,643 | 2,481,295 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (10,164) | (115,586) |
| Cash used in investing activities from continuing operations | (10,164) | (115,586) |
| Cash provided by investing activities from discontinued operations (Note 5) | 17,174 | 136,780 |
| Net cash provided by investing activities | 7,010 | 21,194 |
| Effect of changes in exchange rates on cash | (617) | 19,286 |
| **Increase in cash** | 397,993 | 201,163 |
| Cash, beginning of year | 1,038,406 | 837,243 |
| **Cash, end of year** | **$ 1,436,399** | **$ 1,038,406** |

Supplemental Cash Flow Information – Note 16

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements of the Company as at December 31, 2018 and for the year then ended include the accounts of the Company and its subsidiaries (Note 3(a)).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At December 31, 2018, the Company had not yet achieved profitable operations, has accumulated losses of $13,093,095 since its inception, and expects to incur further losses in the development of its business. As at December 31, 2018, the Company incurred a net loss of $1,291,313. The Company has been financed primarily through the issuance of equity instruments but management cannot be certain it will continue to be able obtain such funding. All of these conditions may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

## 2. BASIS OF PREPARATION

### Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

### Basis of Measurement

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

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

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### a) Basis of Consolidation

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

Details of the Company's principal subsidiaries as at December 31, 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 |

The Company incorporated a subsidiary, Medbase Metals D.O.O in Serbia on April 26, 2018. During the year ended December 31, 2018, MedgoldMinas Unipessoal Lda. was dissolved and during the 2017 fiscal year, Medgold Minera Sociedad Limitada ("Medgold Minera") was dissolved and MedCenterra Unipessoal Lda. ("MedCenterra") was disposed of (note 5).

### b) Foreign Currency Translation

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

### c) Exploration and Evaluation Assets

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

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee. Proceeds from the sale of minerals recovered during the exploration stage are recorded when title to the minerals passes, the proceeds are reasonably determinable and the collectability is assured.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**c) Exploration and Evaluation Assets** (continued)

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

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

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

**d) Property, Equipment and Depreciation**

*Recognition and Measurement*

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

*Depreciation*

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

| | |
|---|---|
| Leasehold improvements | 7 years straight-line |
| Vehicles | 4 - 8 years straight-line |
| Furniture and equipment | 6% - 25% declining-balance |
| Computer equipment | 25% declining-balance |

**e) Impairment of Non-financial Assets**

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**e) Impairment of Non-financial Assets** (continued)

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

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

**f) Provisions**

*Rehabilitation Provision*

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

As at December 31, 2018 and 2017, the Company had no asset retirement or rehabilitation obligations.

*Other Provisions*

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

**g) Income Taxes**

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### h) Share Capital

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

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

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

### i) Earnings/Loss Per Share

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

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

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

### j) Share-based Payments

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**j) Share-based Payments** (continued)

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

Where a grant of options is cancelled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**k) Financial Instruments**

**Financial Assets**

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

*Financial assets measured at amortized costs*

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

*Financial assets measured at fair value through other comprehensive income ("FVTOCI")*

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

*Financial assets measured at fair value through profit or loss ("FVTPL")*

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**k) Financial Instruments** (continued)

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

**Financial Liabilities**

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities and amounts due to related parties represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid. Accounts payable and accrued liabilities are unsecured and are usually paid within 45 days of recognition.

The Company has made the following designations of its financial instruments:

| | |
|---|---|
| Cash | FVTPL |
| Amounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties | Amortized cost |

**l) 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.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**l) Adoption of New Accounting Standards and Amendments** (continued)

*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 Company adopted IFRS 9 using the modified retrospective approach with no restatement of comparatives. The adoption of IFRS 9 did not have a material impact on 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.

**m) New Standards and Interpretations Not Yet Adopted**

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

*IFRS 16 Leases*

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019.

Management does not expect the adoption of IFRS 16 to have a significant impact on its financial statements.

