MEDGOLD RESOURCES CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

(Expressed in Canadian Dollars)

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MEDGOLD RESOURCES CORP.

We have audited the accompanying consolidated financial statements of Medgold Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Medgold Resources Corp. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
April 28, 2015

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231
Fax: 604 688 4675
smytheratcliffe.com

Medgold Resources Corp.
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
ASSETS		
Current assets		
Cash	$ 499,464	$ 36,763
Prepaid expenses and deposits (Note 12)	24,654	96,457
Sales tax receivable	19,082	92,722
Total current assets	543,200	225,942
Non-current assets		
Long-term deposits (Note 12)	61,000	-
Exploration bonds (Note 6)	405,834	226,815
Property and equipment (Note 5)	63,240	10,656
Deferred acquisition costs (Note 6)	-	10,000
Exploration and evaluation assets (Note 6)	333,808	36,488
Total non-current assets	863,882	283,959
	$ 1,407,082	**$ 509,901**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 542,977	$ 408,880
Due to related parties (Note 12)	18,876	234,838
Total current liabilities	561,853	643,718
Non-current liabilities		
Due to related parties (Note 12)	53,310	-
Convertible debenture - liability component (Note 7)	151,146	134,247
Total non-current liabilities	204,456	134,247
Total liabilities	766,309	777,965
Shareholders' equity (deficit)		
Share capital (Note 8)	5,197,038	2,690,798
Share subscriptions received (Note 8)	-	50,000
Other reserves (Note 8)	1,331,491	842,680
Accumulated other comprehensive loss	(52,670)	(64,569)
Deficit	(5,835,086)	(3,786,973)
Total shareholders' equity (deficit)	640,773	(268,064)
	$ 1,407,082	**$ 509,901**

APPROVED ON BEHALF OF THE BOARD ON APRIL 28, 2015:

"Simon Ridgway"
Simon Ridgway, Director

"Daniel James"
Daniel James, Director

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

Medgold Resources Corp.
(Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Exploration expenditures (Note 10)	$ 940,619	$ 760,830
General and administrative expenses		
Depreciation	6,725	1,800
Foreign exchange loss (gain)	8,107	(70,547)
Office and administration (Note 12)	81,011	97,451
Interest and bank charges (Note 7)	23,303	15,117
Legal and accounting	111,607	66,815
Management fees (Note 12)	135,300	141,000
Salaries and benefits (Note 12)	83,092	112,927
Shareholder communications (Note 12)	21,738	53,087
Share-based payments (Note 9)	486,570	-
Transfer agent and regulatory fees (Note 12)	25,224	28,521
Travel and accommodation (Note 12)	25,560	71,196
	1,008,237	517,367
Loss before other items	(1,948,856)	(1,278,197)
Interest and other income	1,353	-
Write-off of exploration and evaluation assets (Note 6)	-	(48,593)
Write-off of sales tax receivable	(100,610)	-
Net loss for the year	**(2,048,113)**	**(1,326,790)**
Other comprehensive gain (loss)		
Item that may be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on foreign exchange translation	11,899	(63,424)
Comprehensive loss for the year	**$ (2,036,214)**	**$ (1,390,214)**
Loss per share, basic and diluted	$(0.06)	$(0.08)
Weighted average number of shares outstanding	34,230,248	17,472,029

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 (DEFICIT)

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

				Other equity reserves					
	Number of common shares	Share capital	Share subscriptions received	Warrants reserve	Share-based payment reserve	Equity portion of convertible debenture reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity (deficit)
Balance, December 31, 2012	17,472,029	$ 2,690,798	$ -	$ -	$ -	$ -	$ (1,145)	$ (2,460,183)	$ 229,470
Loss for the year	-	-	-	-	-	-	-	(1,326,790)	(1,326,790)
Share subscriptions received	-	-	50,000	-	-	-	-	-	50,000
Convertible debenture equity component	-	-	-	-	-	842,680	-	-	842,680
Unrealized foreign exchange loss	-	-	-	-	-	-	(63,424)	-	(63,424)
Balance, December 31, 2013	17,472,029	2,690,798	50,000	-	-	842,680	(64,569)	(3,786,973)	(268,064)
Loss for the year	-	-	-	-	-	-	-	(2,048,113)	(2,048,113)
Shares issued for private placement	16,550,000	1,655,000	(50,000)	-	-	-	-	-	1,605,000
Shares issued for property acquisition	800,000	100,000	-	-	-	-	-	-	100,000
Share issuance costs	-	(18,760)	-	2,241	-	-	-	-	(16,519)
Warrants exercised	7,000,000	770,000	-	-	-	-	-	-	770,000
Share-based payments	-	-	-	-	486,570	-	-	-	486,570
Unrealized foreign exchange gain	-	-	-	-	-	-	11,899	-	11,899
Balance, December 31, 2014	**41,822,029**	**$ 5,197,038**	**$ -**	**$ 2,241**	**$ 486,570**	**$ 842,680**	**$ (52,670)**	**$ (5,835,086)**	**$ 640,773**

