



FINANCIAL REVIEW

Fiscal Year Ended December 31, 2016



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian Dollars)



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Independent Auditor's Report

To the shareholders of Radius Gold Inc.

We have audited the accompanying consolidated financial statements of Radius Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income (loss) and other comprehensive income (loss), changes in equity and cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditor's 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 auditor's 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 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 Radius Gold Inc. and its subsidiaries as at December 31, 2016 and 2015, and its financial performance and cash flows for each of the years then ended, in accordance with International Financial Reporting Standards.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants

Vancouver, Canada
May 1, 2017

RADIUS GOLD INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at:	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	\$ 5,130,064	\$ 151,861
Available-for-sale investments (Note 6)	2,793,962	4,252,417
Receivables (Note 7)	194,586	784,764
Due from related parties (Note 15)	16,800	8,224
Prepaid expenses and deposits (Note 15)	188,833	59,653
Total current assets	8,324,245	5,256,919
Non-current assets		
Long-term deposits (Note 15)	123,098	123,597
Property and equipment (Note 8)	53,354	78,166
Mineral and royalty interests (Note 10)	1,348,165	1,259,506
Investment in associate (Note 9)	1	369,829
Total non-current assets	1,524,618	1,831,098
TOTAL ASSETS	\$ 9,848,863	\$ 7,088,017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	\$ 107,884	\$ 106,407
Shareholders' equity		
Share capital (Note 12)	56,592,613	56,592,613
Other equity reserve	6,849,808	6,636,658
Deficit	(54,520,103)	(56,382,369)
Accumulated other comprehensive income	818,661	134,708
Total shareholders' equity	9,740,979	6,981,610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 9,848,863	\$ 7,088,017

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON MAY 1, 2017 BY:

"Simon Ridgway", Director
Simon Ridgway

"William Katzin", Director
William Katzin

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

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
Royalty Revenue (Note 10)	\$ 431,643	\$ 1,098,912
Exploration expenditures (Notes 15 and 19)	544,586	589,162
Write-down of exploration and evaluation assets (Note 10)	-	587,211
	544,586	1,176,373
General and administrative expenses		
Amortization	24,812	37,393
Legal and audit fees	107,584	205,117
Management fees (Note 15)	42,000	102,000
Office and miscellaneous (Note 15)	141,286	182,218
Salaries and benefits (Note 15)	128,020	140,041
Share-based compensation (Note 15)	213,150	-
Shareholder communications (Note 15)	18,745	28,897
Transfer agent and regulatory fees (Note 15)	14,548	31,099
Travel and accommodation (Note 15)	11,287	19,056
	701,432	745,821
Loss from operations	(814,375)	(823,282)
Share of post-tax losses of associates (Note 9)	(136,000)	(243,000)
Gain on dilution in associated company (Note 9)	170,045	85,743
Gain on reclassification as available-for-sale investment (Notes 6 and 9)	691,727	-
Gain on loan conversion (Note 10)	-	180,000
Foreign currency exchange gain (loss)	(37,286)	95,660
Gain on disposal of property and equipment	-	14,720
Gain (loss) on sale of available-for-sale investments (Note 6)	2,688,336	(29,787)
Impairment on available-for-sale investments (Note 6)	(205,321)	(1,642,154)
Gain from mineral property option agreements (Note 10)	276,252	60,661
Investment income	13,068	17,293
Impairment of receivables (Note 7)	(784,180)	(14,358)
Recovery of receivable (Note 10)	-	423,055
Net income (loss) for the year	\$ 1,862,266	\$ (1,875,449)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains (losses) on available-for-sale investments (Note 6)	683,953	(66,400)
Total comprehensive income (loss)	\$ 2,546,219	\$ (1,941,849)
Basic and diluted income (loss) per share	\$0.02	\$(0.02)
Weighted average number of common shares outstanding	86,675,617	86,675,617

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

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
Balance, December 31, 2014	86,675,617	\$ 56,592,613	\$ 6,636,658	\$ 201,108	\$ (54,506,920)	\$ 8,923,459
Loss for the year	-	-	-	-	(1,875,449)	(1,875,449)
Available-for-sale investments	-	-	-	(66,400)	-	(66,400)
Balance, December 31, 2015	86,675,617	56,592,613	6,636,658	134,708	(56,382,369)	6,981,610
Income for the year	-	-	-	-	1,862,266	1,862,266
Available-for-sale investments	-	-	-	683,953	-	683,953
Share-based compensation	-	-	213,150	-	-	213,150
Balance, December 31, 2016	86,675,617	\$ 56,592,613	\$ 6,849,808	\$ 818,661	\$ (54,520,103)	\$ 9,740,979

