



(the “Company”)

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### Year End Report – December 31, 2019

#### **General**

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2019. The following information, prepared as of June 10, 2020, should be read in conjunction with the December 31, 2019 consolidated financial statements. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

#### **Forward Looking Information**

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

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

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

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

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

- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which unless contained could cause a slowdown in global economic growth and impact the Company's business, operations, financial condition and share price.

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

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

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

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

### **Business of the Company**

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

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

### **Serbia - Exploration Review**

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

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

All exploration programs conducted at the Tlamino Project have been fully funded by Fortuna and directed by a joint Fortuna-Medgold technical committee pursuant to the terms of the Tlamino Option Agreement announced on March 7, 2017.

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

Although the current terms of the licences have expired, the licences are currently valid, and the Company has submitted to the Ministry of Mining and Energy applications for extensions of the licences. The Company is awaiting a decision from the Ministry regarding the extension applications.

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

### ***The Tlamino Gold Project***

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

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

### **Mineral Resource Estimate**

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

**Table 1** –Mineral Resource Estimate for the Barje Prospect.

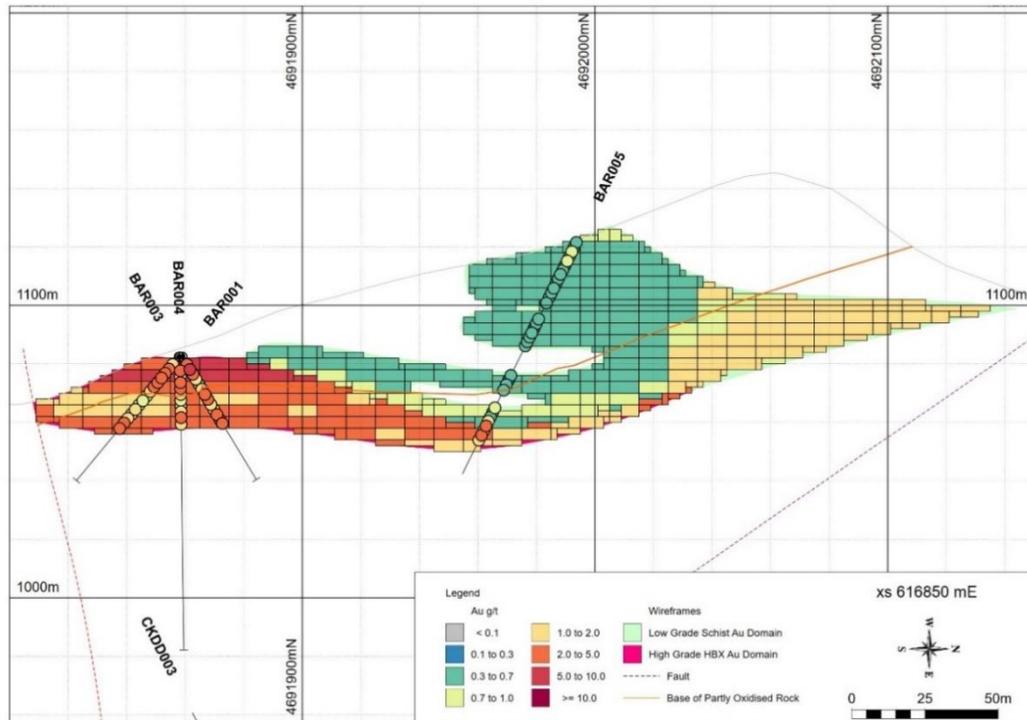
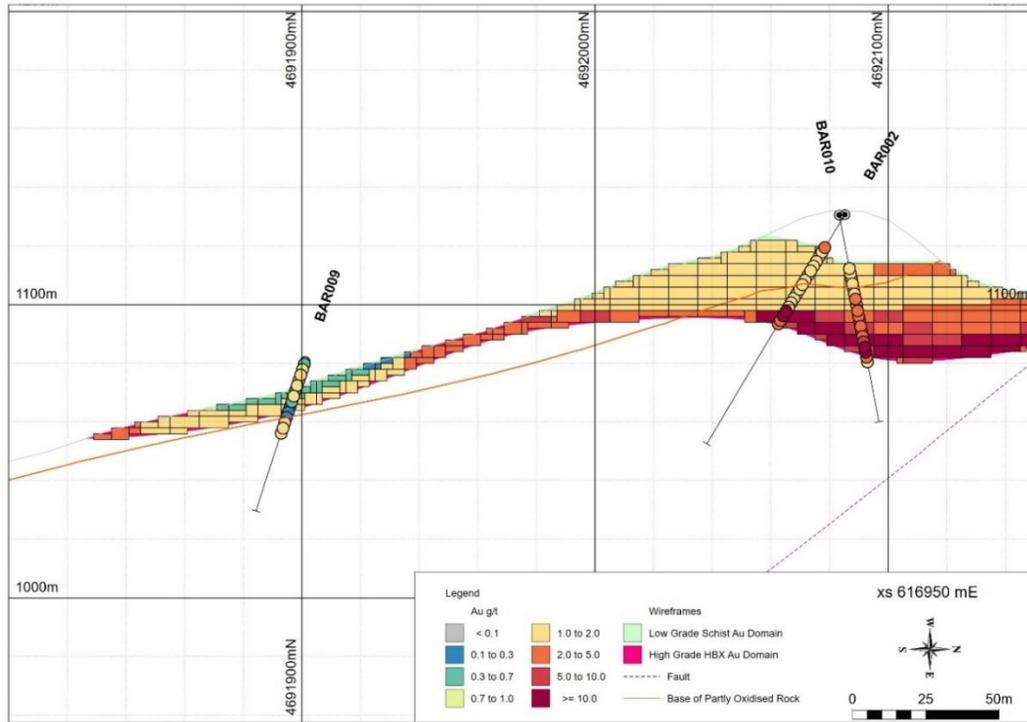
<b>Resource Category</b>	<b>Tonnage (tonnes)</b>	<b>Au</b>		<b>Ag</b>		<b>AuEq</b>	
		<b>Contained oz</b>	<b>g/t</b>	<b>Contained oz</b>	<b>g/t</b>	<b>Contained oz</b>	<b>g/t</b>
Inferred	7,100,000	570,000	2.5	8,600,000	38	680,000	3.0