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, 2014 and 2013

(Expressed in Canadian Dollars)

	2014	2013
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	$ (2,048,113)	$ (1,326,790)
Items not involving cash:		
Write-off of exploration and evaluation assets	-	48,593
Write-off of sales tax receivable	100,610	-
Depreciation	6,725	1,800
Share-based payments	486,570	-
Convertible debenture accretion expense	16,899	11,074
	(1,437,309)	(1,265,323)
Changes in non-cash working capital balances:		
Prepaid expenses and deposits	10,803	(26,996)
Sales tax receivable	(26,970)	(42,101)
Accounts payable and accrued liabilities	(215,903)	(13,626)
Due to related parties	(162,652)	129,781
	(1,832,031)	(1,218,265)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	2,358,481	-
Share subscriptions received	-	50,000
Proceeds on convertible debenture, net of issuance costs	-	965,853
	2,358,481	1,015,853
INVESTING ACTIVITIES		
Purchase of property and equipment	(59,309)	-
Deferred acquisition costs	-	(10,000)
Exploration and evaluation asset acquisitions	(42,250)	(36,488)
Redemption (purchase) of reclamation bonds	31,624	(185,196)
	(69,935)	(231,684)
Effect of changes in exchange rates on cash	6,186	(85,350)
Increase (decrease) in cash	462,701	(519,446)
Cash, beginning of year	36,763	556,209
Cash, end of year	**$ 499,464**	**$ 36,763**
Supplemental Cash Flow Information		
Acquisition of Klondike – reclamation bonds	$ 204,930	$ -
Acquisition of Klondike – exploration and evaluation assets	$ 255,070	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

These consolidated financial statements of the Company as at December 31, 2014 and for the year then ended include 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. At December 31, 2014, the Company had not yet achieved profitable operations, has accumulated losses of $5,835,086 since its inception, and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is continuing to investigate opportunities to raise financing for the Company.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

The consolidated financial statements are presented in Canadian dollars.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

Details of the Company's subsidiaries as at December 31, 2014 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Medgold Resource Ltd.	Great Britain	100%	Administrative company
Medgold Minera Sociedad Limitada	Spain	100%	Exploration company
MedgoldMinas Unipessoal Lda.	Portugal	100%	Exploration company
MedCenterra Unipessoal Lda.	Portugal	100%	Exploration company

b) Foreign Currency Translation

The functional and presentation currency of the Company 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 that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The Company has determined that the functional currency of its foreign subsidiaries is the British pound sterling. Assets and liabilities are translated to the presentation currency at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in the consolidated statements of comprehensive loss.

c) Exploration and Evaluation Assets

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and Evaluation Assets (continued)

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

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

d) Property, Equipment and Depreciation

Recognition and Measurement

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

Depreciation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of Non-financial Assets

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

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

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

f) Provisions

Rehabilitation Provision

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

As at December 31, 2014 and 2013, the Company had no asset retirement or rehabilitation obligations.

Other Provisions

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

g) Income Taxes

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income Taxes (continued)

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.

h) Share Capital

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

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

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

i) Earnings/Loss Per Share

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

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

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

j) Share-based Payments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Share-based Payments (continued)

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.

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 is transferred to deficit.

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

k) Financial Instruments

Financial assets are classified into one of four categories: fair value through profit or loss (“FVTPL”), held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All transactions related to financial instruments are recorded on a trade-date basis. The Company’s accounting policy for the relevant category is as follows:

Financial Assets

FVTPL

The Company has recognized its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value less transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transactions costs. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the depreciation process.

Available-for-Sale Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale, or that are not classified in any of the previous categories. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income (loss), is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive income (loss) is reclassified from accumulated other comprehensive income (loss) to profit or loss.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, 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 of repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense, in this context, includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period that are unpaid. Accounts payable and accrued liabilities amounts are unsecured.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments (continued)

Classification

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

Cash	FVTPL
Accounts payable	Other financial liabilities
Due to related parties	Other financial liabilities
Convertible debenture – liability component	Other financial liabilities

l) Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2014, the Company adopted the following revised standard that was issued by the IASB, which did not have a significant impact on the Company's consolidated financial statements:

IAS 36 Impairment of Assets

The IASB amended IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of this amendment did not have an impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued and effective January 1, 2014 are either not applicable or did not have an impact on the Company's consolidated financial statements.

