



FINANCIAL REVIEW

Fiscal Year Ended December 31, 2020



(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MEDGOLD RESOURCES CORP.

Opinion

We have audited the consolidated financial statements of Medgold Resource Corp. (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at December 31, 2020 and 2019;
- ♦ the consolidated statements of loss and comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in shareholders' equity for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the 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, 2020 and 2019, and its consolidated financial performance and 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 consolidated 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 \$1,448,173 during the year ended December 31, 2020. As stated in Note 1, these events or conditions, 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 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 Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 27, 2021

Medgold Resources Corp.

(Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020 and 2019

(Expressed in Canadian Dollars)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents (Note 16)	\$ 1,287,143	\$ 704,127
Amounts receivable (Note 12)	11,267	84,327
Prepaid expenses and deposits (Note 12)	6,302	12,007
Total current assets	1,304,712	800,461
Non-current assets		
Long-term deposits (Note 12)	61,000	61,000
Property and equipment (Note 6)	75,049	108,807
Exploration and evaluation assets (Note 7)	43,020	43,020
Total non-current assets	179,069	212,827
	\$ 1,483,781	\$ 1,013,288
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 110,775	\$ 104,075
Due to related parties (Note 12)	45,415	78,392
Total liabilities	156,190	182,467
Shareholders' equity		
Share capital (Note 8)	15,751,347	13,829,198
Other equity reserves (Note 8)	1,521,921	1,499,127
Accumulated other comprehensive loss	(157,952)	(157,952)
Deficit	(15,787,725)	(14,339,552)
Total shareholders' equity	1,327,591	830,821
	\$ 1,483,781	\$ 1,013,288

APPROVED ON BEHALF OF THE BOARD ON APRIL 27, 2021:

"Jeremy Crozier"
Jeremy Crozier, Director

"Ralph Rushton"
Ralph Rushton, 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, 2020 and 2019

(Expressed in Canadian Dollars)

	2020	2019
Exploration expenditures (Note 10)	\$ 915,452	\$ 271,763
General and administrative expenses		
Consulting	16,083	-
Depreciation (Note 6)	33,758	34,364
Foreign exchange loss	725	17,271
Legal and accounting	93,766	150,869
Management fees (Note 12)	99,750	90,825
Office and administration (Note 12)	81,214	78,747
Salaries and benefits (Note 12)	84,561	119,985
Shareholder communications (Note 12)	80,424	158,155
Share-based payments (Notes 9 and 12)	-	279,035
Transfer agent and regulatory fees (Note 12)	15,010	14,903
Travel and accommodation (Note 12)	29,161	42,142
	534,452	986,296
Loss before other items	(1,449,904)	(1,258,059)
Other items		
Interest and other income	1,731	6,902
Gain on disposal of property and equipment	-	4,700
Net loss and comprehensive loss for the year	\$ (1,448,173)	\$ (1,246,457)
Loss per share, basic and diluted	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding	113,258,977	94,789,032

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, 2020 and 2019

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves				Deficit	Total shareholders' equity
			Warrants reserve	Share- based payment reserve	Accumulated other comprehensive loss			
Balance, December 31, 2018	94,789,032	\$13,829,198	\$ 65,949	\$ 1,154,143	\$ (157,952)	\$ (13,093,095)	\$ 1,798,243	
Loss for the year	-	-	-	-	-	(1,246,457)	(1,246,457)	
Share-based payments	-	-	-	279,035	-	-	279,035	
Balance, December 31, 2019	94,789,032	13,829,198	65,949	1,433,178	(157,952)	(14,339,552)	830,821	
Loss for the year	-	-	-	-	-	(1,448,173)	(1,448,173)	
Shares issued for private placement	40,000,000	2,000,000	-	-	-	-	2,000,000	
Share issuance costs	-	(77,851)	22,794	-	-	-	(55,057)	
Balance, December 31, 2020	134,789,032	\$15,751,347	\$ 88,743	\$ 1,433,178	\$ (157,952)	\$ (15,787,725)	\$ 1,327,591	

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, 2020 and 2019

(Expressed in Canadian Dollars)

	2020	2019
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,448,173)	\$ (1,246,457)
Items not involving cash:		
Depreciation	33,758	34,364
Share-based payments	-	279,035
Gain on disposal of property and equipment	-	(4,700)
	(1,414,415)	(937,758)
Changes in non-cash working capital balances:		
Amounts receivable	73,060	98,560
Prepaid expenses and deposits	5,705	3,815
Accounts payable and accrued liabilities	6,700	32,158
Due to related parties	(32,977)	63,434
Net cash used in operating activities	(1,361,927)	(739,791)
FINANCING ACTIVITY		
Net proceeds from issuance of common shares	1,944,943	-
Net cash provided by financing activity	1,944,943	-
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(793)
Proceeds on disposal of property and equipment	-	8,312
Net cash provided by investing activities	-	7,519
Increase (decrease) in cash and cash equivalents	583,016	(732,272)
Cash and cash equivalents, beginning of year	704,127	1,436,399
Cash and cash equivalents, end of year	\$ 1,287,143	\$ 704,127

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements of the Company as at December 31, 2020 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, 2020, the Company had not yet achieved profitable operations, has accumulated losses of \$15,787,725 since its inception, and expects to incur further losses in the development of its business. For the year December 31, 2020, the Company incurred a net loss of \$1,448,173. 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.

At the time these consolidated financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company’s business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing at the properties, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease.

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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

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, 2020 are as follows:

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

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) Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change of value.

d) 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) 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

f) 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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).

g) 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, 2020 and 2019, 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.

h) 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

j) 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.

k) 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

l) 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 any.

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 costs 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.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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 profit or 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 consolidated statements 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 and cash equivalents	FVTPL
Amounts receivable	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

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 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 assessed that the impact of IFRS 17 on its consolidated financial statements would not be significant.

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

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.

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.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- 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. CONTINGENCY

In early 2015, the Company entered into an agreement whereby its former subsidiary, MedgoldMinas Unipessoal Lda. ("MedgoldMinas"), proposed to acquire, subject to certain conditions, an interest in a mineral property located in Portugal, in consideration for the assumption of certain debts owing by the property owner. The conditions were not met, and the transaction did not proceed. However, one of the creditors of the property owner subsequently filed a claim in Portugal against the owner for approximately €1.17 million. Upon request by the creditor, the court then added the Company and MedgoldMinas to be defendants in the event the property owner was found to be not liable to the creditor. The Company vigorously contested being brought into this proceeding as the Company and MedgoldMinas did not consummate the transaction with the property owner, did not acquire any interest in the property, and therefore did not assume any liabilities of the owner. In June 2019, the court held that the Company was not responsible for the debts owing by the property owner. This judicial decision was appealed by the plaintiff; however, in February 2020, the Court of Appeal upheld the original court decision in favour of the Company, and the Company was entitled to receive partial reimbursement of its court/legal fees. The plaintiff did not submit a counter-appeal. On November 12, 2020, the Supreme Court made a final and binding decision to confirm the Court of Appeal's decision, thereby closing the case and acquitting the Company from the lawsuit.