Notes to the Mineral Resource Estimate:

1. The independent Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is Mr. Richard Siddle, MSc, MAIG, of Addison Mining Services Ltd since November 2014. The effective date of the Mineral Resource Estimate is January 13, 2020.

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

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



### Metallurgical Test Work

Metallurgical test work for the Mineral Resource Estimate included bulk rougher flotation tests on two composite samples blended from approximately 50 kg of drill core representing medium- and high-grade gold mineralization within unweathered hydrothermal breccias at the Barje Prospect. The composites reported head grades of 2.04 g/t and

10.99 g/t Au and gold recoveries to concentrate of 88.2% and 90.5%, respectively. The same composites reported silver head grades of 15.1 g/t Ag and 107.2 g/t Ag, and silver recoveries to concentrate of 88.2% and 96.4% respectively. A summary of these results is presented in Table 2.

The metallurgical test work used conventional flotation methodology at a grind size of -74 microns, a pH of 8.2, a conditioning time of 3 minutes and a flotation time of 9 minutes. Metallurgical analyses were performed by Resource Development Inc. of Wheat Ridge, Colorado, and were overseen by Woods Process Services LLC of Denver, Colorado.

**Table 2** - Summary of recoveries from baseline bulk sulphide rougher flotation tests

Grade								Distribution (percentage by weight)					
Flot 1 (“HBX” Breccia)													
Fraction	Wt%	Au g/t	Ag g/t	Cu %	Pb %	Zn %	As %	Au	Ag	Cu	Pb	Zn	As
Feed	100	2.04	15.1	0.01	0.07	0.17	0.75	100	100	100	100	100	100
