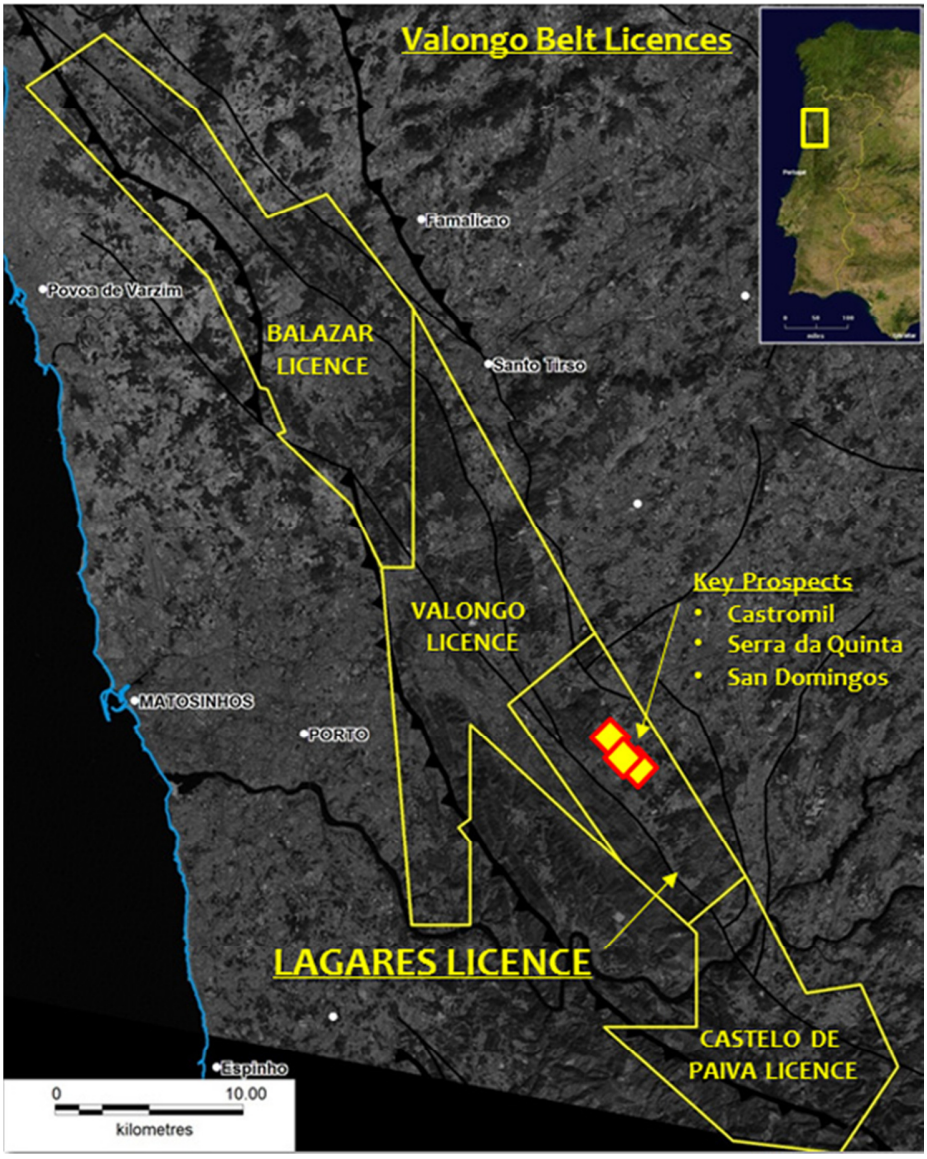
CASTROMIL, PORTUGAL

Resume

Castromil is located 22km east of Porto, belonging to Sobreira, Paredes, in northwestern Portugal. The project is easily accessible by road. It is located in the central-eastern part of the Valongo Belt. Medgold acquired the license by acquiring Klondike Gold's Portugese property portfolio in January 2014. Mineralization is exposed over a 4km strike length as a series of prospects, the most notable being Castromil and Serra da Quinta. From the geological point of view is a structurally-controlled and intrusion-hosted gold mineralization typically occurring at the intrusive margins between Silurian sediments and younger granitic intrusions.



Source: www.medgoldresources.com

Project History

The first modern exploration activity at Castromil began in 1941, when the company Minas de ouro do Douro started prospecting on site. This work stopped in 1946, apparently due to lack of funds. They assayed a large number of samples for gold and silver. Their exploration adits can be accessed today and many of the entrances are located on the floors of the ancient Roman quarries. Reports by JC Allen, written in 1949, indicate that the company found, cleared, followed and sampled numerous ancient workings.

In 1964, Noranda Inc. began work, but stopped in 1966 when the gold price fell. Noranda resampled the adits and drilled nine holes at Castromil, but by 1966 the project was terminated without completion of the holes planned for Serra da Quinta.

In 1973, Anglo American plc examined the property but did not carry out any further work. They were followed in 1988 by Billiton plc. Billiton carried out a comprehensive exploration program leading to the delineation of substantial historic gold resources at both Castromil and Serra da Quinta. The surrounding area was also explored during this period as part of a larger survey carried out by a consortium of Portuguese and French Government sponsored companies. In 1991, cyanidation tests were performed on composite samples of surface and adit ore from Castromil by Billiton Research.

The Portuguese Government body, under the guise of the Instituto Geológico e Mineiro (IGM), reassessed the area in and reinterpreted the Billiton data. Previous rights were subsequently relinquished and Connary Minerals was awarded the central concession. Connary Minerals Ltd. explored the area between 1994 and 1997 and concluded that exploitation of the Castromil deposit was potentially viable. Work by Connary Minerals focused on near-surface gold mineralization within the Lagares exploration licence area.