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 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9 and has indefinitely postponed the adoption of this standard. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

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.

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.

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

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

b) The inputs in determining the bifurcation of convertible debenture instruments into its liability and equity components.

   The Company is required to make certain estimates when determining the fair value of the components of convertible debentures, such as the discount rate. These estimates affect the liability and equity components recognized in the consolidated statements of financial position and the accretion expense recognized in profit or loss.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

c) 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. PROPERTY AND EQUIPMENT

	Leasehold improvements	Vehicles	Computer equipment	Furniture and equipment	Total
Cost					
Balance, December 31, 2012	$ 12,906	$ -	$ -	$ -	$ 12,906
Additions	-	-	-	-	-
Balance, December 31, 2013	12,906	-	-	-	12,906
Additions	-	41,196	5,299	12,814	59,309
Balance, December 31, 2014	**$ 12,906**	**$ 41,196**	**$ 5,299**	**$ 12,814**	**$ 72,215**
Accumulated amortization					
Balance, December 31, 2012	$ 450	$ -	$ -	$ -	$ 450
Charge for year	1,800	-	-	-	1,800
Balance, December 31, 2013	2,250	-	-	-	2,250
Charge for year	1,800	1,837	1,311	1,777	6,725
Balance, December 31, 2014	**$ 4,050**	**$ 1,837**	**$ 1,311**	**$ 1,777**	**$ 8,975**
Carrying amounts					
At December 31, 2013	$ 10,656	$ -	$ -	$ -	$ 10,656
At December 31, 2014	**$ 8,856**	**$ 39,359**	**$ 3,988**	**$ 11,037**	**$ 63,240**

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the years ended December 31, 2014 and 2013:

	Spain		Portugal	Italy		
	Pinzas Project	**Calzadilla**	**Klondike Project**	**Pietratonda**	**Frassine-Grasceta**	**Total**
Balance, December 31, 2012	$ -	$ -	$ -	$ 16,160	$ 32,433	$ 48,593
Acquisition costs	33,852	2,636	-	-	-	36,488
Write-down of acquisition costs	-	-	-	(16,160)	(32,433)	(48,593)
Balance, December 31, 2013	33,852	2,636	-	-	-	36,488
Acquisition costs	-	-	297,320	-	-	297,320
Balance, December 31, 2014	**$ 33,852**	**$ 2,636**	**$ 297,320**	**$ -**	**$ -**	**$ 333,808**

Portugal

a) Vila de Rei and Boticas Projects

In 2012, the Company applied for three exploration licences in Portugal. In 2013, two licences known as Vila de Rei and Boticas were granted and the Company was issued an exclusive right to acquire the third licence.

i) Vila de Rei Project

The Vila de Rei licence is located in central Portugal. In 2013, the Company paid an exploration bond of $210,530 (€136,960) to the Portugal mining authority for the Vila de Rei licence. During the year ended December 31, 2014, the Company was refunded $31,624 (€20,601) of the exploration bond.

ii) Boticas Project

The Boticas licence is located in northern Portugal.

Subsequent to December 31, 2014, the Company entered into an agreement with Koza Ltd. ("Koza"), a subsidiary of the Turkish gold mining company, Koza Altin Isletmeleri A.S., whereby Koza has been granted an option to acquire up to a 75% interest in the Boticas gold project. Koza can earn an initial 55% interest in the project by spending $3,000,000 on exploration activities on the property over three years, of which $500,000 is committed to be spent in the first year. Upon completion of the initial $3,000,000 expenditures, Koza can earn an additional 20% (for a total of 75%) interest by spending a further $3,000,000 on exploration over the subsequent three-year period, for a total of $6,000,000 over six years. In addition, Koza has agreed to invest $1,500,000 by way of a private placement of the Company's units. Each unit will consist of a common share and one warrant which will be exercisable for twelve months. The placement is intended to take place at the time of signing a formal option/joint venture agreement subsequent to December 31, 2014 and will be subject to TSX Venture Exchange ("TSX-V") approval.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Portugal (continued)

b) Strategic Alliance

On January 8, 2014, the Company entered into a strategic alliance agreement with Radius Gold Inc. (“Radius”) whereby Radius has the right to option one of the Company’s properties in Portugal.