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

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 1,862,266	\$ (1,875,449)
Items not involving cash:		
Amortization	24,812	37,393
Gain from mineral property option agreements	(276,252)	(60,661)
Gain from disposal of property and equipment	-	(14,720)
Impairment of receivable	784,180	14,358
Write off of exploration and evaluation costs	-	587,211
Gain on reclassification as available-for-sale investment	(691,727)	-
Impairment of available-for-sale investments	205,321	1,642,154
(Gain) loss on sale of available-for-sale investments	(2,688,336)	29,787
Gain on loan conversion	-	(180,000)
Share of post-tax losses of associates	136,000	243,000
Gain on dilution in associated company	(170,045)	(85,743)
Share-based compensation	213,150	-
	(600,631)	337,330
Changes in non-cash working capital items:		
Receivables	(194,002)	(742,146)
Prepaid expenses and deposits	(129,180)	12,624
Long-term deposits	499	19,867
Due from related parties	(8,576)	(8,224)
Accounts payable and accrued liabilities	1,479	(15,184)
Cash used in operating activities	(930,411)	(395,733)
INVESTING ACTIVITIES		
Proceeds from loan repayment and interest payment	-	521,742
Purchase of marketable securities and investments	(593,314)	(366,200)
Investment in associates	-	(54,085)
Expenditures on exploration and evaluation asset acquisition costs	(112,407)	(1,283,326)
Proceeds from mineral property option agreements	75,000	60,661
Proceeds from sale of available-for-sale investments	6,539,335	416,998
Proceeds from disposition of property and equipment	-	14,720
Purchase of property and equipment	-	(1,288)
Cash provided by (used for) investing activities	5,908,614	(690,778)
(Decrease)/increase in cash and cash equivalents	4,978,203	(1,086,511)
Cash and cash equivalents, beginning of year	151,861	1,238,372
Cash and cash equivalents, end of year	\$ 5,130,064	\$ 151,861

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

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Radius Gold Inc. (the “Company”) was formed by the amalgamation of Radius Explorations Ltd. and PilaGold Inc. effective on July 1, 2004.

The Company is domiciled in Vancouver, Canada and is engaged in acquisition and exploration of mineral properties or investment in companies which hold mineral property interests. The address of the Company’s head office is 650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

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, as modified by any revaluation of available-for-sale financial assets.

The consolidated financial statements are presented in Canadian dollars (“CDN”), which is also the Company’s functional currency.

The preparation of 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 or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Nature of Operations

These financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF 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 wholly owned 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. Subsidiaries are deconsolidated from the date control ceases.

Details of the Company's principal subsidiaries at December 31, 2016 are as follows:

Name	Place of Incorporation	Interest %	Principal Activity
Minerales Sierra Pacifico S.A.	Guatemala	100%	Exploration company
Radius Gold (U.S.) Inc.	Nevada, USA	100%	Exploration company
Geometales Del Norte-Geonorte	Mexico	100%	Exploration company
Radius (Cayman) Inc	Cayman Islands	100%	Investment Holding company

b) Revenue Recognition

Royalty revenue is measured at fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement. For royalty interests, revenue recognition generally occurs in the month of production from the royalty property.

Royalty revenue may be subject to adjustment upon final settlement of estimated metal prices, weights, and assays. Adjustments recorded upon final settlement are offset against revenue when incurred. Variations between the estimated price recorded upon production and the actual final price set upon final settlement are caused by changes in market commodity prices, and result in an embedded derivative in the receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of royalty revenue. As of December 31, 2016, there was no embedded derivative (2015: the value of the embedded derivative was nominal and not recorded).

c) Investment in Associates

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of profit or loss and other comprehensive income, except that losses in excess of the Company's investment in the associate are not recognized unless there is an obligation to fund those losses.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Such adjustments to the carrying amount are charged to operations as a gain or loss on dilution in the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

d) Foreign Currency Translation

The functional and presentation currency of the Company and its principal subsidiaries is the Canadian dollar. Transactions denominated in a currency other than an entity's functional currency are translated as follows: unsettled monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the date of the statement of financial position and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

e) Cash and Cash Equivalents

Cash and cash equivalents includes 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.

f) Mineral and Royalty Interests

Exploration and evaluation assets

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, at the earlier of the date the counterparty's performance is complete or the share issuance date. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. On transfer to development properties, capitalized exploration and evaluation assets are assessed for impairment.