*IFRIC 23 Uncertainty over Income Tax Treatments*

This new Interpretation, issued by the IASB in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The interpretation is effective for the Company's annual period beginning January 1, 2019. The adoption of IFRIC 23 will not have a material impact on the Company's financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) The determination of the Company's and its subsidiaries' functional currency are determined based on management's assessment of the currency of the primary economic environment in which the entities operate.

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

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

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

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

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

e) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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 consolidated statements of loss and comprehensive loss and cash flows.

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

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

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

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

## 5. DISCONTINUED OPERATIONS

During the 2017 fiscal year, the Company sold its 100% interest in its Portuguese subsidiary MedCenterra Unipessoal Lda. ("MedCenterra") for cash payments totalling €167,500 ($243,741) (equivalent to the amount of exploration bonds previously paid by MedCenterra for the Boticas and Chaves licences). €19,000 ($28,041) of this amount was received during the year ended December 31, 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 the entire €95,000 ($141,487) was received during the year ended December 31, 2018.

The MedCenterra results of operations for the year ended December 31, 2017 is presented as discontinued operations.

Due to the Company's decision to cease all operations in Portugal and Spain, the results of operations for the Company's other dissolved Portuguese subsidiary, MedgoldMinas Unipessoal Lda., and its dissolved Spanish subsidiary, Medgold Minera, are also presented as discontinued operations for the year ended December 31, 2017.

| **Results of discontinued operations** | | **2017** |
|---|---|---|
| Foreign exchange gain (loss) | $ | (22,729) |
| Administrative expenses | | (1,085) |
| Exploration expenditures (Note 10) | | (397,645) |
| Depreciation | | (12,006) |
| Loss on disposal of subsidiary | | (114,099) |
| **Loss for the year** | **$** | **(547,564)** |

**5. DISCONTINUED OPERATIONS** (continued)

The loss on disposal of discontinued operations during the 2017 fiscal year was determined as follows:

| | | 2017 |
|---|---|---|
| Cash consideration | $ | 243,741 |
| Other consideration | | 140,207 |
| Transaction costs | | (112,887) |
| Total consideration received | | 271,061 |
| Net assets disposed (other than cash): | | |
| Trade and other receivables | | (2,053) |
| Exploration bonds | | (367,395) |
| Net assets disposed | | (369,448) |
| Cumulative translation adjustments in accumulated other comprehensive income | | (15,712) |
| **Loss on disposal of subsidiary** | **$** | **(114,099)** |

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Cash provided from (used by) discontinued operations** | | | | |
| **OPERATING ACTIVITIES:** | | | | |
| Net loss from discontinued operations | $ | - | $ | (547,564) |
| Items not involving cash: | | | | |
| Depreciation | | - | | 12,006 |
| Loss on disposal of subsidiary | | - | | 114,099 |
| Foreign exchange loss | | - | | (15,049) |
| | | - | | (436,508) |
| Changes in non-cash working capital balances: | | | | |
| Amounts receivable | | 7,456 | | 17,924 |
| Prepaid expenses and deposits | | - | | 17,515 |
| Accounts payable and accrued liabilities | | (27,713) | | (105,790) |
| Operating cash flow used in discontinued operations | $ | (20,257) | $ | (506,859) |
| **INVESTING ACTIVITIES** | | | | |
| Proceeds on disposal of property and equipment | | - | | 11,854 |
| Proceeds on disposal of subsidiary, net | | - | | 102,813 |
| Refund of reclamation bonds | | 17,174 | | 22,113 |
| Cash provided by investing activities from discontinued operations | $ | 17,174 | $ | 136,780 |

## 5. DISCONTINUED OPERATIONS (continued)

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. Due to the dissolution of MedgoldMinas in late 2018, its sole shareholder, Medgold Resource Ltd., has replaced MedgoldMinas in these proceedings. 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 Medgold Resource Ltd. to be completely without merit and accordingly no amounts have been accrued.