For a period of eighteen months, Radius may select one of the Company’s Portuguese properties in which Radius will be granted the option to earn a 51% interest by spending $3,000,000 on exploration and development of that property. Upon exercise of the option, a joint venture will be formed between the Company and Radius to further develop the property. As of December 31, 2014, Radius has not yet exercised its right to option one of the properties. The Company and Radius have two common directors.

c) Klondike Project

On January 24, 2014, the Company acquired a 100% interest in Klondike Gold Corp.’s (“Klondike”) Portuguese assets, which comprise five gold exploration permits covering 600 square kilometres in northern Portugal and an exploration bond of $204,930 (€135,000) held by the Portuguese mining authority. The five gold exploration permits make up the Lagares, Valongo, Ponte da Barca, Balazar, and Castelo de Paiva properties.

Total consideration for the acquisition was $500,000 and consists of the following payments:

i) $10,000 in cash upon signing of the Letter of Intent (paid in 2013);

ii) $40,000 in cash and $100,000 in the Company’s shares (cash paid and 800,000 shares issued); and

iii) A final payment of $100,000 in cash and $250,000 in cash or shares to be paid by January 24, 2015 (2,347,418 shares issued by the Company with a value of $250,000 and $100,000 cash paid by Centerra Gold Corp. subsequent to December 31, 2014 (Note 6(d)).

Of the $500,000 purchase price, $295,070 was allocated to exploration and evaluation asset costs and $204,930 to exploration bonds. Additional transaction costs of $2,250 were recorded as exploration and evaluation asset costs.

As part of the acquisition, Klondike also retains a 2% net smelter return (“NSR”) royalty, which will be re-purchasable for $1,000,000 per percentage point.

d) Valongo Belt Property

On December 2, 2014, the Company entered into an agreement with Centerra Gold Corp. (“Centerra”) whereby Centerra has been granted an option to acquire up to 70% of the Lagares, Balazar, Castelo de Paiva, and Valongo licenses (collectively called the Valongo Belt Property).

Under the option agreement, Centerra has the right to earn a 51% interest in the Valongo Belt Property by incurring expenditures on the Valongo Belt Property totaling US$3,000,000 over three years, of which US$500,000 is committed to be spent by Centerra. To keep the option in good standing, Centerra must incur US$1,000,000 in the first year, a further US$1,500,000 in the second year, and a further US$500,000 in the third year. Of these expenditures, CAD$100,000 was paid subsequent to December 31, 2014 to Klondike to complete the Company’s obligations relating to its purchase of the Klondike Project from Klondike. The Company will be the initial operator and manager of the project.

Once Centerra has acquired the initial 51% interest in the Valongo Belt Property, it may acquire a further 19% (for a total 70% interest) by incurring an additional US$3,000,000 on exploration within two years.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Spain

a) Pinzas Project

Pursuant to a binding Letter of Intent with Ormonde Mining PLC ("Ormonde") signed in July 2011, and amended in April and September 2012, the Company was provided access to Ormonde's database on a 2,400 square kilometre area in southern Galicia, Spain. In consideration thereof, the Company agreed to undertake €100,000 in exploration of the project area, which expenses could be incurred through the cost of licence applications. In 2013, Ormonde agreed to transfer all of its rights to the project area to the Company, with Ormonde retaining a 1.5% NSR royalty on any future gold production from the project area.

The Company had nine gold exploration permit applications in place within the Ormonde project area, which is known as the Pinzas Project. Three of the applications were submitted in 2012, and in 2013 applications for six adjoining licences were submitted of which one was subject to public tender. During the year ended December 31, 2014, the Company withdrew eight of these applications.

b) Calzadilla Property

In 2012, the Company submitted a gold exploration permit application in the Province of Caceres, Spain, known as the Calzadilla Property. During the year ended December 31, 2014, the permit was granted.

c) Other

In 2012, the Company entered into an agreement whereby a third party performed due diligence services on a potential property acquisition in Spain. In 2013 the Company decided not to proceed with the acquisition. During the year ended December 31, 2014, the Company fulfilled its remaining commitment of €6,250.

Italy

a) Pietratonda Property

In 2012, the Company was granted a gold exploration licence in Italy called Pietratonda. An exploration bond amount of $7,333 (€5,000) has been made regarding this licence. During the year ended December 31, 2014, the Company relinquished this licence. Acquisition costs totaling $16,160 were written off in 2013.

b) Frassine - Grasceta Property

In 2012, the Company was granted two gold exploration licences in Italy called Frassine and Grasceta. The areas the two licences cover are adjoined. Two exploration bonds totaling $14,665 (€10,000) have been made regarding these two licences. In 2013, the Company relinquished the licenses, and as a result, acquisition costs totaling $32,433 were written off.