Conc.	10.7	16.83	124	0.08	0.57	1.2	5.86	88.2	88.2	65.9	93.2	74.2	83.4
Tails	89.3	0.27	2.05	0	0.01	0.05	0.14	11.8	11.8	34.1	6.8	25.8	16.6
Flot 2 (“XXX” Breccia)													
Fraction	Wt%	Au g/t	Ag g/t	Cu %	Pb %	Zn %	As %	Au	Ag	Cu	Pb	Zn	As
Feed	100	10.99	107.2	0.04	0.77	2.13	3.74	100	100	100	100	100	100
Conc.	27.3	36.48	379	0.15	2.69	1.2	12.1	90.5	96.4	91.6	95.3	91.4	88.3
Tails	72.7	1.42	5.13	0	0.05	2.48	0.6	9.5	3.6	8.4	4.7	8.6	11.7
Combined													
Fraction	Wt%	Au g/t	Ag g/t	Cu %	Pb %	Zn %	As %	Au	Ag	Cu	Pb	Zn	As
Feed	100	6.52	61.15	0.03	0.42	1.15	2.245	100	100	100	100	100	100
Conc.	19	26.66	251.5	0.12	1.63	1.2	8.98	89.35	92.3	78.75	94.25	82.8	85.85
Tails	81	0.85	3.59	0	0.03	1.265	0.37	10.65	7.7	21.25	5.75	17.2	14.15

### **Zlogosh Property, Bulgaria**

In April 2020, the Company entered into an exclusive Letter Agreement with Gecon EOOD with respect to an Exploration License application made by Gecon at Zlogosh (“Zlogosh”, the “Zlogosh Property”), Kyustendil Oblast, western Bulgaria. The main mineralized targets at Zlogosh are situated approximately 40 kilometres by road from the Company’s Tlamino Project in Serbia, with which they appear to share considerable geological similarity. The location of Zlogosh relative to the Tlamino Project is shown in Figure 2.

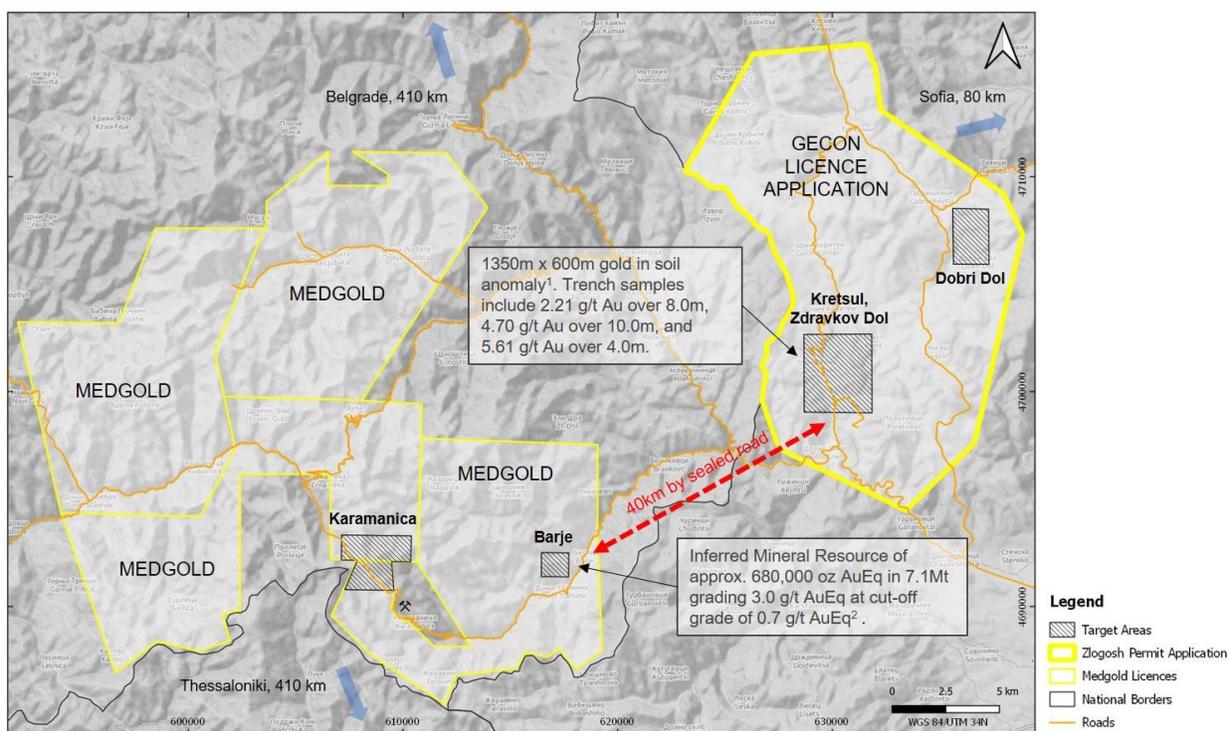
Work by previous operators at Zlogosh identified multiple gold-in-soil anomalies including a 1,350 metre by 600 metre anomaly named the Zdravkov Dol target. Results from limited trench sampling at Zdravkov Dol returned intervals including 4.70 g/t Au over 10.0 metres and 2.21 g/t Au over 8.0 metres.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