## 6. PROPERTY AND EQUIPMENT

| | Leasehold improvements | Vehicles | Computer equipment | Furniture and equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 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 | - | - | - | 10,164 | 10,164 |
| **Balance, December 31, 2018** | **$ 12,906** | **$ 188,331** | **$ 25,487** | **$ 35,463** | **$ 262,187** |
| **Accumulated amortization** | | | | | |
| Balance, December 31, 2016 | $ 7,650 | $ 27,394 | $ 4,100 | $ 8,001 | $ 47,145 |
| Charge for year for continuing operations | 1,800 | 19,579 | 5,229 | 3,957 | 30,565 |
| Charge for year 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 year | 1,800 | 32,754 | 6,070 | 3,469 | 44,093 |
| **Balance, December 31, 2018** | **$ 11,250** | **$ 77,076** | **$ 15,399** | **$ 12,472** | **$ 116,197** |
| **Carrying amounts** | | | | | |
| At December 31, 2017 | $ 3,456 | $ 144,009 | $ 16,158 | $ 16,296 | $ 179,919 |
| **At December 31, 2018** | **$ 1,656** | **$ 111,255** | **$ 10,088** | **$ 22,991** | **$ 145,990** |

## 7. EXPLORATION AND EVALUATION ASSETS

Capitalized acquisition costs as of December 31, 2018 consist of $43,020 (2017: $43,020) relating to its Serbian mineral property interests.

### Serbia

a) Exploration Licences

As of December 31, 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 / Tlamino Project Option

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 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. The option terms were fixed at the time the strategic alliance was entered into. This right expired on December 15, 2018.

Fortuna identified the Tlamino Project (comprised of the Donje Tlamino and Surlica-Dukat licences) as a Selected Property, and in March 2017, the Company and Fortuna signed an Option Agreement in connection therewith. To acquire an initial 51% interest in the Tlamino Project, Fortuna must spend a minimum of US$3,000,000 on the Tlamino Project 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 Tlamino Project; or Fortuna can elect to be granted the option to earn an additional 19% interest in the Tlamino Project by completing a preliminary economic assessment on the Tlamino Project and spending an additional US$5,000,000 in qualified expenditures within three years following the date of the election by Fortuna.

As there was a significant delay in receiving a drill permit for the Tlamino Project, the Company and Fortuna amended the Tlamino Project Option Agreement in September 2017 to remove the requirement that Fortuna spend US$1,000,000 by the first anniversary. As a result, Fortuna has until March 2020 to spend US$3,000,000 to acquire a 51% interest in the Tlamino Project.

The Company and Fortuna have one common director.

### Portugal

a) Centerra Option Licences

In 2014, the Company, through its wholly owned subsidiary, MedCenterra, entered into an agreement (the "Option Agreement") with Centerra Gold Corp. ("Centerra") whereby Centerra was granted an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licences (collectively called the Valongo Belt Property and considered part of the Klondike Project).

Under the Option Agreement, Centerra had the right to earn a 51% interest in the Valongo Belt Property by incurring expenditures on the Valongo Belt Property totaling US$3,000,000 over three years, of which US$500,000 was committed to be spent by Centerra. To keep the option in good standing, Centerra needed to incur US$1,000,000 in the first year, a further US$1,500,000 in the second year and a further US$500,000 in the third year.

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

**Portugal** (continued)

a) Centerra Option Licences (continued)

In 2016, the Balazar and Castelo de Paiva licences were relinquished. Also in 2016, the Option Agreement was amended to include the Company's Boticas-Chaves Project. In early 2017, the management decided to let the Lagares and Valongo licences lapse, and as a result, acquisition costs totaling $197,320 were written off in the 2016 fiscal year.

During the 2017 fiscal year, Centerra notified the Company that it had incurred a total of US$3,000,000 in expenditures and therefore earned its 51% interest in the Valongo Belt Property and Boticas-Chaves Project. However, Centerra also advised that it was not interested in incurring further exploration expenditures pursuant to the Option Agreement and therefore wished to dispose of its 51% interest in the licences. Accordingly, the Company and Centerra signed an agreement on May 9, 2017 whereby the Option Agreement was terminated, Centerra relinquished its 51% interest in the licences in consideration of the sum of $100,000 from the Company; and Centerra was granted a 1% net smelter return royalty on any future production from the licences.