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURE

On April 12, 2013, the Company issued a convertible debenture for the principal sum of $975,000. The debenture was convertible into a maximum of 2,166,667 common shares of the Company at the rate of $0.45 per share on or before April 11, 2015, and bears interest at the rate of 8% per annum, payable in arrears. Subsequent to December 31, 2014, the maturity date was extended to April 11, 2017. The debenture, in whole or in part, can be converted into common shares at the holder's option at a rate of $0.45 per share until the maturity date. At maturity, the principal not yet converted will be converted into shares at $0.45 per share. The Company also issued to the convertible debenture holder share purchase warrants to purchase up to 2,166,667 additional common shares exercisable at $0.45 per share until April 11, 2014. In September 2013, the exercise price of the warrants was reduced to $0.1665 per share. During the year ended December 31, 2014, the expiry date of the warrants was extended to April 11, 2015 and subsequent to December 31, 2014, extended further to April 11, 2016.

For accounting purposes, the convertible debenture is allocated into corresponding debt and equity components at the date of issue. The Company uses the residual value method, which allocates value first to the debt component, based on fair value and then the residual value, to the equity component (comprising the conversion feature as well as the value of the share purchase warrants). The debt component is subsequently accreted to face value of the convertible debenture at the effective interest rate.

Upon the issuance of the convertible debenture, the fair value was separated into a liability component of $124,362, representing only the fair value of the interest payable that is required to be paid in cash, and an equity component of $850,638 representing the value of the mandatory conversion into common shares which is included in other equity reserves. The equity component was calculated as the difference between the gross proceeds received of $975,000 and the discounted cash flows of the interest payable associated with the debt using an estimated market rate for non-convertible instruments of 12% per annum.

Issuance costs of $9,147 were incurred and have been recorded against the liability and equity components and are being amortized to the consolidated statements of comprehensive loss over the life of the convertible debenture. During the year ended December 31, 2014, accretion of interest on the convertible debentures of $16,899 (2013: $11,074) was charged to profit or loss and is included in interest and bank charges.

	Liability component	Equity component
Balance, December 31, 2012	$ -	$ -
Face value of debenture at date of issue	124,362	850,638
Issuance costs allocated	(1,189)	(7,958)
Accretion of discount	11,074	-
Balance, December 31, 2013	134,247	842,680
Accretion of discount	16,899	-
Balance, December 31, 2014	**$ 151,146**	**$ 842,680**

8. SHARE CAPITAL AND RESERVES

Common Shares

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

On December 2, 2013, the Company's outstanding shares, warrants, and convertible debentures were consolidated on the basis of one new share for every three existing shares. All references to common shares, warrants and convertible debentures in these consolidated financial statements reflect the share consolidation.

During the year ended December 31, 2014, the following share capital activity occurred:

i) On February 5, 2014, the Company closed a private placement of 16,550,000 units at $0.10 per unit for gross proceeds of $1,655,000. The sale proceeds were allocated all to share capital and none to warrants. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of $0.15. If the closing price of the Company's shares is $0.21 or greater for a period of ten consecutive trading days, the Company may accelerate the expiry of the warrants by giving notice in writing to the holders, and in such case, the warrants will expire on the thirtieth day after the date on which such notice is given.

   The Company paid $3,850 cash and 38,500 warrants as finders' fees in connection with the financing. The finders' fee warrants have the same terms as the purchasers' warrants. The fair value of the 38,500 finders' fee warrants was $2,241 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 option pricing model with the following assumptions: risk-free interest rate of 0.98%, dividend yield of 0%, volatility of 96% and expected life of two years. Other share issuance costs associated with this financing totalled $12,669.

ii) On January 24, 2014, the Company issued 800,000 common shares with a value of $100,000 to Klondike as part of the acquisition of Klondike's Portuguese properties (Note 6).

iii) On November 4, 2014, 7,000,000 of the 16,550,000 share purchase warrants issued on February 5, 2014 were exercised at a reduced exercise price of $0.11 per share as approved by the TSX-V, for gross proceeds of $770,000.

There were no share issuances during the year ended December 31, 2013.

Escrow Shares

As at December 31, 2014, there were 2,330,000 (2013: 3,727,783) shares held in escrow. The shares held in escrow are released based on the passage of time, with the next release of 727,500 shares occurring June 14, 2015 and the final release of 1,602,500 shares occurring December 14, 2015.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Warrants

A summary of share purchase warrants activity for the years ended December 31, 2014 and 2013 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2012	-	$0.00
Issued on convertible debenture private placement	2,166,667	$0.1665
Balance, December 31, 2013	2,166,667	$0.1665
Issued on private placement	16,588,500	$0.15
Exercised during the year(1)	(7,000,000)	$0.11
Balance, December 31, 2014	**11,755,167**	**$0.15**

Details of share purchase warrants outstanding as of December 31, 2014 are:

Expiry date	Number of warrants	Exercise price
February 4, 2016(1)	9,588,500	$0.15
April 11, 2016(2)	2,166,667	$0.1665
	11,755,167	

(1) In November 2014, the exercise price of 7,000,000 of these warrants was amended from $0.15 to $0.11 and those warrants were exercised at the reduced exercise price.
(2) In March 2014, the expiry date of these warrants was extended from April 11, 2014 to April 11, 2015 and in April 2015, the expiry date was extended further to April 11, 2016.