Subject to satisfactory completion of due diligence, the Company is planning to conduct drilling and other exploration activities at Zlogosh to test a conceptual exploration target of a similar or greater order than that seen at the Tlamino Project (see the Company’s news release dated January 30, 2020). Extensive historical datasets of stream sediment,

soil and rock samples are available for Zlogosh, and the Company intends to apply its understanding gained at Tlamino to these similar and highly prospective targets. The Company remains committed to the advancement of the Tlamino Project in parallel with activities at Zlogosh.

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

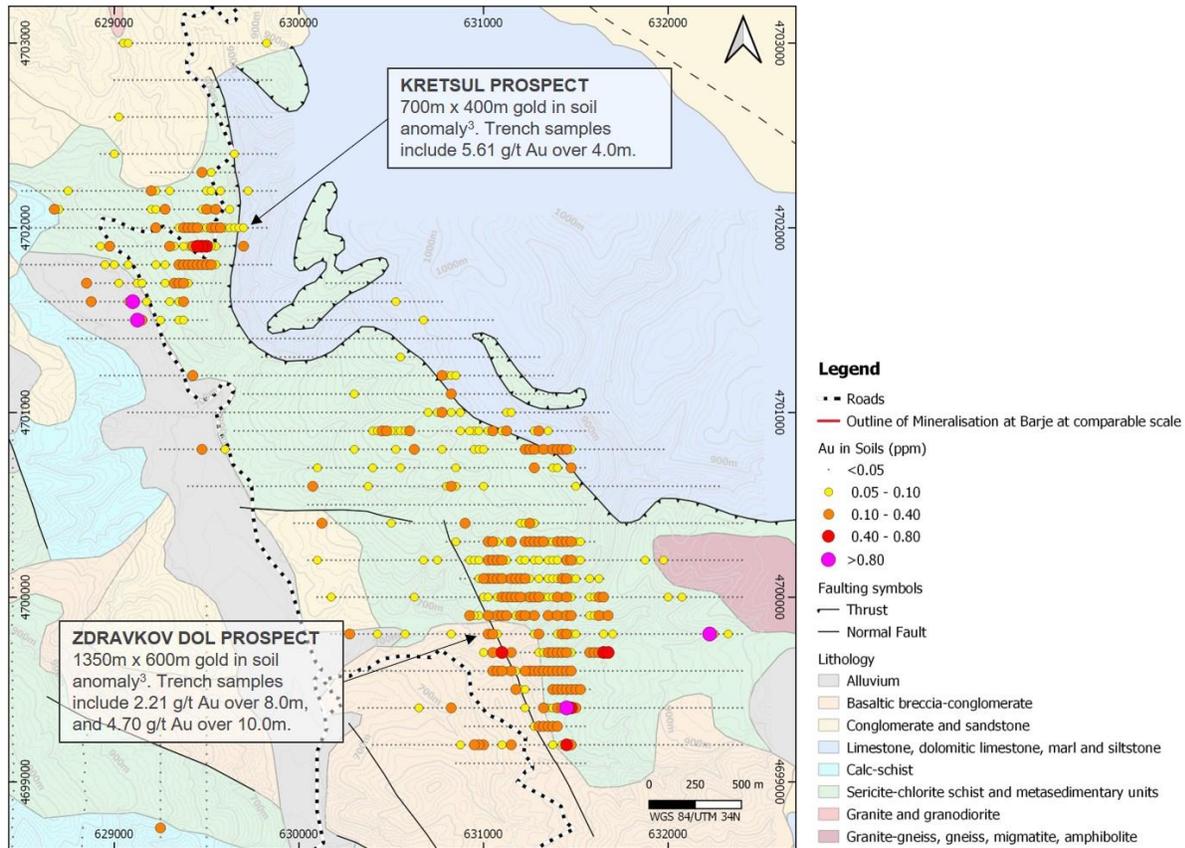
**Figure 2:** Location of the Zlogosh Property relative to the Tlamino Project