Options are exercisable entirely at the discretion of the optionee and amounts received from optionees in connection with option agreements are credited against the capitalized acquisition costs classified as exploration and evaluation assets on the statement of financial position and amounts received in excess are credited to gain from exploration and evaluation asset option agreements on the statement of profit or loss and other comprehensive income.

Where the Company has entered into option agreements to acquire interests in exploration and evaluation assets 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 recorded as exploration and evaluation costs when the payments are made or received and the share issuances are recorded as exploration and evaluation costs 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 share issuance date.

The Company is in the process of exploring and developing its exploration and evaluation assets and has not yet determined the amount of reserves available. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company will test the asset for impairment based upon a variety of factors, including current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the asset or from the sale of the asset. 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 would be when the actual environmental disturbance occurs.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

f) Mineral Interests and Royalties – (cont'd)

Royalties

Royalty interests consist of acquired royalties in producing and exploration and evaluation stage properties. Royalty interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Producing properties are those that have generated revenue from steady-state operations for the Company. Exploration and evaluation stage properties represent early stage exploration properties that are speculative and are expected to require more than two years to generate revenue, if ever, or are currently not active.

Producing royalty interests are recorded at cost and capitalized in accordance with IAS 16, Property, Plant and Equipment. Producing royalty interests are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available estimates of proven and probable reserves specifically associated with the properties. Management relies on information available to it under contracts with the operators and/or public disclosures for information on proven and probable reserves and resources from the operators of the producing royalty interest.

Royalty interests for exploration and evaluation assets, such as the Company's Bayovar 12 Project Royalty, are recorded at cost and capitalized in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*. Acquisition costs of exploration and evaluation royalty interests are capitalized and are not depleted until such time as revenue-generating activities begin.

g) Property, Equipment and Amortization

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land, which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

Amortization

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

Leasehold improvements	7 – 8 years straight-line
Trucks	4 – 8 years straight-line
Computer equipment	25% - 50% declining balance
Field equipment	30% declining balance
Furniture and equipment	20% declining balance
Geophysical equipment	20% declining balance

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

h) Earnings / Loss per Share

Basic income/loss per share is calculated by dividing the net income/loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of an entity.

For the year ended December 31, 2015, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 4,775,000 were not included in the computation of earnings/loss per share, because their effect was anti-dilutive. As such, basic and diluted earnings and losses per share were the same for that period presented.

i) Income Taxes

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

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 those taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which 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 only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) 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 the Unit's components sold is measured using the residual value approach.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

k) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of profit or loss and other comprehensive income over the vesting period. 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 the statement of profit or loss and other comprehensive income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

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

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

All equity-settled share-based payments are reflected in other equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled 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) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities may include restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

As at December 31, 2016 and 2015, the Company had no asset retirement or rehabilitation obligations.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

l) Provisions – (cont'd)

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.

m) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken 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 of disposal, 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 the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

n) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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 plus 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 amortization process.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

n) Financial Instruments – (cont'd)

Available-For-Sale Investments

Non-derivative financial assets not included in the other categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive income. 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 loss/income, is recognized in profit or loss. Any subsequent increase in the fair value of available-for-sale investments are recorded through other comprehensive income. 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.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive income to profit or loss.