The amount of $100,000 was recorded as part of the transaction costs on disposal of MedCenterra, which was sold during the 2017 fiscal year (Note 5).

b) Caramulo Licence

In 2015, the Company submitted an application for the Caramulo exploration licence. During the 2017 fiscal year, the management decided to let the Caramulo licence lapse. The Company was refunded an exploration bond of $17,174 (€11,000) during the year ended December 31, 2018 which it had in place with the Portugal mining authority on this property.

## 8. SHARE CAPITAL AND RESERVES

### Common Shares

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

During the year ended December 31, 2018, the following share capital activity occurred:

i) On October 17, 2018, 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. Of the $1,470,840 in gross proceeds, $1,421,812 was allocated to share capital and $49,028 to warrants. Share issuance costs associated with this financing totalled $31,697 of which $22,409 was cash finder's fees.

ii) 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.

During the year ended December 31, 2017, the following share capital activity occurred:

iii) A total of 215,557 common shares with a value of $43,000 were issued to the President of the Company for services rendered; and

iv) A total of 16,700,073 share purchase warrants were exercised for gross proceeds of $2,481,295. The Company reallocated the fair value of these share purchase warrants previously recorded in the amount of $524,472 from other equity reserves to share capital.

### Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2018 and 2017 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 | - | - |
| Issued on private placements | 4,902,800 | $0.40 |
| **Balance, December 31, 2018** | **4,902,800** | **$0.40** |

## 9. SHARE-BASED PAYMENTS

### Option Plan Details

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

The following is a summary of changes in options for the year ended December 31, 2018:

| | | | During the year | | | | |
|---|---|---|---|---|---|---|---|
| **Expiry date** | **Exercise price** | **Opening balance** | **Granted** | **Exercised** | **Forfeited/ cancelled** | **Closing balance** | **Vested and exercisable** |
| February 7, 2019 | $0.20 | - | 100,000 | - | - | 100,000 | 100,000 |
| 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 | 6,120,000 |
| **Weighted average exercise price** | | $0.16 | $0.29 | $0.17 | $0.20 | $0.17 | $0.17 |

The following is a summary of changes in options for the year ended December 31, 2017:

| | | | During the year | | | | |
|---|---|---|---|---|---|---|---|
| **Expiry date** | **Exercise price** | **Opening balance** | **Granted** | **Exercised** | **Forfeited/ cancelled** | **Closing balance** | **Vested and exercisable** |
| February 23, 2024 | $0.15 | 3,455,000 | - | - | (225,000) | 3,230,000 | 3,230,000 |
| February 12, 2025 | $0.15 | 225,000 | - | - | (225,000) | - | - |
| June 28, 2026 | $0.15 | 2,550,000 | - | - | (380,000) | 2,170,000 | 2,170,000 |
| July 24, 2027 | $0.20 | - | 645,000 | - | - | 645,000 | 645,000 |
| | | 6,230,000 | 645,000 | - | (830,000) | 6,045,000 | 6,045,000 |
| **Weighted average exercise price** | | $0.15 | $0.20 | - | $0.15 | $0.16 | $0.16 |

### Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2018 was $0.21 (2017: $0.20) per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2018 is 6.35 (2017: 7.36) years.

The weighted average market price on the date options were exercised during the year ended December 31, 2018 was $0.20 (2017: $nil) per option.

## 9. SHARE-BASED PAYMENTS (continued)

### Fair Value of Options Issued During the Year (continued)

*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 share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

*Options Issued to Non-Employees*

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

The model inputs for options granted during the year ended December 31, 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% (2017: expected volatility factor of 120%, risk-free interest rate of 2.02%, expected life of ten years, and expected dividend yield of 0%). Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

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

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

### Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based compensation during the year ended December 31, 2018 was $139,948 (2017: $128,554).