<sup>1</sup>Reported soil and trench sample results within the Zlogosh Property are the work of previous operators; this work has not been verified by the Qualified Person. Details of sample collection, preparation and analysis are not known, and no QA/QC data have been reviewed for the reported work. Similarity of geology between the Zlogosh Property and the Tlamino Project is not evidence for similarity of mineralization.

<sup>2</sup>Medgold News Release dated January 30, 2020

**Figure 3: Location of mineralized targets at Zlogosh.**



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

### Qualified Person

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

### Selected Annual Information

The following table provides financial results for the years ended December 31, 2019, 2018 and 2017:

	2019 (\$)	2018 (\$)	2017 (\$)
Exploration expenditures from continuing operations	271,763	505,498	1,349,910
General and administrative expenses from continuing operations	986,296	794,079	691,312
Loss from continuing operations	1,246,457	1,291,313	2,036,749
Loss from discontinued operations	-	-	547,564
Basic and diluted loss per share from continuing operations	0.01	0.01	0.02
Basic and diluted loss per share from discontinued operations	-	-	0.01
Total assets	1,013,288	1,885,118	1,572,135
Total liabilities	182,467	86,875	123,170
Cash dividends	-	-	-

Discontinued operations for the 2017 fiscal year relate to former operations in Portugal and Spain. The removal of discontinued operations did not have a significant impact on the Company's overall performance since 2017 as exploration activities had shifted to Serbia.

Exploration expenditures for 2019 and 2018 were less than 2017 due to more exploration activity at the Tlamino Project which was funded by Fortuna. General and administrative expenses for the 2019 fiscal year was higher than that for 2018 and 2017 due primarily to a share-based payments expense relating to the granting of stock options. The share-based payment expense for 2019 was \$279,035 compared to \$139,948 for 2018 and \$128,554 for 2017.

### **Quarterly Information**

The following table provides information for the eight fiscal quarters ended December 31, 2019:

	<b>Dec. 31, 2019</b>	<b>Sep. 30, 2019</b>	<b>June 30, 2019</b>	<b>Mar. 31, 2019</b>	<b>Dec. 31, 2018</b>	<b>Sep. 30, 2018</b>	<b>June 30, 2018</b>	<b>Mar. 31, 2018</b>
	<b>(\$)</b>							
Exploration expenditures	125,001	32,762	28,489	85,511	123,703	89,726	103,102	188,967
General and administrative expenses	239,565	180,044	211,948	354,739	154,151	255,357	237,751	146,820
Loss for the period	(363,035)	(211,231)	(234,556)	(437,635)	(273,071)	(343,798)	(339,918)	(334,526)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)

General and administrative expenses for the quarters ended March 31, 2019 and September 30, 2018 were higher than other quarters presented due to share-based payments charges of \$197,678 and \$107,634, respectively, which relate to the granting of stock options.