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6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2018	\$ 12,906	\$ 188,331	\$ 25,487	\$ 35,463	\$ 262,187
Additions	-	-	793	-	793
Disposals	-	(32,586)	-	-	(32,586)
Balance, December 31, 2019	12,906	155,745	26,280	35,463	230,394
Additions	-	-	-	-	-
Balance, December 31, 2020	\$ 12,906	\$ 155,745	\$ 26,280	\$ 35,463	\$ 230,394
Accumulated amortization					
Balance, December 31, 2018	\$ 11,250	\$ 77,076	\$ 15,399	\$ 12,472	\$ 116,197
Charge for year	1,656	25,235	3,543	3,930	34,364
Disposals	-	(28,974)	-	-	(28,974)
Balance, December 31, 2019	12,906	73,337	18,942	16,402	121,587
Charge for year	-	26,032	3,487	4,239	33,758
Balance, December 31, 2020	\$ 12,906	\$ 99,369	\$ 22,429	\$ 20,641	\$ 155,345
Carrying amounts					
At December 31, 2019	\$ -	\$ 82,408	\$ 7,338	\$ 19,061	\$ 108,807
At December 31, 2020	\$ -	\$ 56,376	\$ 3,851	\$ 14,822	\$ 75,049

7. EXPLORATION AND EVALUATION ASSETS

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

Serbia

a) Exploration Licences

As of December 31, 2020, the Company held three granted exploration licences, including the Donje Tlamino and Surlica-Dukat licences which comprise the Tlamino Project optioned to Fortuna Silver Mines Inc. ("Fortuna").

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

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Serbia (continued)

b) Tlamino Project Option

Pursuant to an agreement signed in March 2017, as amended, the Company granted to Fortuna the option to acquire an initial 51% interest in the Tlamino Project (the "Project"). During the 2019 fiscal year, Fortuna earned its 51% interest.

During the year ended December 31, 2020, the Company entered into an agreement with Fortuna whereby the Company was granted an exclusive option (the "Option") to purchase Fortuna's 51% interest in the Project for a cash consideration of US\$3.468 million. The Option is valid for three years and is exercisable upon the earlier of (i) the expiry of the term of the Option, (ii) the date of completion of the a sale by the Company of a 100% interest in the Project to a third party, or (iii) the date of completion of a merger between the Company and a third party.

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

If the Company completes a sale of the Project or corporate merger as described above and receives consideration attributable to 100% of the Project in excess of US\$8,840,000 or enters into a third party option in which the consideration payable by the third party is greater than US\$8,840,000, the consideration payable to Fortuna will be an amount equal to 10.2% of the difference between the Project value and US\$8,840,000, less all reasonable and documented costs incurred by the Company to complete the sale or merger.

As at December 31, 2020, the Company and Fortuna had one common director, namely, Simon Ridgway.

Bulgaria

During the year ended December 31, 2020, the Company entered into an exclusive letter agreement with Gecon EOOD ("Gecon"), a private Bulgarian company, with respect to an exploration licence application on the Zlogosh Property in western Bulgaria.

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

Medgold Resources Corp.

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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, 2020, the following share capital activity occurred:

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

There was no share capital activity during the year ended December 31, 2019.

Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2020 and 2019 is as follows:

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

Details of share purchase warrants outstanding as of December 31, 2020 are:

Expiry date	Number of warrants	Exercise price
July 14, 2023	40,870,000	\$0.10

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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, 2020:

Expiry date	Exercise price	Opening balance	During the year			Closing balance	Vested and exercisable
			Granted	Exercised	Expired / forfeited		
February 23, 2024	\$0.15	1,930,000	-	-	(450,000)	1,480,000	1,480,000
June 18, 2024	\$0.11	500,000	-	-	-	500,000	500,000
June 28, 2026	\$0.15	1,290,000	-	-	(330,000)	960,000	960,000
July 24, 2027	\$0.20	200,000	-	-	(100,000)	100,000	100,000
February 7, 2028	\$0.20	100,000	-	-	-	100,000	100,000
January 15, 2029	\$0.15	2,025,000	-	-	-	2,025,000	2,025,000
June 2, 2029	\$0.15	570,000	-	-	(90,000)	480,000	480,000
		6,615,000	-	-	(970,000)	5,645,000	5,645,000
Weighted average exercise price	\$0.15		-	-	\$0.16	\$0.15	\$0.15

The following is a summary of changes in options for the year ended December 31, 2019:

Expiry date	Exercise price	Opening balance	During the year			Closing balance	Vested and exercisable
			Granted	Exercised	Expired / forfeited		
February 7, 2019	\$0.20	100,000	-	-	(100,000)	-	-
February 26, 2020	\$0.20	-	100,000	-	(100,000)	-	-
February 23, 2024	\$0.15	3,230,000	-	-	(1,300,000)	1,930,000	1,930,000
June 18, 2024	\$0.11	-	500,000	-	-	500,000	500,000
June 28, 2026	\$0.15	1,920,000	-	-	(630,000)	1,290,000	1,290,000
July 24, 2027	\$0.20	420,000	-	-	(220,000)	200,000	200,000
February 7, 2028	\$0.20	150,000	-	-	(50,000)	100,000	100,000
July 24, 2028	\$0.37	300,000	-	-	(300,000)	-	-
January 15, 2029	\$0.15	-	2,025,000	-	-	2,025,000	2,025,000
June 2, 2029	\$0.15	-	570,000	-	-	570,000	570,000
		6,120,000	3,195,000	-	(2,700,000)	6,615,000	6,615,000
Weighted average exercise price	\$0.17		\$0.15	-	\$0.18	\$0.15	\$0.15

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9. SHARE-BASED PAYMENTS (continued)

Fair Value of Options Issued During the Year

There were no options granted during the year ended December 31, 2020. The weighted average fair value at grant date of options granted during the year ended December 31, 2019 was \$0.10 per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2020 is 5.91 (2019: 6.75) years.

There were no options exercised during the years ended December 31, 2020 and 2019.

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, 2019 included expected volatility factors ranging from 85% to 94%, risk-free interest rates ranging from 1.34% to 2.01%, expected life ranging from one to ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. 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, 2020 was \$Nil (2019: \$279,035).

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10. EXPLORATION EXPENDITURES

During the year ended December 31, 2020, the Company incurred the following exploration expenditures:

	Tlmino Project	Other	Total
Assaying	\$ 47,717	\$ -	\$ 47,717
Community relations and promotional	68,694	-	68,694
Field expenses	5,813	-	5,813
Geological and other consulting (Note 12)	342,045	107,851	449,896
Legal and accounting	241,308	-	241,308
Licenses, rights and taxes	17,312	-	17,312
Office and administration	104,004	-	104,004
Salaries and benefits	92,974	-	92,974
Travel	17,379	5,675	23,054
	937,246	113,526	1,050,772
Expense recoveries*	(135,320)	-	(135,320)
	\$ 801,926	\$ 113,526	\$ 915,452

During the year ended December 31, 2019, the Company incurred the following exploration expenditures:

	Serbia			Total
	Tlmino Project	Ljubata Project	Other	
Assaying	\$ 144,369	\$ 4,923	\$ -	\$ 149,292
Drilling	420,139	28,150	-	448,289
Field expenses	24,412	1,055	-	25,467
Geological and other consulting (Note 12)	404,884	31,953	51,861	488,698
Licenses, rights and taxes	22,117	32,094	14,157	68,368
Office and administration	183,696	12,990	4,297	200,983
Salaries and benefits	379,459	51,940	4,478	435,877
Travel	93,134	2,453	5,581	101,168
	1,672,210	165,558	80,374	1,918,142
Expense recoveries*	(1,646,379)	-	-	(1,646,379)
	\$ 25,831	\$ 165,558	\$ 80,374	\$ 271,763

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

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11. INCOME TAXES

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

	2020	2019
Net loss for the year	\$ (1,448,173)	\$ (1,246,457)
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	(391,007)	(336,543)
Decrease (increase) resulting from:		
Non-deductible expenses and others	368	75,791
Differences between Canadian and foreign tax rates	154,221	160,204
Change in timing differences	121,834	119
Impact of foreign exchange on tax assets and liabilities	28,790	41,769
Under provided in prior years	(54,692)	(416,733)
Unused tax losses and tax offsets not recognized	140,486	475,393
Income tax recovery	\$ -	\$ -

The tax rates represent the federal and provincial statutory rate applicable for the 2020 taxation year, 27% for Canada, 15% for Serbia, and 19% for the United Kingdom.