Total expenses arising from the share-based payment transactions recognized as part of management fees during the year ended December 31, 2018 was $Nil (2017: $43,000).

## 10. EXPLORATION EXPENDITURES

During the year ended December 31, 2018, the Company incurred the following exploration expenditures:

| | Serbia | | | |
|---|---|---|---|---|
| | **Tlamino Project** | **Ljubata Project** | **Other** | **Total** |
| Assaying | $ 278,426 | $ 33,925 | $ 8,879 | **$ 321,230** |
| Drilling | 653,838 | - | - | **653,838** |
| Field expenses | 53,272 | 6,661 | - | **59,933** |
| Geological and other consulting | 307,170 | 135,246 | 458 | **442,874** |
| Geophysics | 49,073 | - | - | **49,073** |
| Licenses, rights and taxes | 25,022 | 35,570 | 17,649 | **78,241** |
| Office and administration | 113,595 | 60,768 | 10,184 | **184,547** |
| Salaries and benefits | 399,237 | 124,767 | 23,227 | **547,231** |
| Travel | 107,466 | 39,430 | 8,734 | **155,630** |
| | 1,987,099 | 436,367 | 69,131 | **2,492,597** |
| Expense recoveries* | (1,987,099) | - | - | **(1,987,099)** |
| | $ - | $ 436,367 | $ 69,131 | **$ 505,498** |

During the year ended December 31, 2017, the Company incurred the following exploration expenditures:

| | | Continuing operations - Serbia | | |
|---|---|---|---|---|
| | **Discontinued operations Portugal** | **Tlamino** | **Other** | **Total continuing operations Serbia** |
| Assaying | $ 1,989 | $ 74,646 | $ 83,840 | **$ 158,486** |
| Field expenses | - | 53,006 | 44,475 | **97,481** |
| Geological and other consulting | 141,577 | 257,729 | 372,034 | **629,763** |
| Geophysics | - | 73,297 | 8,366 | **81,663** |
| Licenses, rights and taxes | 14,458 | 23,862 | 62,570 | **86,432** |
| Office and administration | 45,960 | 68,902 | 90,947 | **159,849** |
| Salaries and benefits | 190,131 | 245,370 | 337,028 | **582,398** |
| Travel | 18,756 | 62,688 | 127,164 | **189,852** |
| | 412,871 | 859,500 | 1,126,424 | **1,985,924** |
| Expense recoveries* | (15,226) | (636,014) | - | **(636,014)** |
| | $ 397,645 | $ 223,486 | $ 1,126,424 | **$ 1,349,910** |

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

## 11. INCOME TAXES

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

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Net loss for the year | $ | (1,291,313) | $ | (2,584,313) |
| Statutory income tax rate | | 27.00% | | 26.00% |
| Expected income tax recovery | | (348,655) | | (671,921) |
| Decrease (increase) resulting from: | | | | |
| Non-deductible expenses and others | | 37,786 | | 31,650 |
| Differences between Canadian and foreign tax rates | | 267,119 | | 180,791 |
| Change in timing differences | | 1,525 | | 42,741 |
| Effect of change in tax rates | | - | | (153,241) |
| Impact of foreign exchange on tax assets and liabilities | | (27,903) | | 96,691 |
| Unused tax losses and tax offsets on disposal of subsidiary | | - | | 10,030 |
| Under provided in prior years | | 59,875 | | |
| Unused tax losses and tax offsets not recognized | | 10,253 | | 463,259 |
| **Income tax recoverable** | $ | **-** | $ | **-** |

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income for the recognition of deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Non-capital loss carry-forwards | $ | 10,994,333 | $ | 10,349,569 |
| Exploration and evaluation assets | | 10,225,930 | | 10,318,338 |
| Capital losses | | - | | 17,100 |
| Property and equipment | | 178,944 | | 186,526 |
| Share issuance cost | | 31,956 | | 15,096 |
| **Unrecognized deductible temporary differences** | **$** | **21,431,163** | **$** | **20,886,629** |