### **Results of Operations**

#### *Quarter ended December 31, 2019*

For the quarter ended December 31, 2019, the Company had a net loss of \$363,035 compared to a net loss of \$273,071 for the quarter ended December 31, 2018, an increase of \$89,964.

Exploration costs, net of expense recoveries, for the current and comparative quarters were similar as they were \$125,001 and \$123,703, respectively.

General and administrative expenses totaled \$239,565 for the current quarter compared to \$154,151 for the comparative quarter, an increase of \$85,414. The most significant cost increase in the current quarter was in legal and accounting costs which were \$58,735 higher and relate partially to the Company's former operations in Portugal and to corporate planning and restructuring activities. Also contributing to the general and administrative expenses being higher in the current quarter was a foreign exchange gain of \$3,821 compared to \$25,463 for the comparative quarter.

#### *Year ended December 31, 2019*

For the year ended December 31, 2019, the Company had a net loss of \$1,246,457 compared to a net loss of \$1,291,313 for the year ended December 31, 2018, a decrease of \$44,856.

Exploration costs, net of expense recoveries, for the current year were \$271,763 compared to \$505,498 for the comparative year, a decrease of \$233,735. Exploration costs for the current year were less due to a greater percentage of exploration activity taking place on the Tlamino Project and being funded by Fortuna whereas the Company incurred more expenditures on its Ljubata Project during the comparative year.

General and administrative expenses totaled \$986,296 for the current year compared to \$794,079 for the comparative year, an increase of \$192,217. This increase is primarily due to the current year including a share-based payments expense of \$279,035 relating to the granting of stock options compared to \$139,948 in the comparative year. Legal and accounting costs were also \$86,624 higher in the current year and as in the quarterly comparison, relate mostly to former operations in Portugal and to corporate planning and restructuring activities. Most notable cost decreases during the current year were \$48,774 in shareholder communications, \$21,781 in travel and accommodation, and \$19,575 in management fees. Shareholder communications and travel costs were less in the current year due to less investor relations promotional activities than in the comparative year. Management fees were less due to the appointment of a new Chief Executive Officer and the manner in which his compensation is allocated between exploration and administrative expense.

### **Liquidity and Capital Resources**

The Company's cash and cash equivalent resource as at December 31, 2019 was \$704,127 compared to \$1,436,399 as at December 31, 2018. As at December 31, 2019, the Company had current assets totaling \$800,461 and current liabilities totaling \$182,467, for working capital of \$617,994.

The most recent equity financing that the Company undertook was a private placement in October 2018 that consisted of issuing 4,902,800 units at \$0.30 per unit for gross proceeds of \$1,470,840. Each unit consisted 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. During the 2019 and 2018 fiscal years, the Company's operations on the Tlamino Project has largely been funded by Fortuna. Current cash and cash equivalent resources are being used for exploration work and general working capital requirements.

The Company expects its current capital resources to be sufficient to cover its corporate operating costs but not potential future mineral property acquisitions or exploration expenditures through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity.

### **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, 2019.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

### **Financial Instruments and Risk Management**

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

#### **General Objectives, Policies and Processes:**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies, and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors 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, 2019, the Company is exposed to foreign currency risk and interest rate risk.