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:

	2020	2019
Non-capital loss carry-forwards	\$ 16,506,953	\$ 12,834,255
Exploration and evaluation assets	10,225,930	10,225,930
Property and equipment	214,702	187,599
Share issuance cost	1,070	20,722
Unrecognized deductible temporary differences	\$ 26,948,655	\$ 23,268,506

Subject to certain restrictions, the Company has non-capital losses of \$6,775,937 (2019: \$5,909,560) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year	
2026	\$ 1,505,389
2028	57,142
2029	184,122
2032	263,577
2033	485,883
2034	539,445
2035	680,434
2036	462,708
2037	522,527
2038	596,487
2039	992,081
2040	486,142
	\$ 6,775,937

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11. INCOME TAXES (continued)

The Company also has non-capital losses for income tax purposes of \$3,496,566 (2019: \$3,461,957) available to reduce future UK taxable income, non-capital losses for income tax purposes of \$6,234,450 (2019: \$3,462,738) 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 as follows:

Year	
2021	\$ 612,050
2022	1,098,407
2023	1,996,023
2024	1,559,315
2025	968,655
	<u>\$ 6,234,450</u>

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2020 and 2019 consist of directors, officers and the following companies with common directors or controlled by those officers and directors:

Related party	Nature of transactions
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")	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, 2020 and 2019, the Company reimbursed Gold Group for the following costs:

	2020	2019
General and administrative expenses:		
Office and administration	\$ 62,662	\$ 65,473
Salaries and benefits	84,561	119,985
Shareholder communications	3,642	3,896
Transfer agent and regulatory fees	2,515	2,738
Travel and accommodation	5,294	4,975
	<u>\$ 158,674</u>	<u>\$ 197,067</u>

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Gold Group is controlled by Simon Ridgway, who was the Chairman of the Company as at December 31, 2020. Salaries and benefits for the years ended December 31, 2020 and 2019 include those for the Chief Financial Officer and the Corporate Secretary.

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- b) Amounts receivable as at December 31, 2020 include \$Nil (2019: \$27,444) due from Fortuna for project funding pursuant to the Tlamino Project option agreement (Note 7(b)).
- c) Prepaid expenses and deposits as at December 31, 2020 include an amount of \$205 (2019: \$1,137) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.
- d) Long-term deposits as of December 31, 2020 consist of \$61,000 (2019: \$61,000) paid to Gold Group as a deposit pursuant to an agreement with Gold Group.
- e) Amounts due to related parties as of December 31, 2020 consists of \$23,477 (2019: \$20,226) owing to Gold Group and \$21,938 (2019: \$58,166) to the Chief Executive Officer of the Company for management and geological fees and expense reimbursement. 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 years ended December 31, 2020 and 2019 at their exchange amounts are the following items paid or accrued to key management personnel and/or companies with common directors. These transactions are in the normal course of operations.

	2020	2019
Management fees	\$ 99,750	\$ 90,825
Geological fees	131,750	152,675
Salaries and benefits	25,024	34,833
Value of stock option grants recorded as share-based payments	-	168,785
	\$ 256,524	\$ 447,118

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

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

Foreign Currency Risk

As at December 31, 2020 and 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2020			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Serbian Dinars (CDN equivalent)
Cash	\$ 553	\$ 1,738	\$ 12,329	\$ 18,430
Amounts receivable	-	-	-	6,719
Accounts payable and accrued liabilities	(55,381)	(4,478)	(10,233)	(11,123)
Net exposure	\$ (54,828)	\$ (2,740)	\$ 2,096	\$ 14,026

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Foreign Currency Risk (continued)

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

Based on the above net exposures at December 31, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$4,100 (2019: \$5,600) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2020, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian, British and Serbian financial institutions. The Company considers this risk to be limited.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company's receivables consist of VAT receivable from the government of Serbia and receivables from Fortuna (Note 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, 2020, the Company had working capital of \$1,148,522 (2019: \$617,994). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value

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

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

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, 2020 were calculated as follows:

	Balance at December 31, 2020	Level 1	Level 2	Level 3
Financial Asset:				
Cash	\$ 1,287,143	\$ 1,287,143	\$ -	\$ -

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, 2020.

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

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, 2020	Canada	Serbia	Other	Total
Exploration expenditures	\$ -	\$ 915,452	\$ -	\$ 915,452
Interest and other income	1,731	-	-	1,731
Net loss	(481,423)	(949,210)	(17,540)	(1,448,173)

Year ended December 31, 2019	Canada	Serbia	Other	Total
Exploration expenditures	\$ -	\$ 271,763	\$ -	\$ 271,763
Interest and other income	6,902	-	4,700	11,602
Net loss	(878,122)	(304,448)	(63,887)	(1,246,457)
Capital expenditures*	-	793	-	793

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

As at December 31, 2020	Canada	Serbia	Other	Consolidated
Total current assets	\$ 1,272,741	\$ 31,418	\$ 553	\$ 1,304,712
Total non-current assets	61,000	118,069	-	179,069
Total assets	\$ 1,333,741	\$ 149,487	\$ 553	\$ 1,483,781
Total liabilities	\$ 124,679	\$ 11,123	\$ 20,388	\$ 156,190

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

Medgold Resources Corp.

(Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company does not hold any deposits with maturities of greater than three months from the date of acquisition. Cash at banks earn interest at floating rates based on daily bank deposit rates. As at December 31, 2020 and 2019, cash and cash equivalents is comprised of the following:

	2020	2019
Cash	\$ 1,287,143	\$ 300,661
Cash equivalents	-	403,466
	<u>\$ 1,287,143</u>	<u>\$ 704,127</u>

17. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2020, the following events, which have not been disclosed elsewhere in these consolidated financial statements, have occurred:

- i) A total of 6,485,000 stock options with an exercise price of \$0.10 per share were granted.
- ii) A total of 3,615,000 stock options with an exercise price of \$0.15 or \$0.20 per share were cancelled unexercised.



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2020

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, 2020. The following information, prepared as of April 27, 2021, should be read in conjunction with the December 31, 2020 consolidated financial statements. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

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

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

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

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

- uncertainty of mineral reserve and resource estimates;
- risks associated with mineral exploration and project development;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;

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

as well as those factors referred to in the "Risks and Uncertainties" section in this 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 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 and contractors arising from the COVID-19 pandemic, the Company has curtailed certain operations for the time being, with the majority of corporate and operational staff working from home or remotely where possible. Personnel will return to the field and office once safe and cost effective to do so, with the cash position of the Company being preserved in the meantime.

Corporate Activity

In 2020, Mr. Jeremy Martin stepped down as a Director of the Company; in early 2021, Mr. Simon Ridgway resigned as Executive Chairman and a Director, and Andrei Kroupnik was appointed to the Board of Directors of the Company.