Financial Assets at Fair Value Through Profit or Loss

Derivative investments, such as warrants and receivables related to agreements with provisional pricing mechanisms, are classified as fair value through profit and loss and are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are recognized as other income (expenses) in the statement of income and comprehensive income (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 group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payables and accrued liabilities. 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 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 payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

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

Cash and cash equivalent	Loans and receivables
Investments in available-for-sale investments	Available-for-sale financial assets
Receivables	Loans and receivables
Receivable derivatives	Fair value through profit or loss
Amounts due from related parties	Loans and receivables
Deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

o) Standards, Amendments and Interpretations Not Yet Effective

The Company will be required to adopt the following standard and amendments issued by the IASB as described below. The Company is in the process of evaluating the impact of these new standards and amendments on its consolidated financial statements:

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective for the Company's annual period beginning January 1, 2017. This new amendment is not expected to have a material impact on the Company's consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Effective for the Company's annual period beginning January 1, 2017. This new amendment is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Effective for the Company's annual period beginning January 1, 2018.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

o) Standards, Amendments and Interpretations Not Yet Effective – (cont'd)

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for annual periods starting on or after January 1, 2018, with earlier application permitted.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

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 comprehensive income/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) Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Rackla Metals Inc. (“Rackla”). The Company no longer has the power to exercise significant influence over Medgold Resources Corp (“Medgold”) and therefore its investment in Medgold is now treated as an available-for-sale investment;
- b) The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period;
- c) The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment;
- d) The application of the Company’s accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

If, after exploration and evaluation assets is capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available; and

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- e) The determination of when receivables are impaired requires significant judgment as to their collectability.

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 is 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, 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. These tax liabilities are recognized when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. 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 Company accounts for royalty revenue on an accrual basis which requires forecasting of gold prices and use of preliminary assay and weight results to estimate revenue prior to final settlement.
- 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. 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 and on hand earns interest at floating rates based on daily bank deposit rates.

6. AVAILABLE-FOR-SALE INVESTMENTS

	B2Gold	Focus	Southern Silver	Medgold	Advantage	GrowMax	Champagne	Total
Balance, December 31, 2014	\$5,370,148	\$ 191,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,561,555
Acquisition of shares	-	366,200	480,000	-	-	-	-	846,200
Disposition of shares	(446,784)	-	-	-	-	-	-	(446,784)
Impairment adjustment	(1,297,364)	(164,790)	(180,000)	-	-	-	-	(1,642,154)
Net change in fair value recorded in other comprehensive income	-	(66,400)	-	-	-	-	-	(66,400)
Balance, December 31, 2015	3,626,000	326,417	300,000	-	-	-	-	4,252,417
Acquisition of shares	-	172,958	-	300,000	225,000	70,355	50,000	818,313
Disposition of shares	(3,626,000)	-	(225,000)	-	-	-	-	(3,851,000)
Impairment adjustment	-	(205,321)	-	-	-	-	-	(205,321)
Reclassification from investment in associate (Note 9)	-	-	-	1,095,600	-	-	-	1,095,600
Net change in fair value recorded in other comprehensive income	-	(14,192)	412,500	261,000	17,500	7,145	-	683,953
Balance, December 31, 2016	\$ -	\$ 279,862	\$ 487,500	\$ 1,656,600	\$ 242,500	\$ 77,500	\$ 50,000	\$ 2,793,962

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

6. AVAILABLE-FOR-SALE INVESTMENTS – (cont'd)

Available-for-sale investments that are publicly traded are recorded at fair value and investments in which there is no quoted market price in an active market is carried at cost. As of December 31, 2016, available-for-sale investments consisted of 5,088,406 (2015: 2,838,406) common shares of Focus Ventures Ltd. ("Focus"), 1,500,000 (2015: 6,000,000) common shares of Southern Silver Exploration Corp. ("Southern Silver"), 10,040,000 (2015: Nil) common shares of Medgold, 250,000 (2015: Nil) common shares of Advantage Lithium Corp. ("Advantage"), and 500,000 (2015: Nil) common shares of GrowMax Resources Corp. ("GrowMax"), all of which are publicly listed companies and 625,000 (2015: Nil) common shares of Champagne Resources Limited ("Champagne"), a private company.

As at December 31, 2016, the fair value based on published market prices of the available-for-sale investments that are publicly listed was \$2,743,962 (2015: \$4,252,417) and the cost of the Champagne available-for-sale investment is \$50,000.

During the year ended December 31, 2016, the Company's holding of 8,040,000 Medgold shares was reclassified from an investment in associate to an available-for-sale investment (Note 9). The fair value of the 8,040,000 Medgold shares at the time of reclassification was \$924,600. During the year ended December 31, 2016 and after the reclassification, the Company acquired an additional 2,000,000 shares of Medgold upon the exercise of 2,000,000 share purchase warrants at a cost of \$300,000, bringing the total amount of Medgold shares held as of December 31, 2016 to 10,040,000.