*Foreign Currency Risk*

As at December 31, 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

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

Based on the above net exposures at December 31, 2019, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$5,600 (2018: \$28,100) 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, 2019, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian, British and Serbian financial institutions. The Company considers this risk to be limited.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company's receivables consist of VAT receivable from the government of Serbia and receivables from Fortuna. 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. All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

**Related Party Transactions**

The Company had transactions during the periods ended December 31, 2019 and 2018 with related parties who consisted of directors, officers and the following companies with common directors:

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

During the periods ended December 31, 2019 and 2018, the Company reimbursed Gold Group, a company controlled by the Executive Chairman of the Company, for the following costs:

	<b>Three months ended December 31,</b>		<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General and administrative expenses:				
Office and administration	\$ 18,704	\$ 15,615	\$ 65,473	\$ 67,861
Salaries and benefits	34,379	26,489	119,985	96,663
Shareholder communications	500	-	3,896	1,775
Transfer agent and regulatory fees	-	-	2,738	2,639
Travel and accommodation	713	2,546	4,975	11,516
	<b>\$ 54,296</b>	<b>\$ 44,650</b>	<b>\$ 197,067</b>	<b>\$ 180,454</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 years ended December 31, 2019 and 2018 include those for the Chief Financial Officer and the Corporate Secretary.

During the year ended December 31, 2019, the Company reimbursed Radius \$Nil (2018: \$12,079) in shared salary and benefits for the services of a geological consultant.

Amounts receivable as at December 31, 2019 include \$27,444 (2018: \$130,376) due from Fortuna for project funding pursuant to the Tlamino Project option agreement.

Prepaid expenses and deposits as at December 31, 2019 include an amount of \$1,137 (2018: \$2,902) paid to Gold Group for administrative expenses paid in advance on the Company’s behalf.

Long-term deposits as of December 31, 2019 consist of \$61,000 (2018: \$61,000) paid to Gold Group as a deposit pursuant to an office and administrative agreement.

Amounts due to related parties as of December 31, 2019 consists of \$20,226 (2018: \$14,958) owing to Gold Group and \$58,166 (2018: \$Nil) to the Chief Executive Officer for expenses incurred on behalf of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit.

### **Key Management Compensation**

The Company has identified certain of its directors and senior officers as its key management personnel. Included for the periods ended December 31, 2019 and 2018 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.

	<b>Three months ended December 31,</b>		<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Management fees	\$ 24,000	\$ 27,600	\$ 90,825	\$ 110,400
Geological fees	34,500	33,900	152,675	135,600
Salaries and benefits	9,625	7,792	34,833	30,709
Value of stock option grants recorded as share-based payments	-	-	168,785	-
	<b>\$ 68,125</b>	<b>\$ 69,292</b>	<b>\$ 447,118</b>	<b>\$ 276,709</b>

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

### **Other Data**

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

### **Share Position and Outstanding Options and Warrants**

As at the date of this MD&A, the Company's outstanding share position is 94,789,032 common shares and the following stock options and share purchase warrants are outstanding:

<b>No. of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
1,880,000	\$0.15	February 23, 2024
500,000	\$0.11	June 18, 2024
1,260,000	\$0.15	June 28, 2026
200,000	\$0.20	July 24, 2027
100,000	\$0.20	February 7, 2028
2,025,000	\$0.15	January 15, 2029
570,000	\$0.15	June 2, 2029
<b>6,535,000</b>		

<b>No. of warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>
4,902,800	\$0.40	October 16, 2020

### **Accounting Policies and Basis of Presentation**

The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2019:

#### *IFRS 16 Leases*

The Company adopted IFRS 16 – *Leases* (“IFRS 16”), which requires lessees to recognize right-of-use assets and lease liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements as the Company has no leases.

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

### **Future Accounting Changes**

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

#### *IFRS 17 Insurance Contracts*

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

This standard will be effective for the Company's annual period beginning January 1, 2021. The Company has yet to assess the impact of IFRS 17 on its financial statements.

## **Risks and Uncertainties**

### *Global Pandemic*

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

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

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

### *Mineral Property Exploration and Mining Risks*

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

### *Joint Venture Funding Risk*

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

### *Commodity Price Risk*

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

### *Financing and Share Price Fluctuation Risks*

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

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the

Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues and corresponding effect on the Company's financial position.

#### *Political, Regulatory and Currency Risks*

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

#### *Insured and Uninsured Risks*

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

#### *Environmental and Social Risks*

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are not considered significant in the Company's areas of operations.

#### *Competition*

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.