In July 2020, the Company completed a non-brokered private placement with the issuance of 40,000,000 units at \$0.05 per unit, for gross proceeds of \$2.0 million, which included the sale of \$850,000 worth of units to a group of strategic investors led by Palisades Goldcorp Ltd. Each unit consists of one common share and one warrant entitling the holder to purchase one additional common share of the Company at \$0.10 for three years from closing.

Property Review

Serbia - Exploration

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

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

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

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

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

The Tlamino Gold Project, Serbia

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.

Preliminary Economic Assessment

On January 30, 2020, the Company announced a maiden Mineral Resource Estimate for the Barje prospect and, in January 2021, the Company completed a Preliminary Economic Assessment (“PEA”) for the Barje Prospect. The purpose of this study was to confirm the self-standing economics of the Tlamino Project, and specifically its capacity to yield a marketable metal concentrate. Addison Mining Services Ltd. and Bara Consulting Ltd., both of the United

Kingdom, were appointed as leaders of the PEA and metallurgical studies. Reach Partners Limited, also of the United Kingdom, was engaged to provide guidance in the fields of concentrate specification and marketing terms. Unless otherwise stated, all tonnes referenced in the PEA summary set out below are metric, and ounces are troy ounce.

The highlights of the PEA are as follows:

- Based on simple open-pit mining methods and the production of a flotation concentrate via conventional processing techniques, the pre-tax NPV of the Project, at a discount rate of 8%, is US\$101M, its IRR 49%, and its operating margin 61%.
- The up-front capital cost of the Project is US\$74M (inclusive of a 15% contingency margin and further study and engineering costs) with payback achieved in two years.
- Life of mine C1 cash costs are US\$464/oz Au, and life of mine all-in sustaining costs (“AISC”) are US\$522/ounce Au.
- A gold price of US\$1500/oz and a silver price of US\$16.50/oz was used in the study. At an approximate spot gold price of US\$1,800/oz, the post-tax NPV of the Project, at a discount rate of 8%, is US\$139M, and its IRR 69%.

It is now the intention of the Company to pursue a program of infill drilling at Tlamino with the objective of upgrading the current Inferred Resource to the Indicated category, and the completion of a Pre-Feasibility Study thereafter. Drilling is expected to commence upon snow melt in 2021; further details of which will be provided in due course.

The key financial metrics of the Project are summarized in Table 1.

Table 1: Barje PEA Key Financial Metrics

Metric	Value	Units
Revenue	458	US\$M
Operating Cost	181	US\$M
Peak Funding Requirement	37	US\$M
Project Capital Cost	74	US\$M
Free Cashflow	153	US\$M
LOM C1 Cash Cost	464	US\$/oz
LOM AISC	522	US\$/oz
Pre-Tax Project NPV8	101	US\$M
Post-Tax Project NPV8	86	US\$M
Pre-Tax Project IRR	49	%
Post-Tax Project IRR	46	%
Operating Margin	61	%
Payback Period	2	years

The PEA is preliminary in nature and is based on Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. As such there may be no certainty that the PEA will be realized. The study was undertaken by Addison Mining Services Ltd., Bara Consulting Ltd. and Reach Partners Limited, all of the United Kingdom. A Technical Report for the Project has been filed on <http://www.sedar.com>.

Basis of Preliminary Economic Assessment

Scoping-level design and preliminary economic analysis thereof was undertaken for the Barje deposit of the Tlamino Project. The Mineral Resource Estimate for Barje as announced on January 30, 2020 has been updated in accordance with the metallurgical testwork and mining parameters identified during the course of the current study. An updated

Inferred Mineral Resource of approximately 7.1 Mt at 2.5 g/t Au and 38 g/t Ag, containing approximately 570,000 oz of Au and 8.8 Moz of Ag is herein stated and has been used as a basis for the PEA.

Mining via open pit methods using a conventional truck and shovel fleet is contemplated, delivering approximately 600,000 tpa of two Run of Mine (“ROM”) material types - High-Grade Breccia (“HG_BX”) and Low-Grade Schist (“LG_Sch”) - to stockpile for processing, with a life-of-mine stripping ratio of approximately 4:1. On site mineral processing is via grinding and flotation to a bulk Au-Ag bearing sulphide concentrate for sale to potential offtake customers in Asia. Preliminary economic analysis has been performed in accordance with the preliminary mine design and schedule, metallurgical testing, and concentrate payability analysis developed in the study, and the estimates and analyses therein have been prepared to scoping level (+/-30%). Oxidized material from the Mineral Resource was not considered by the PEA, and the nearby prospects at Liska and Karamanica were similarly omitted. A preliminary site layout, subject to further study, permitting and land access is shown in Figure 1. Key project parameters are presented in Table 2.

Figure 1: Preliminary Site Layout, Barje (looking west)

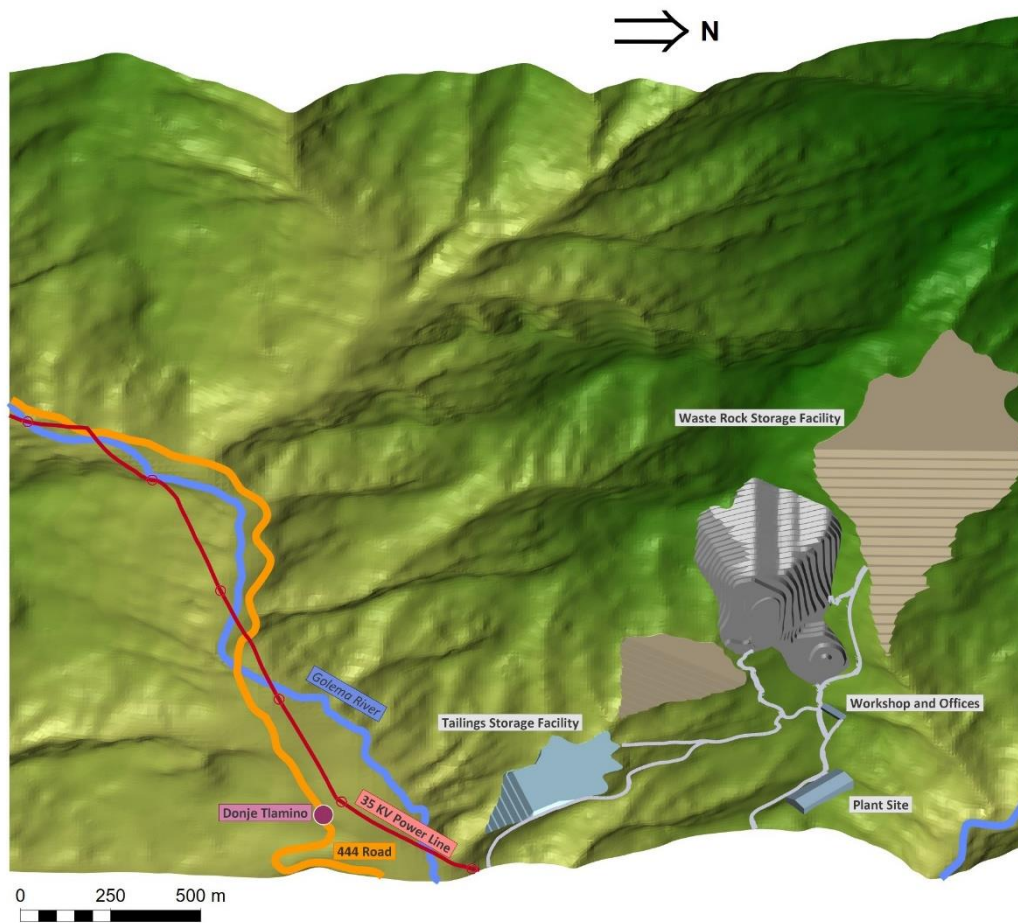


Table 2: Summary of Project Parameters

Parameter	Value	Units
LOM Production Rate	710	ktpa
Waste Mining Rate	3,310	ktpa
LOM Average Strip Ratio	4:1	Waste t:ROM t
Average Mined Gold Grade	2.6	g/t
Total Mined Gold	390	koz
Total Mined Silver	4,022	koz
Cut-off Grade - HG_BX	0.6	g/t AuEq
Cut-off Grade - LG_Sch	1.14	g/t AuEq
LOM	8	years
Mining Cost - OPEX	2.30	US\$/t mined
Process Cost - OPEX	11.50	US\$/t processed
Base Case Au Price	1,500	US\$/oz
Base Case Ag Price	16.50	US\$/oz