During the year ended December 31, 2016, an impairment charge of \$205,321 (2015: \$164,790) was charged against the Focus shares due the fair value of the shares being less than the adjusted cost base.

During the year ended December 31, 2016, the Company also completed the following transactions:

- i) Sold its remaining 2,590,000 shares of B2Gold for net proceeds of \$5,724,827 and recorded a gain on sale of available-for-sale investments of \$2,098,827;
- ii) Purchased 770,000 units of a Focus private placement at a cost of \$50,050. Each unit consists of one common share of Focus and one share purchase warrant; each full warrant entitling the Company to purchase one additional common share of Focus at \$0.075 for one year. The Focus share purchase warrants are not tradable on an exchange;
- iii) Acquired 770,000 Focus shares upon the exercise of 770,000 share purchase warrants at a cost of \$57,750, and 710,000 shares acquired on the open market at a cost of \$65,158;
- iv) Sold 4,500,000 shares of Southern Silver for net proceeds of \$814,508 and recorded a gain of \$589,508;
- v) Received 250,000 common shares of Advantage with a fair value of \$225,000 at the time of receipt, pursuant to a mineral property option agreement entered into during the current year (Note 10);
- vi) Acquired 500,000 common shares of GrowMax Resources Corp in the open market at a cost of \$70,355; and
- vii) Purchased 625,000 units of a Champagne private placement at a cost of \$50,000. Each unit consists of one common share of Champagne and one-half share purchase warrant; each full warrant entitling the Company to purchase one additional common share of Champagne at \$0.15 until eighteen months after Champagne becomes publicly listed. The Champagne common shares and share purchase warrants are not tradable on an exchange;

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

6. AVAILABLE-FOR-SALE INVESTMENTS – (cont'd)

During the year ended December 31, 2015, the Company completed the following transactions:

- i) Sold 236,394 common shares of B2Gold for net proceeds of \$416,997 and recorded a loss on sale of available-for-sale investments of \$29,787;
- ii) Purchased 1,831,000 units of a Focus private placement at a cost of \$366,200. Each unit consists of one common share of Focus and one full share purchase warrant, each full warrant entitling the Company to purchase one additional common share of Focus at \$0.265 until June 2, 2017. If the closing price of Focus' shares exceeds \$0.40 for a period of 10 consecutive trading days, Focus may accelerate the expiry of the warrants by giving notice in writing to the Company, and in such case, the warrants will expire on the 30th day after the date on which such notice is given. The Focus share purchase warrants are not tradable on an exchange; and
- iii) Received 6,000,000 common shares of Southern Silver with a fair value of \$480,000, of which \$300,000 satisfied part of a loan repaid by Southern Silver and \$180,000 was recorded as a fair value gain.

Subsequent to the year ended December 31, 2016, the Company completed the following transactions:

- i) Purchased 2,742,700 units of a Focus private placement at a cost of \$137,135. Each unit consists of one common share of Focus and one share purchase warrant; each full warrant entitling the Company to purchase one additional common share of Focus at \$0.10 for five years. The Focus share purchase warrants are not tradable on an exchange;
- ii) Received 1,263,883 common shares of Volcanic Gold Mines Inc. ("Volcanic"), a publicly listed company, with a fair value of \$606,664 at the time of issuance, pursuant to a mineral property assignment agreement described below;
- iii) Purchased 834,000 units of a Volcanic private placement at a cost of \$125,100. Each unit consists of one common share of Volcanic and one-half share purchase warrant; each full warrant entitling the Company to purchase one additional common share of Volcanic at \$0.25 for one year. The Volcanic share purchase warrants are not tradable on an exchange; and
- iv) Purchased 1,125,000 units of a Volcanic private placement at a cost of \$450,000. Each unit consists of one common share of Volcanic and one share purchase warrant; each full warrant entitling the Company to purchase one additional common share of Volcanic at \$0.80 for five years. The Volcanic share purchase warrants are not tradable on an exchange.