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-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. 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, 2014:

			During the year				
Expiry date	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited/ cancelled**	**Closing balance**	**Vested and exercisable**
February 23, 2024	$0.15	-	3,455,000	-	-	3,455,000	3,455,000
Weighted Average Exercise Price		-	$0.15	-	-	$0.15	$0.15

9. SHARE-BASED PAYMENTS (continued)

There were no options issued or outstanding during and as at the year ended December 31, 2013.

Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2014 was $0.14 per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2014 is 9.15 years.

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the year ended December 31, 2014 included an expected volatility factor of 115%, risk-free interest rate of 2.41%, expected life of ten years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

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

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

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized as part of share-based compensation during the year ended December 31, 2014 was $486,570 (2013: $Nil).

As of December 31, 2014 there were no unrecognized compensation costs related to unvested share-based payment awards.

Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized as part of exploration and evaluation assets during the year ended December 31, 2014 was $100,000 (2013: $Nil).

(Expressed in Canadian Dollars)

10. EXPLORATION EXPENDITURES

During the year ended December 31, 2014, the Company incurred the following exploration expenditures:

	Portugal								
	Vila de Rei	**Boticas**	**Lagares**	**Ponte de Barca**	**Valongo**	**Balazar**	**Castelo de Paiva**	**Other**	**Total**
Assaying	$ 6,664	$ 152	$ 45,150	$ 9,660	$ 3,638	$ -	$ 320	$ 1,411	$66,995
Field expenses	7,628	1,080	19,634	4,620	4,550	3,516	3,516	1,147	45,691
Geological and other consulting	64,724	33,725	72,789	40,754	44,787	25,589	23,868	9,523	315,759
Legal and accounting	2,679	-	5,279	1,078	1,078	677	677	124	11,592
Licences, rights and taxes	27,340	-	3,668	3,668	3,668	7,336	3,668	-	49,348
Office and administration	31,587	10,190	31,869	18,299	17,331	11,398	11,389	1,461	133,524
Salaries and benefits	28,975	2,572	83,386	15,462	14,253	11,183	10,818	5,566	172,215
Travel	33,723	15,555	29,962	18,774	22,178	11,512	11,512	2,279	145,495
Balance, end of year	**$203,320**	**$63,274**	**$291,737**	**$112,315**	**$ 111,483**	**$71,211**	**$65,768**	**$21,511**	**$940,619**

During the year ended December 31, 2013, the Company incurred the following exploration expenditures:

	Italy		Portugal		Spain	
	Pietratonda	**Frassine-Grasceta**	**Vila de Rei**	**Boticas**	**Pinzas**	**Total**
Assaying	$ 24,538	$ 20,996	$ 11,385	$ 17,078	$ -	$ 73,997
Field expenses	6,561	4,259	38,785	28,633	3,588	81,826
Geological and other consulting	68,885	42,939	103,060	41,466	40,442	296,792
Licences, rights and taxes	16,932	26,642	-	14,127	-	57,701
Office and administration	-	-	6,710	7,965	2,123	16,798
Shipping and courier	9,830	9,830	6,558	3,620	-	29,838
Travel	32,858	31,404	83,850	49,871	5,895	203,878
Balance, end of year	**$ 159,604**	**$ 136,070**	**$ 250,348**	**$ 162,760**	**$ 52,048**	**$ 760,830**

(Expressed in Canadian Dollars)

11. INCOME TAXES

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

		2014		**2013**
Statutory income tax rate		26.00%		25.75%
Expected income tax (expense) recovery	$	(532,509)	$	(341,648)
Decrease (increase) resulting from:				
Non-deductible expenses and others		127,035		1,256
Differences between Canadian and foreign tax rates		39,003		8,865
Change in timing differences		39,684		875
Effect of change in tax rates		42,743		(65,656)
Impact of foreign exchange on tax assets and liabilities		(4,855)		(44,680)
Over provided in prior years		(49,425)		-
Unused tax losses and tax offsets not recognized		338,324		440,988
Income tax recoverable	$	**-**	$	**-**

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2014		**2013**
Non-capital loss carry-forwards	$	6,379,284	$	4,571,386
Resource properties		10,193,533		10,348,377
Equipment		133,733		129,912
Share issuance cost		13,215		-
Unrecognized deductible temporary differences	**$**	**16,719,765**	**$**	**15,049,675**