Mining

The Barje deposit is relatively flat-lying and situated beneath shallow to medium-depth overburden. While mining via both open pit and underground techniques were initially considered, an open pit method was ultimately selected for the PEA on account of the overall low volume of waste and the generally low RQD of both waste and ore material. The PEA contemplates application of open pit mining methods using hydraulic excavators and wheel loaders charging articulated dump trucks for haulage of both waste and ROM material. Mining activities will be performed on a contractor basis, and include free-digging of weathered material, and drilling and blasting of fresh rock. Pre-production mining includes removal and stockpiling of topsoil is also assumed.

Mining is expected to be completed over four pit stages with an active life of mine (“**LOM**”) of approximately eight years, followed by a further two years of production from stockpile reclamation. Pit and schedule optimizations prioritize mining and processing of HG_BX material where possible, with LG_Sch material stockpiled and processed periodically throughout the LOM. Mining parameters are summarized in Table 3.

Table 3: Summary of Mining Parameters

LOM Summary	Total	Units
Total Rock	31.7	Mt
Total Waste	26.0	Mt
Total ROM	5.69	Mt
LOM Average Strip Ratio	4:1	Waste t:ROM t
Plant Feed (All)	5.69	Mt
	2.62	g/t Au
	38.9	g/t Ag
Plant Feed (HG_BX)	3.57	Mt
	3.43	Au g/t
	56.1	Ag g/t
Plant Feed (LG_Sch)	2.11	Mt
	1.25	Au g/t
	9.9	Ag g/t
LOM	8	years
Stockpile Reclaim	2	years
Total	10	years
Peak Production Total Rock	10.6	Mt/year
Peak Production Waste	10.0	Mt/year
Peak Production ROM	1.4	Mt/year
Average Production Total Rock	4.0	Mt/year
Average Production Waste	3.3	Mt/year
Average Production ROM	0.7	Mt/year

Processing

Test work on Barje samples reported by the Company on October 28, 2020 demonstrated the production of a flotation concentrate at a primary grind of 75 µm grading 48.9 g/t Au and 824 g/t Ag with recoveries to concentrate of 83.4% for gold and 82.4% for silver from a composite sample representing the HG_BX material. A second composite sample representing the LG_Sch material produced a flotation concentrate at a similar grind grading 24.4 g/t Au and 238 g/t Ag with recoveries to concentrate of 71.2% for gold and 79.2% for silver. Laboratory test work shows that the same grind size and flotation parameters are applicable to both rock types and can result in commercially viable concentrates. These results were incorporated into the PEA and were used in re-assessment of the Mineral Resource Estimate.

A flowsheet contemplating crushing, grinding, and rougher plus cleaner flotation to a bulk Au-Ag concentrate has been developed based on the metallurgical test program. It is envisaged that the two ROM material types be processed in the same concentrator, but at different times, i.e. on a campaign basis, in order to maximize revenue from the HG material.

The PEA provides that ROM material is hauled by trucks and tipped on a storage and blending stockpile. Ball milling with feed prepared by three-stage crushing and screening is further assumed as it is deemed to represent a robust option for this material type. A rougher flotation stage followed by two stages of cleaner flotation are sufficient to produce acceptable concentrate of the previously reported specification. Concentrates are dewatered by means of a pressure filter, with concentrate filter cake stored and blended before transport by road and sea for processing at toll facilities in Asia.

Tailings are densified in a high-rate thickener before final dewatering by means of a pressure filter before storage in a dry-stack type Tailings Storage Facility (“TSF”), thus improving the geotechnical properties of the TSF and maximizing recycling of process water. Key processing parameters are presented in Table 4.

Table 4: Summary of Mineral Processing Parameters

Parameter	Value	Units
Flotation Throughput	600	ktpa
Au Recovery HG_BX	85.8	%
Ag Recovery HG_BX	84.3	%
Au Recovery LG_Sch	76.5	%
Ag Recovery LG_Sch	84.3	%
Mass Pull	5	%
Au grade HG conc	49	g/t
Ag grade HG conc	824	g/t
Au grade LG conc	24	g/t
Ag grade LG conc	238	g/t
Recovered Au	390	koz
Recovered Ag	4,022	koz
Payability – HG conc	75	%
Payability – LG conc	40	%
Flotation Process Costs - OPEX	11.50	US\$/processed t
G&A	5.80	US\$/processed t
Concentrate Transport Cost	3.24	US\$/processed t

Capital Costs

The Project is well-served by existing infrastructure including sealed roads and a high voltage power line adjacent to the property. Capital costs for mine development, mine infrastructure, processing plant, and surface infrastructure including mine offices, control, plant building, common workshop and stores, changehouse, water, powerline and substation, and earthworks including tailings, roads and platforms were estimated based on current designs and quotes from recent comparable projects by Bara Consulting.

Plant capital provides for the design and construction of a 600,000 tpa flotation plant including crushing, grinding, froth flotation, concentrate and tailings handling facilities including filtration of tailings for dry stacking. Infrastructure

includes for mine support infrastructure, plant infrastructure, dry stack tailings storage facility, power (including backup 35 kV line), water and internal roads. A summary is presented in Table 5. Estimates for closure were also assessed during the ESIA review process.

Table 5: Capital Cost Estimates

Description	Value	Units	Cost
Mine Development	3.25	Mt	US\$7.5M
Process Plant	600,000	tpa	US\$34.6M
Surface Infrastructure			US\$14.0M
Indirect Costs	15	%	US\$8.4M
Contingency	15	%	US\$9.7M
Total			US\$74.2M

Operating Costs

A high-level breakdown of operating costs was developed based on current designs and quotes from recent similar projects by Bara Consulting. Mine operating costs include ore mining and waste mining at US\$2.30/t, plus a stockpile reclaim cost for LG material of US\$1/t equating to US\$0.50/ROM tonne. Process costs include crushing, grinding, flotation, concentrate handling and tailings handling (including filtration) for 600,000 tpa flotation feed. G&A includes on-mine administration and general costs. Concentrate transport is costed for delivery of concentrate CIF to customers in China. Details are presented in Table 6 below.

Table 6: Operating Cost Estimates

Description	Units	Cost/Unit
<i>Mining</i>		
Mining Cost - ROM	t	US\$2.80
Mining Cost - Waste	t	US\$2.30
<i>Processing</i>		
Processing	t	US\$11.50
Conc Transport (Per ROM t)	t	US\$3.24
G&A	t	US\$5.80

Economics and Sensitivities

The post-tax NPV of the Project, at a discount rate of 8%, is US\$86M, with an IRR of 46%, and an operating margin of 61%. Up-front capital is US\$74M with payback achieved in two years. Life of mine C1 cash costs are US\$464/oz Au, and life of mine AISC are US\$522/oz Au. Sensitivity analysis of key capital and operating cost parameters, and gold price indicates significant upside potential to the project are shown in Figure 2. The Project was demonstrated to be most sensitive to variance in gold price, and least sensitive to variances in capital cost. Specific post-tax NPV and IRR sensitivity ranges are presented in Table 7.