During the year ended December 31, 2016, the Company entered into an assignment agreement with Volcanic, pursuant to which the Company assigned to Volcanic a purchase agreement to acquire the Mandiana project, a gold property located in Guinea, from Sovereign Mines of Africa PLC ("SMA"). Subsequent to December 31, 2016, the transaction was completed and Volcanic acquired all of the outstanding share capital of SMA's wholly owned subsidiary, Sovereign Mines of Africa Ltd. ("Sovereign Mines"). In consideration for the assignment by the Company, Volcanic issued 1,263,883 of its common shares to the Company upon completion of the transaction. Volcanic also agreed to reimburse the Company for certain expenses incurred in the development of the transaction and granted to the Company certain rights to participate in future equity financings completed by Volcanic. Each of SMA, Sovereign Mines and Volcanic were at arm's length to the Company at the time of the transaction.

The Company also holds 2,973,275 free trading common shares of Rackla with a fair value of \$445,991 as of December 31, 2016 but they are recorded as an investment in associate (Note 9).

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

7. RECEIVABLES

	December 31, 2016	December 31, 2015
Royalty revenue receivable	\$ 784,180	\$ 743,682
Provision for impairment (Note 10 – Guatemala Tambor Project)	(784,180)	-
Royalty revenue receivable, net	-	743,682
Sales taxes	34,253	35,465
Other receivables	160,333	5,617
	\$ 194,586	\$ 784,764

The provision for impairment of the royalty receivable has been included in the consolidated statement of net income and comprehensive income for the year ended December 31, 2016. Uncollectable amounts included in the provision are written off against the provision when there is no expectation of recovery. The royalty revenue receivable was uncollected as of December 31, 2016 as the Company has allowed Kappes, Cassiday & Associates (“KCA”) to defer payment of the balance while KCA prepares a legal strategy to overturn the suspension of operations of its mine-site and seek compensation from the Guatemalan authorities, from which the Company would seek to benefit as well (Note 10).

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Trucks	Computer equipment	Furniture and equipment	Geophysical equipment	Field equipment	Total
Cost							
Balance, December 31, 2014	\$ 62,762	\$ 215,638	\$ 252,068	\$ 62,656	\$ 83,594	\$ 2,480	\$ 679,198
Additions	-	-	-	-	1,288	-	1,288
Balance, December 31, 2015	62,762	215,638	252,068	62,656	84,882	2,480	680,486
Balance, December 31, 2016	\$ 62,762	\$ 215,638	\$ 252,068	\$ 62,656	\$ 84,882	\$ 2,480	\$ 680,486
Accumulated amortization							
Balance, December 31, 2014	\$ 36,067	\$ 196,237	\$ 222,378	\$ 45,069	\$ 63,202	\$ 1,974	\$ 564,927
Charge for period	6,300	12,443	9,707	4,584	4,207	152	37,393
Balance, December 31, 2015	42,367	208,680	232,085	49,653	67,409	2,126	602,320
Charge for period	6,300	6,958	5,901	2,052	3,495	106	24,812
Balance, December 31, 2016	\$ 48,667	\$ 215,638	\$ 237,986	\$ 51,705	\$ 70,904	\$ 2,232	\$ 627,132
Carrying amounts							
At December 31, 2015	\$ 20,395	\$ 6,958	\$ 19,983	\$ 13,003	\$ 17,473	\$ 354	\$ 78,166
At December 31, 2016	\$ 14,095	\$ -	\$ 14,082	\$ 10,951	\$ 13,978	\$ 248	\$ 53,354

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. INVESTMENT IN ASSOCIATES

Medgold

As at December 31, 2016, the Company held 10,040,000 (2015: 8,040,000) common shares of Medgold, representing 13.83% of Medgold's outstanding common shares.

Medgold previously met the definition of an associate and was equity accounted for in the condensed interim consolidated financial statements. During the year ended December 31, 2016, Medgold no longer met the definition of an associate when its interest in Medgold was further diluted to a level significantly below 20% on June 17, 2016 when Medgold issued 10,000,000 common shares by way of a private placement to a different party. Therefore, the Company's investment in Medgold was reclassified as an available-for-sale investment. Upon discontinuing the use of the equity method, an investment, if a financial asset, is to be measured at fair value and the difference between the fair value and the carrying value of the investment recognized in profit or loss. The fair value of the investment in Medgold as at the time of reclassification was \$924,600 and its carrying cost was \$403,873. As a result, a gain of \$520,727 was recognized in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2016.