Subject to certain restrictions, the Company has non-capital losses of $3,745,083 (2017: $4,838,494) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

| **Year** | | |
|---|---|---|
| 2026 | $ | 549,245 |
| 2028 | | 57,142 |
| 2029 | | 184,122 |
| 2032 | | 263,577 |
| 2033 | | 485,883 |
| 2034 | | 539,445 |
| 2035 | | 680,434 |
| 2036 | | 462,708 |
| 2037 | | 522,527 |
| | **$** | **3,745,083** |

**11. INCOME TAXES** (continued)

The Company also has non-capital losses for income tax purposes of $3,535,236 (2017: $3,213,506) available to reduce future UK taxable income, non-capital losses for income tax purposes of $3,714,014 (2017: $1,606,692) available to reduce future Serbian taxable income. The UK non-capital losses do not expire, and the Serbian non-capital losses expire in five years.

*Resource Development Costs*

The Company has resource development costs of $10,285,782 available to offset future taxable income in Canada, deductible at various declining-balance rates.

## 12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2018 and 2017 consist of directors, officers and the following companies with common directors:

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

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

a) During the years ended December 31, 2018 and 2017, the Company reimbursed Gold Group for the following costs:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| General and administrative expenses: | | | | |
| Office and administration | $ | 67,861 | $ | 88,657 |
| Salaries and benefits | | 96,663 | | 108,890 |
| Shareholder communications | | 1,775 | | 3,081 |
| Transfer agent and regulatory fees | | 2,639 | | 6,918 |
| Travel and accommodation | | 11,516 | | 14,514 |
| | **$** | **180,454** | **$** | **222,060** |

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, 2018 and 2017 include those for the Chief Financial Officer and the Corporate Secretary.

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

b) During the year ended December 31, 2018, the Company reimbursed Radius $12,079 (2017: $134,304) in shared salary and benefits for the services of a geological consultant.

c) Amounts receivable as at December 31, 2018 include $130,376 (December 31, 2017: $Nil) due from Fortuna for project funding pursuant to the Tlamino Project option agreement (Note 7).

d) Prepaid expenses and deposits as at December 31, 2018 include an amount of $2,902 (2017: $1,248) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.

e) Long-term deposits as of December 31, 2018 consist of $61,000 (2017: $61,000) paid to Gold Group as a deposit pursuant to an agreement with Gold Group.

f) Amounts due to related parties as of December 31, 2018 consists of $14,958 (2017: $19,400) owing to Gold Group. The amount for Gold Group is due on a monthly basis and secured by a deposit.

g) During the year ended December 31, 2017, Fortuna acquired 10,000,000 common shares of the Company by way of exercising 10,000,000 share purchase warrants at a cost of $1,500,000.

### Key Management Compensation

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

| | 2018 | 2017 |
|---|---|---|
| Management fees | $ 110,400 | $ 126,320 |
| Geological fees | 135,600 | 162,301 |
| Salaries and benefits | 30,709 | 34,279 |
| | **$ 276,709** | **$ 322,900** |

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 former President of the Company.

During the year ended December 31, 2017, the Company issued in instalments, a total of 215,557 common shares of the Company to Daniel James, a former director and officer, in part consideration for his services as the Company's President during 2017. Included in management fees during the year ended December 31, 2017 is the total fair value of the share issuances of $43,000.

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk.

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

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

### General Objectives, Policies and Processes

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

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

### a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2018, the Company is exposed to foreign currency risk and interest rate risk.