In 1997 Connary successfully outlined an historical mineral resource estimate for Castromil of 2.42 million tonnes at 1.89 grams per tonne gold for approximately 145,000 ounces of contained gold in the measured and indicated categories (Source: "Class III feasibility study, Castrolmil Gold Mine, Portugal, for Connary Minerals PLC," ACA Howe Mining & Metallurgy Ltd., October, 1997"). The government rejected Connary's feasibility study on the Castromil deposits apparently due to Environmental Concerns.

Geology and Mineralization

The project is located on the eastern flanks of the Valongo anticline, which is a large overturned fold hosting numerous gold occurrences, many of which were exploited by the Romans. The main geological control on mineralization in the area is an intrusive contact between a package of Silurian meta-sediments and granites which has subsequently been faulted. In the Castromil area, the contact between Silurian sediments and granitic rocks coincides with a northwesterly trending shear zone, against which the granite has been thrust over the metasediments. Mineralization was

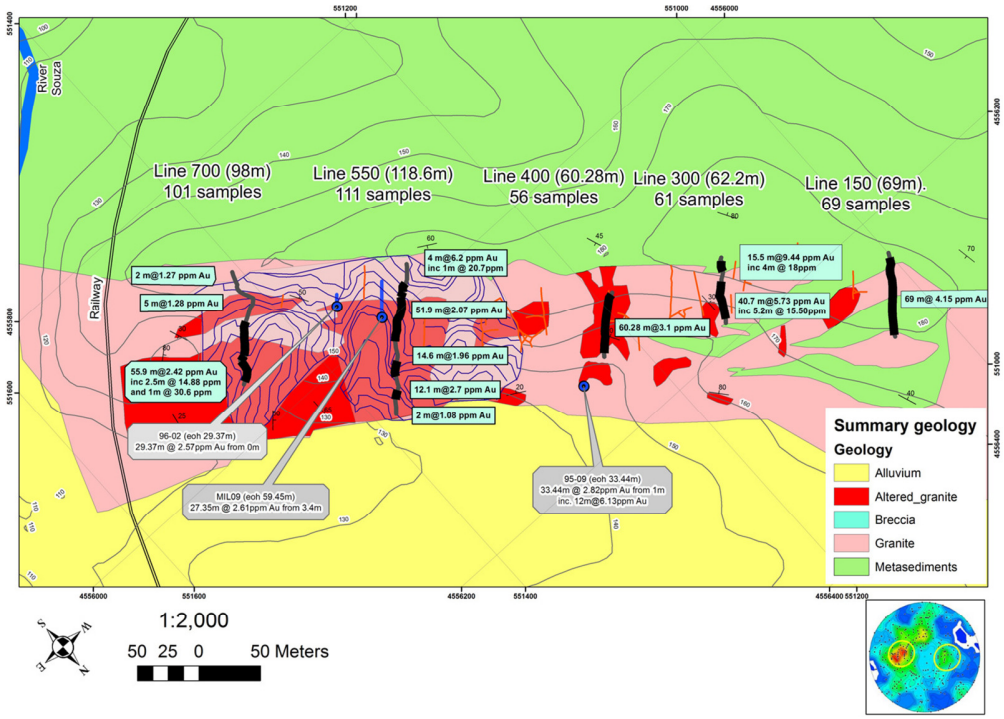
apparently introduced by a series of faults and fractures, and is focused into en echelon vein arrays, typically with zones of massive sulphide and quartz-iron oxide veining. Gold is disseminated along veins in the silicified granite within a shear zone, and is frequently associated with sulphides.

Medgold's work has completely revised the apparent controls on gold mineralization and has put the Project within a larger-scale geological context. The revised model assumes that the main controlling feature is a normal fault, which is typically mineralized. Associated with this fault are stacked, antithetic, shallow-dipping fluid conduits which are also mineralized. The Railway Fault is now interpreted to be a series of parallel normal faults, rather than a single fault, which therefore allows much greater fluid introduction and increased gold mineralization. Lastly, it was previously thought that the footwall of the fault was unmineralized, but reinterpretation shows that some of the best and highest grade mineralization is located in the footwall, hosted in breccias and commonly bounded between the intrusive contact and the Railway fault. This combination of parallel normal faults in the hangingwall with associated antithetic veins opens up significant resource potential.

Medgold's Channel Sampling Results

Summarized assay results from the recent channel sampling campaign at the Lagares Project have demonstrated significant broad widths of gold mineralization; highlights include:

- 69.00 m @ 4.15 g/t Au
- 40.70 m @ 5.73 g/t Au, including 5.20 m @ 15.50 g/t Au
- 15.50 m @ 9.44 g/t Au, including 4.00 m @ 18.00 g/t Au



Source: www.medgoldresources.com

The company geologists recently collected a total of 800 contiguous channel-chip samples (including 90 QA/QC samples), using a diamond saw, from 9 lines over a total sample length of 732.53 metres. Lines were spaced 100 to 150 metres apart, orientated northeast-southwest, and perpendicular to the main structural trend and covered a total strike of 1450 meters.

Of the 800 samples a total 422 samples assayed greater than 0.5 g/t Au (59% of total) and many of the lines commenced or terminated in plus 0.5 g/t Au grade material.

In addition to the granite hosted mineralization, strong potential has now been recognized in the footwall meta-sediments adjacent to the granites, which have previously been reported as barren. Maximum gold grades of 44.0, 17.2 and 10.6 g/t Au were reported from samples within an extensive breccia within the sediments.

More information can be found on http://www.medgoldresources.com/s/lagares.asp