Table 7: NPV and IRR sensitivities, Barje Prospect

Variance	Gold Price US\$/oz	NPV (8%)	IRR	Capital Cost (US\$M)	NPV (8%)	IRR	Operating Cost US\$/t	NPV (8%)	IRR
-30%	1050	10	12	52	102	72	24	118	63
-25%	1125	23	18	56	99	66	26	112	60
-20%	1200	36	23	59	97	61	27	107	57
-15%	1275	48	29	63	94	57	29	102	54
-10%	1350	61	34	67	91	53	31	96	51
-5%	1425	73	40	70	88	49	32	91	49
0%	1500	86	46	74	86	46	34	86	46
5%	1575	98	52	78	83	43	36	80	43
10%	1650	110	57	81	80	40	37	75	40
15%	1725	123	63	85	77	38	39	69	38
20%	1800	135	69	89	74	36	41	64	35
25%	1875	147	76	93	71	34	43	59	32
30%	1950	160	82	96	69	32	44	53	30

Figure 2: Post-Tax NPV and IRR Sensitivity, Barje Deposit



Mineral Resources

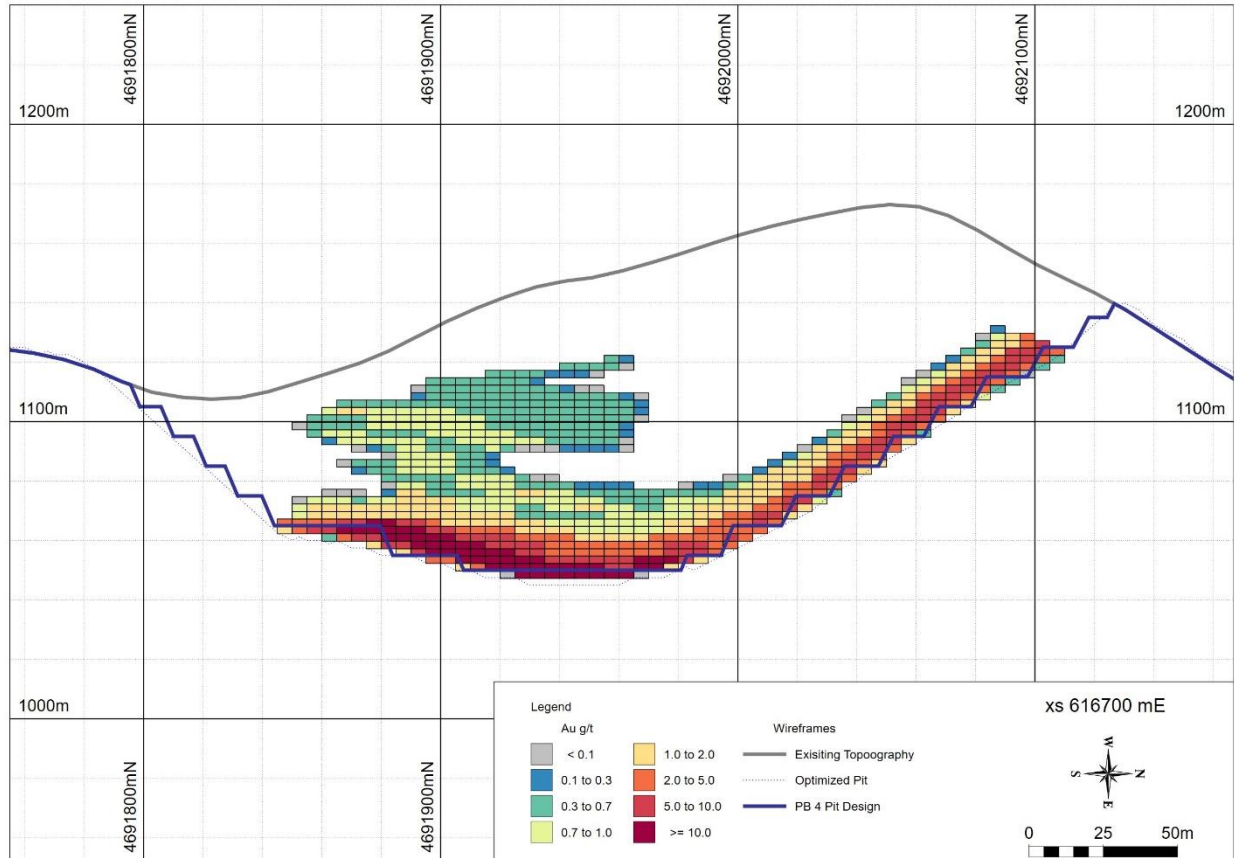
Mineral Resources, reported in accordance with National Instrument 43-101, *Standards of Disclosure for Mineral Projects*, (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards, have been re-estimated for the Barje prospect of the Tlamino Project incorporating updated metallurgical testwork and mining parameters identified during the PEA. No Mineral Resources for other prospects within the Tlamino Project (Liska, Karamanica) have as yet been declared.

The estimated Mineral Resource for Barje, using various cut-off grades for their respective material types, is approximately 7.1 Mt at 2.5 g/t Au and 38 g/t Ag in the Inferred category, and containing 570,000 oz of Au and 8.8 Moz of Ag. This equates to approximately 2.9 g/t AuEq or 670,000 oz AuEq. It is the opinion of the Qualified Person

for the Mineral Resource Estimate that all elements included in the Au Equivalent calculation (gold and silver) have a reasonable prospect of being recovered and sold.

The updated Mineral Resource Estimate has an effective date of January 7, 2021 and supersedes the previous initial Mineral Resource Estimate announced on January 30, 2020; there has, however, been no material change to the estimate in terms of tonnage, grade and contained metal. See Table 8 for further information relating to the updated Mineral Resource Estimate. A north-south cross-section illustrating the optimized Barje pit and block model is shown in Figure 3.

Figure 3: North-south cross-section illustrating the optimized Barje pit and block model



No estimates of Mineral Reserves have been completed. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The Mineral Resources extend from surface to a depth of approximately 110 metres, are laterally extensive over an area of approximately 600 metres from east to west and approximately 350 metres north to south. The thickness of resource mineralization ranges from approximately 10 to 40 metres with some isolated thinner areas. It is closed by bounding faults to the north and south and by drilling to the east and west. There remains some possibility of identifying additional mineralization via infill drilling in areas where the model is currently interpreted to pinch and in which data are sparse, and in the northwest corner of the area of mineralization.