Subject to certain restrictions, the Company has non-capital losses of $3,035,077 (2013: $2,496,114) available to reduce future Canadian taxable income. The non-capital losses expire as follows:

Year		
2026	$	414,420
2027		505,632
2028		258,679
2029		188,071
2030		182,118
2031		197,734
2032		263,577
2033		485,883
2034		538,963
	$	**3,035,077**

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

The Company also has non-capital losses for income tax purposes of $2,821,497 (2013: $1,970,692) available to reduce future UK taxable income, non-capital losses for income tax purposes of $133,312 (2013: $104,580) available to reduce future Spanish taxable income and $389,398 (2013: $nil) available to reduce future Portuguese taxable income. The UK and Spain non-capital losses do not expire and the Portugal non-capital losses expire in five years.

Resource Development Costs

The Company has resource development costs of $10,345,782 available to offset future taxable income in Canada, deductible at various declining-balance rates.

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties with transactions during the years ended December 31, 2014 and 2013 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Radius	Shared office, administrative and exploration related charges and investment in the Company
Gold Group Management Inc. (“Gold Group”)	Shared office, administrative and exploration related charges
Focus Ventures Ltd. (“Focus”)	Shared administrative salary charges
Mill Street Services Ltd. (“Mill Street”)	Management services

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

a) During the years ended December 31, 2014 and 2013, the Company reimbursed Gold Group for the following costs:

		2014		2013
General and administrative	$	69,833	$	72,444
Salaries and benefits		65,330		95,191
Shareholder communications		5,097		29,338
Transfer agent and regulatory fees		4,713		6,486
Travel and accommodation		16,551		32,511
	$	**161,524**	**$**	**235,970**

Salaries and benefits for the year ended December 31, 2014 include those for the Chief Financial Officer and the Corporate Secretary (2013: include those for a director, the Chief Financial Officer and the Corporate Secretary). An office and administrative agreement (the “Gold Group Agreement”) was entered into between the Company and Gold Group on July 1, 2012 whereby the Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) During the years ended December 31, 2014 and 2013, the Company reimbursed Radius for the following costs:

	2014	2013
General and administrative	$ -	$ 1,527

Radius was reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company.

c) During the year ended December 31, 2014, the Company reimbursed Focus, a company with common directors, $17,761 (2013: $Nil) in shared salary and benefits costs for a director.

d) Prepaid expenses and deposits as at December 31, 2014 include an amount of $2,243 for administrative expenses paid in advance on the Company's behalf (2013: $61,000), paid to Gold Group as a deposit pursuant to the Gold Group Agreement.

e) Long-term deposits as of December 31, 2014 consist of $61,000 (2013: $Nil) paid to Gold Group as a deposit pursuant to the Gold Group Agreement.

f) Amounts due to related parties as of December 31, 2014 consist of $18,876 (2013: $101,492) owing to Gold Group; $26,655 (2013: $24,456) owing to David Hall, a director of the Company; $26,655 (2013: $26,000) owing to Jeremy Martin, a director of the Company; $Nil (2013: $55,230) owing to Mill Street, a company controlled by the Chief Executive Officer of the Company; $Nil (2013: $19,047) owing to Radius; and $Nil (2013: $8,613) to Daniel James, the President of the Company. The amount for Gold Group is due on a monthly basis and secured by a deposit. The amounts for David Hall and Jeremy Martin are due no later than December 10, 2016. The amounts for Radius, Mill Street and Daniel James were unsecured, interest-free and had no specific terms of repayment.

g) Radius acquired 5,000,000 common shares and 5,000,000 share purchase warrants in the Company by way of the private placement that closed on February 5, 2014 at a cost of $500,000 and acquired 3,000,000 additional common shares of the Company by exercising 3,000,000 of the warrants at a cost of $330,000. The Company and Radius have two common directors.

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, 2014 and 2013 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.

	2014	2013
Management fees	$ 135,300	$ 141,000
Geological fees	$ 103,951	$ 45,000
Salaries and benefits	$ 21,058	$ 18,493
Share-based compensation	$ 232,370	$ -

Share-based payments to directors not specified as key management personnel during the year ended December 31, 2014 totaled $112,664 (2013: $Nil).

(Expressed in Canadian Dollars)

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 note.

General Objectives, Policies and Processes

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

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

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at December 31, 2014, the Company is exposed to foreign currency risk and interest rate risk.