*Foreign Currency Risk*

As at December 31, 2018 and 2017, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | **British Pound Sterling (CDN equivalent)** | **US Dollars (CDN equivalent)** | **Euros (CDN equivalent)** | **Dinars (CDN equivalent)** |
| Cash | $ 107,260 | $ 5,652 | $ 15,653 | $ 140,785 |
| Amounts receivable | - | - | - | 50,063 |
| Accounts payable and accrued liabilities | (22,073) | - | (548) | (15,410) |
| **Net exposure** | **$ 85,187** | **$ 5,652** | **$ 15,105** | **$ 175,438** |

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

### a) Market Risk (continued)

*Foreign Currency Risk* (continued)

| | 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) |
| **Net exposure** | **$ 179,367** | **$ 8,410** | **$ (4,074)** | **$ 123,437** |

Based on the above net exposures at December 31, 2018, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $28,100 (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 December 31, 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.

### 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. The Company's receivables consist of VAT receivable from the government of Serbia and receivables from Fortuna (Note 12). The Company considers credit risk with respect to these amounts to be low.

### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2018, the Company had working capital of $1,548,233 (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 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.

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

### Fair Value Hierarchy

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

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

The fair values of the Company's financial assets measured at fair value on a recurring basis as of December 31, 2018 were calculated as follows:

| | Balance at December 31, 2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Financial Asset: | | | | |
| Cash | $ 1,436,399 | $ 1,436,399 | $ - | $ - |

## 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 year ended December 31, 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 continues to assess its future capital needs and may consider access to additional capital to ensure that the Company has adequate financial resources to cover its corporate operating costs and carry out exploration activities for the next twelve months.

## 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. 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.

| Year ended December 31, 2018 | Canada | England | Serbia | Total continuing operations |
|---|---|---|---|---|
| Exploration expenditures | $ - | $ - | $ 505,498 | $ 505,498 |
| Interest and other income | 8,264 | - | - | 8,264 |
| Net loss | (499,726) | (140,961) | (650,626) | (1,291,313) |
| Capital expenditures* | - | - | 10,164 | 10,164 |

| | Continuing operations | | | | |
|---|---|---|---|---|---|
| Year ended December 31, 2017 | Canada | England | Serbia | Total continuing operations | Discontinued operations |
| Exploration expenditures | $ - | $ - | $ 1,349,910 | $ 1,349,910 | $ 397,645 |
| Interest and other income | 4,473 | - | - | 4,473 | - |
| Net income (loss) | (674,083) | 57,647 | (1,420,313) | (2,036,749) | (547,564) |
| Capital expenditures* | - | - | 115,586 | 115,586 | - |

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

| As at December 31, 2018 | Canada | England | Serbia | Consolidated |
|---|---|---|---|---|
| Total current assets | $1,313,168 | $ 120,860 | $ 201,080 | $ 1,635,108 |
| Total non-current assets | 62,656 | 3,612 | 183,742 | 250,010 |
| **Total assets** | **$1,375,824** | **$ 124,472** | **$ 384,822** | **$ 1,885,118** |
| **Total liabilities** | **$ 42,739** | **$ 28,792** | **$ 15,344** | **$ 86,875** |

| As at December 31, 2017 | Canada | England | Serbia | Portugal | Consolidated |
|---|---|---|---|---|---|
| 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 |
| **Total assets** | **$ 796,407** | **$ 328,857** | **$ 348,541** | **$ 44,330** | **$ 1,572,135** |
| **Total liabilities** | **$ 56,295** | **$ 30,491** | **$ 8,123** | **$ 28,261** | **$ 123,170** |

## 16. SUPPLEMENTAL CASH FLOW INFORMATION

| | 2018 | 2017 |
|---|---|---|
| Consideration received for subsidiary disposal included in accounts receivable | $ - | $ 168,248 |

## 17. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2018, the following events, which have not been disclosed elsewhere in these consolidated financial statements have occurred:

a) A total of 2,025,000 stock options exercisable at $0.15 per share for ten years and 100,000 stock options exercisable at $0.20 per share for one year were granted.

b) The following stock options were forfeited or cancelled:

   i) 1,530,000 stock options exercisable at $0.15 per share

   ii) 20,000 stock options exercisable at $0.20 per share.

   iii) 300,000 stock options exercisable at $0.37 per share.

c) A total of 100,000 stock options exercisable at $0.20 per share expired unexercised.