Table 8: Mineral Resource Estimate, Barje Prospect

Tonnes	Density	AuEq		Au		Ag	
		g/t	Contained oz	g/t	Contained oz	g/t	Contained oz
<i>Total Inferred Resources</i>							
7,100,000	2.7	2.9	670,000	2.5	570,000	38	8,800,000
Including							
<i>High Grade Breccia</i>							
3,200,000	2.8	4.7	470,000	3.9	400,000	65	6,700,000
<i>Low Grade Schist</i>							
2,400,000	2.7	1.2	96,000	1.1	88,000	8.4	650,000
<i>Partially Oxidized Material</i>							
1,500,000	2.5	2.1	100,000	1.7	87,000	29	1,400,000

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 07 2021.
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. Additional drilling is however required to increase the confidence in the Mineral Resource; increased levels of information brought about by further drilling may serve to either increase or decrease the Mineral Resources.
3. Mineral Resources reported in the above table are presented as undiluted and in-situ for an open-pit scenario and are considered to have reasonable prospects for economic extraction. The Mineral Resources constrained by open pit optimization.
4. Break even cut-off grades were estimated for each material type of 0.6 g/t, 0.8g/t and 0.5 g/t AuEq for the High Grade Breccia, Low Grade Schist and Partially Oxidized materials respectively, these cut-off grades were used in Resource Reporting. The cut-off grades were calculated on the basis of the following assumptions: a gold price of US\$1500/oz, a silver price of US\$16.5/oz, mining costs of US\$2.3/t, processing costs including tailings disposal of US\$10/t for sulphide rock and US\$12/t for oxide, G&A costs of US\$4/ROMt and transport costs of US\$2/ROMt.
5. Per metallurgical test work completed to date, recovery to concentrate after flotation of 85.8% for gold and 84.3% for silver were used for the High Grade Breccia material with 75% payability. For the Low Grade Schist recoveries used were 76.5% for gold and 82.7% for silver with 60% payability. For the Partially Oxidized material 80% recovery via leaching for gold and silver was assumed with 98% payability. 5% gross royalty was applied to both metals.
6. Geological and block models for the Mineral Resource Estimate used data from 33 surface drillholes performed by Medgold 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 Medgold 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.
7. 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 mineralized domains.
8. 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 $AuEq = ((Ag \text{ g/t}) \times 0.011)) + (Au \text{ g/t})$ for the High Grade Breccia and Partially Oxidized materials and $AuEq = ((Ag \text{ g/t}) \times 0.012)) + (Au \text{ g/t})$ for the Low Grade Schist.

9. Bulk density values were calculated for each block of the model based on a broad linear relationship observed between 152 measured bulk density values within the mineralized domains and the assayed values of As, Cu, Fe, S, Pb and Zn. Blocks within the partially oxidized material were assigned a single bulk density value of 2.54 g/cm³.
10. Estimates in the above table have been rounded to two significant figures.
11. CIM Definition Standards for Mineral Resources have been followed.
12. The independent Qualified Person for Resources 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.

Fortuna Agreements

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

In June 2020, the Company entered into a non-binding letter of intent which was formalized by a definitive agreement signed in December 2020 with Fortuna whereby the Company was granted an exclusive option (the "Option") to purchase Fortuna's 51% interest in the Tlamino Project for a cash consideration of US\$3.468 million. The Option is valid for three years and is exercisable upon the earlier of (i) the expiry of the term of the Option, (ii) the date of completion of a sale by the Company of a 100% interest in the Tlamino Project to a third party, or (iii) the date of completion of a merger between the Company and a third party.

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

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

At the time of signing of the letter of intent and the definitive agreement, the Company and Fortuna had one common director.

Zlogosh Property, Bulgaria

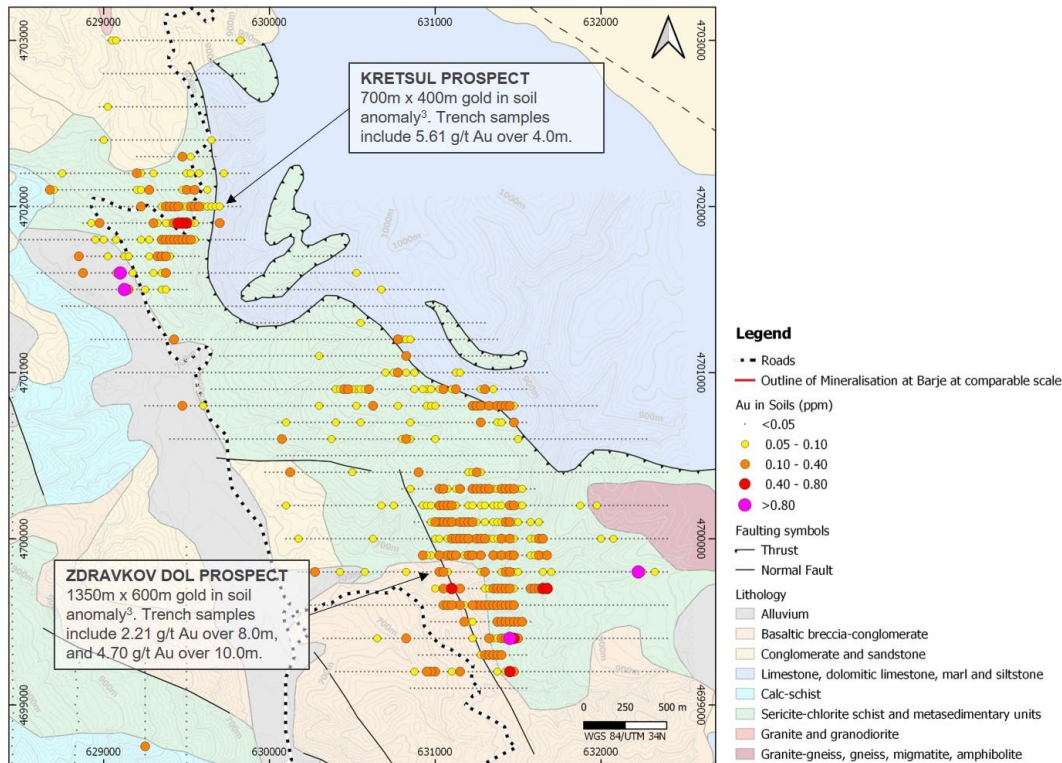
In April 2020, the Company entered into an exclusive Letter Agreement with Gecon EOOD with respect to an Exploration License application made by Gecon at Zlogosh ("Zlogosh", the "Zlogosh Property"), Kyustendil Oblast, western Bulgaria. The main mineralized targets at Zlogosh are situated approximately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

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

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

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

Figure 4: Location of mineralized targets at Zlogosh.



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

Qualified Persons

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.

The independent Qualified Persons as defined by NI 43-101 regarding the PEA summary technical information included in this MD&A are Mr. Richard Siddle, MAIG, of Addison Mining Services Ltd for Mineral Resources; Dr. Matthew Randall, FIMMM, of Axe Valley Mining Consultants Ltd for Mining; Mr. Ian Jackson, FIMMM, of Bara Consulting for Mineral Processing, and Dr. Andrew Bamber, MCIM, of Bara Consulting Ltd for Economic Analysis.

Selected Annual Information

The following table provides financial results for the years ended December 31, 2020, 2019 and 2018:

	2020 (\$)	2019 (\$)	2018 (\$)
Exploration expenditures	915,452	271,763	505,498
General and administrative expenses	534,452	986,296	794,079
Loss for the year	1,448,173	1,246,457	1,291,313
Basic and diluted loss per share	0.01	0.01	0.01
Total assets	1,483,781	1,013,288	1,885,118
Total liabilities	156,190	182,467	86,875
Cash dividends	-	-	-

Exploration expenditures were highest for 2020 fiscal year due to more exploration activity at the Tlamino Project being funded by Fortuna for 2019 and 2018. General and administrative expenses were highest for the 2019 fiscal year due primarily to a share-based payments expense of \$279,035 relating to the granting of stock options compared to \$139,948 for 2018 and no such charge for the current fiscal year.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2020:

	Dec. 31, 2020 (\$)	Sep. 30, 2020 (\$)	June 30, 2020 (\$)	Mar. 31, 2020 (\$)	Dec. 31, 2019 (\$)	Sep. 30, 2019 (\$)	June 30, 2019 (\$)	Mar. 31, 2019 (\$)
Exploration expenditures	252,523	367,993	218,019	76,917	125,001	32,762	28,489	85,511
General and administrative expenses	127,913	114,944	148,183	143,412	239,565	180,044	211,948	354,739
Loss for the period	(379,650)	(482,937)	(366,164)	(219,422)	(363,035)	(211,231)	(234,556)	(437,635)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)

Exploration expenditures for the first five quarters presented were lower than the three most recently completed quarters due to Tlamino Project exploration funding from Fortuna ceasing during the quarter ended March 31, 2020. General and administrative expenses for the quarter ended March 31, 2019 was higher than other quarters presented due to a share-based payment charge of \$197,678 which related to the granting of stock options while expenses for the quarter ended December 31, 2019 were the next highest due to more legal services being used.