Foreign Currency Risk

As at December 31, 2014 and 2013, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2014			December 31, 2013		
	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)	British Pound Sterling (CDN equivalent)	US Dollars (CDN equivalent)	Euros (CDN equivalent)
Cash	$ 5,185	$ 391	$ 43,903	$ 15,692	$ 248	$ 743
Accounts payable and accrued liabilities	(37,103)	-	(80,402)	(271,121)	-	(5,944)
Due to related parties	(53,310)	-	-	(46,569)	-	-
Net exposure	**$ (85,228)**	**$ 391**	**$ (36,499)**	**$(301,998)**	**$ 248**	**$ (5,201)**

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Market Risk (continued)

Based on the above net exposures at December 31, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $12,100 (2013: $30,700) increase or decrease in profit or loss, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2014, the Company does not have any borrowings except for the accumulated interest owing on a convertible debenture, of which the interest rate is fixed for the duration of the debenture. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian and British financial institutions. The Company considers this risk to be limited.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2014, the Company had a working capital deficiency of $18,653 (2013: $417,776). All of the Company's financial liabilities had contractual maturities of less than 45 days and are subject to normal trade terms except for $350,000 which was due by January 24, 2015 and did not bear interest.

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, accounts payable and accrued liabilities, and due to related parties approximate fair values due to their short-term nature.

(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, 2014 were calculated as follows:

	Balance at December 31, 2014	Level 1	Level 2	Level 3
Financial Asset:				
Cash	$ 499,464	$ 499,464	$ -	$ -

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.

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's capital resources as of December 31, 2014 are not sufficient to cover its corporate operating costs and carry out exploration activities for the next twelve months. In order to carry out planned exploration programs and business objectives, the Company will need to raise additional capital. The Company believes it will be able to raise additional debt or equity capital as required, but recognizes the uncertainty attached thereto.

(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. Management of exploration programs is centralized in England. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations and assets are therefore segmented on a district basis.

Year ended December 31, 2014

	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	$ -	$ -	$ -	$ -	$ 940,619	$ 940,619
Sales tax receivable written off	$ -	$ 100,610	$ -	$ -	$ -	$ 100,610
Interest and other income	$ 1,353	$ -	$ -	$ -	$ -	$ 1,353
Net loss	$ 919,990	$ 149,563	$ -	$ 34,631	$ 943,929	$ 2,048,113
Capital expenditures*	$ -	$ 11,759	$ -	$ -	$ 344,870	$ 356,629

Year ended December 31, 2013

	Canada	England	Italy	Spain	Portugal	Consolidated
Exploration expenditures	$ -	$ -	$ 295,674	$ 52,048	$ 413,108	$ 760,830
Exploration and evaluation asset costs written off	$ -	$ -	$ 48,593	$ -	$ -	$ 48,593
Net loss	$ 429,182	$ 31,533	$ 344,267	$ 108,700	$ 413,108	$ 1,326,790
Capital expenditures*	$ -	$ -	$ -	$ 36,488	$ -	$ 36,488

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

As at December 31, 2014	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	$ 457,313	$ 18,477	$ -	$ 6,800	$ 60,610	$ 543,200
Total non-current assets	69,856	8,719	21,998	36,488	726,821	863,882
Total assets	**$ 527,169**	**$ 27,196**	**$ 21,998**	**$ 43,288**	**$ 787,431**	**$ 1,407,082**
Total liabilities	**$ 582,149**	**$ 90,413**	**$ -**	**$ 4,548**	**$ 89,199**	**$ 766,309**

As at December 31, 2013	Canada	England	Italy	Spain	Portugal	Consolidated
Total current assets	$ 86,634	$ 138,725	$ -	$ 583	$ -	$ 225,942
Total non-current assets	20,656	-	21,457	36,488	205,358	283,959
Total assets	**$ 107,290**	**$ 138,725**	**$ 21,457**	**$ 37,071**	**$ 205,358**	**$ 509,901**
Total liabilities	**$ 454,331**	**$ 317,690**	**$ -**	**$ 5,944**	**$ -**	**$ 777,965**

16. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2014, the following events occurred:

a) On February 13, 2015, the Company granted 500,000 stock options to employees of the Company at an exercise price of $0.15 per share, vesting immediately and expiring February 12, 2025.

b) On February 18, 2015, the Company closed a private placement of 2,272,728 units at $0.11 per unit for gross proceeds of $250,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for one year at a price of $0.16. The Company also paid cash of $660 and issued 42,000 warrants as finders' fees in connection with the placement. The finders' fee warrants have the same terms as the purchasers' warrants.

c) On February 13, 2015, the Company agreed to issue a total of 435,520 common shares of the Company to Daniel James in part consideration for his ongoing services as the Company's President during 2015. The shares will be issued in quarterly installments, and the first installment of 108,880 shares was issued as of April 13, 2015.