Results of Operations

Quarter ended December 31, 2020

For the quarter ended December 31, 2020, the Company had a net loss of \$379,650 compared to a net loss of \$363,035 for the quarter ended December 31, 2019, an increase of \$16,615. Exploration costs were \$252,523 for the current quarter compared to \$125,001 for the comparative quarter, an increase of \$127,522, while general and administrative expenses for the current quarter were \$127,913 compared to \$239,565 in the comparative quarter, a decrease of \$111,652.

The current quarter exploration costs were significantly higher because Fortuna funding of exploration at the Tlamino Project ceased early in 2020 and therefore there were no exploration cost recoveries recorded in the current quarter. Notable G&A expense decreases in the current quarter were in legal and accounting, shareholder communications, and salaries and benefits which was due in part to reduced corporate activity and cost cutting efforts in response to the COVID-19 pandemic. Significantly higher legal and accounting fees for the comparative quarter related partly to the Company's former operations in Portugal and to corporate planning and restructuring activities.

Year ended December 31, 2020

For the year ended December 31, 2020, the Company had a net loss of \$1,448,173 compared to a net loss of \$1,246,457 for the year ended December 31, 2019, an increase of \$201,716.

Exploration costs for the current year were \$915,452 compared to \$271,763 for the comparative year, an increase of \$643,689. As with the quarterly comparison, exploration costs for the comparative year were significantly less because of cost recoveries received relating to Fortuna funding throughout 2019 whereas the current year recorded cost recoveries on the Tlamino Project activity for just a portion of the first quarter.

General and administrative expenses totaled \$534,452 for the current year compared to \$986,296 for the comparative year, a decrease of \$451,844 which is primarily due to the comparative year including a share-based payments expense of \$279,035 relating to the granting of stock options while the current year recorded no such expense. Legal and accounting costs were \$57,103 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. Other notable cost decreases were in shareholder communications, salaries and benefits, and travel and accommodation which was due to less investor relations services used during the current year and cost cutting efforts as with the quarter comparison.

Liquidity and Capital Resources

The Company's cash and cash equivalents as at December 31, 2020 were \$1,287,143 compared to \$704,127 as at December 31, 2019. As at December 31, 2020, the Company had current assets totaling \$1,304,712 and current liabilities totaling \$156,190, for working capital of \$1,148,522.

In October 2018, the Company raised gross proceeds of \$1,470,840 from a private placement financing to fund general working capital requirements. From 2017 until February 2020, the Company's operations on the Tlamino Project were largely funded by Fortuna. In July 2020, the Company completed a private placement financing for gross proceeds of \$2,000,000 to fund 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 significant 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, 2020.

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

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 notes to the consolidated financial statements.

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

Foreign Currency Risk

As at December 31, 2020, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2020			
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	Serbian Dinars (CDN equivalent)
Cash	\$ 553	\$ 1,738	\$ 12,329	\$ 18,430
Amounts receivable	-	-	-	6,719
Accounts payable and accrued liabilities	(55,381)	(4,478)	(10,233)	(11,123)
Net exposure	\$ (54,828)	\$ (2,740)	\$ 2,096	\$ 14,026

Based on the above net exposures at December 31, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$4,100 (2019: \$5,600) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2020, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian, British and Serbian financial institutions. The Company considers this risk to be limited.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company's receivables as at December 31, 2020 consists of sales tax receivables from the governments of Serbia and Canada. 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, 2020 and 2019 with related parties who consisted of directors, officers and the following companies with common directors or controlled by those officers and directors:

<u>Related party</u>	<u>Nature of transactions</u>
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")	Management and geological services
<u>Fortuna</u>	<u>Investment in the Company and mineral property option agreement</u>

During the periods ended December 31, 2020 and 2019, the Company reimbursed Gold Group for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
General and administrative expenses:				
Office and administration	\$ 14,140	\$ 18,704	\$ 62,662	\$ 65,473
Salaries and benefits	17,794	34,379	84,561	119,985
Shareholder communications	250	500	3,642	3,896
Transfer agent and regulatory fees	-	-	2,515	2,738
Travel and accommodation	421	713	5,294	4,975
	\$ 32,605	\$ 54,296	\$ 158,674	\$ 197,067

Gold Group is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Gold Group is controlled by Simon Ridgway, who was the Chairman of the Company as at December 31, 2020. Salaries and benefits for the years ended December 31, 2020 and 2019 include those for the Chief Financial Officer and the Corporate Secretary.

Amounts receivable as at December 31, 2020 include \$Nil (2019: \$27,444) due from Fortuna for project funding pursuant to the Tlamino Project option agreement.

Prepaid expenses and deposits as at December 31, 2020 include an amount of \$205 (2019: \$1,137) paid to Gold Group for administrative expenses paid in advance on the Company's behalf.

Long-term deposits as of December 31, 2020 consist of \$61,000 (2019: \$61,000) paid to Gold Group as a deposit pursuant to an agreement with Gold Group.

Amounts due to related parties as of December 31, 2020 consists of \$23,477 (2019: \$20,226) owing to Gold Group and \$21,938 (2019: \$58,166) to the Chief Executive Officer of the Company for management and geological fees and expense reimbursement. 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, 2020 and 2019 at their exchange amounts are the following items paid or accrued to

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Management fees	\$ 19,875	\$ 24,000	\$ 99,750	\$ 90,825
Geological fees	38,625	34,500	131,750	152,675
Salaries and benefits	5,958	9,625	25,024	34,833
Value of stock option grants recorded as share-based payments	-	-	-	168,785
	\$ 64,458	\$ 68,125	\$ 256,524	\$ 447,118

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

Share Position and Outstanding Options and Warrants

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

No. of options	Exercise price	Expiry date
580,000	\$0.15	February 23, 2024
500,000	\$0.11	June 18, 2024
310,000	\$0.15	June 28, 2026
100,000	\$0.20	July 24, 2027
500,000	\$0.15	January 15, 2029
40,000	\$0.15	June 2, 2029
6,485,000	\$0.10	March 1, 2031
8,515,000		
No. of warrants	Exercise price	Expiry date
40,870,000	\$0.10	July 14, 2023

Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2020.

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 assessed that the impact of IFRS 17 on its consolidated financial statements would not be significant.

Risks and Uncertainties

Global Pandemic

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

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

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

Mineral Property Exploration and Mining Risks

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

Joint Venture Funding Risk

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

Commodity Price Risk

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

Financing and Share Price Fluctuation Risks

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

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

Political, Regulatory and Currency Risks

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

Insured and Uninsured Risks

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

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

Environmental and Social Risks

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

Competition

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