From January 1, 2016 and until the point of reclassification to an available-for-sale investment during the year ended December 31, 2016, the Company's shareholdings in Medgold decreased from 15.5% to 12.6% (2015: 19.1% to 15.5%) as a result of an increase in the issued capital of Medgold. As a result, the Company recorded a gain on dilution of \$170,045 for the current year (2015: \$85,743).

The following table shows the continuity of the Company's interest in Medgold for the period from January 1, 2015 to December 31, 2016:

Balance, December 31, 2014	\$	473,000
Increase in investment		4,085
Less: share of losses in associate		(193,000)
Gain on dilution		85,743
Balance, December 31, 2015		369,828
Less: share of losses in associate		(136,000)
Gain on dilution		170,045
Reclassification as available-for-sale investment		(403,873)
Balance, December 31, 2016	\$	-

The financial statement balances of Medgold were as follows:

	June 30, 2016⁽¹⁾	December 31, 2015
Total current assets	\$ 1,507,091	\$ 254,480
Total assets	2,039,702	1,089,109
Total liabilities	497,674	548,625
Net loss ⁽²⁾	1,016,621	1,182,037

⁽¹⁾ June 30, 2016 was the last financial statements of Medgold used for the accounting treatment as an investment in associate.

⁽²⁾ Net loss for the six months ended June 30, 2016.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

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9. INVESTMENT IN ASSOCIATES – (cont'd)

Rackla

On October 1, 2015, Rackla completed a consolidation of its issued shares outstanding on a one new for five old basis. As a result, the Company's holding of 9,866,376 common shares in Rackla as of that date was reduced to 1,973,275. During the 2015 fiscal year, the Company acquired an additional 1,000,000 post-consolidation common shares and 1,000,000 share purchase warrants of Rackla by way of a private placement at a cost of \$50,000. Each share purchase warrant entitles the Company to purchase an additional post-consolidation common share of Rackla until October 18, 2017 at a price of \$0.05. The Rackla share purchase warrants are not tradable on an exchange.

As at December 31, 2016, the Company's holding of 2,973,275 (2015: 2,973,275) post-consolidation common shares of Rackla, represented 19.7% (2015: 19.7%) of Rackla's outstanding common shares.

Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2015 to December 31, 2016:

Balance, December 31, 2014	\$	1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2015		1
Balance, December 31, 2016	\$	1

Prior to the 2015 fiscal year the Company's share of losses in Rackla exceeded the carrying value of its interest and therefore the Company discontinued recognizing its share of further losses. During the 2015 fiscal year, with the additional 1,000,000 common shares being purchased at a cost of \$50,000, the Company recognized losses in Rackla totaling \$50,000 and once again reduced the carrying amount to a nominal \$1. The cumulative unrecognized share of losses for the associate is \$567,482.

The financial statement balances of Rackla are as follows:

	December 31, 2016	December 31, 2015
Total current assets	\$ 36,537	\$ 83,887
Total assets	104,597	231,419
Total liabilities	133,476	41,760
Net loss	219,288	161,835

At December 31, 2016, the fair value of the 2,973,275 common shares of Rackla was \$445,991 (2015: \$163,530).

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

10. MINERAL INTERESTS AND ROYALTIES

Acquisition costs	Peru	Guatemala	United States	Mexico	Total
Balance, December 31, 2014	\$ -	\$ 531,369	\$ 32,022	\$ -	\$ 563,391
Additions - cash	1,259,505	-	-	23,821	1,283,326
Write-off acquisition costs	-	(531,368)	(32,022)	(23,821)	(587,211)
Balance, December 31, 2015	1,259,505	1	-	-	1,259,506
Additions - cash	-	-	88,659	23,748	112,407
Acquisition costs recovered	-	-	-	(23,748)	(23,748)
Balance, December 31, 2016	\$ 1,259,505	\$ 1	\$ 88,659	\$ -	\$ 1,348,165

Mexico

i) Lithium Brine Projects

During the year ended December 31, 2016, the Company submitted applications for mineral concessions totalling 37,000 hectares covering four lithium brine projects in northern Mexico at a cost of \$23,748.

In September 2016, the Company entered into an option agreement with Advantage, an unrelated party, whereby Advantage had an option to earn up to a 70% interest in the projects. The Company received \$25,000 in cash upon signing of the option agreement and a further \$50,000 in cash and 250,000 common shares of Advantage with a fair value of \$225,000 upon stock exchange approval of the option agreement. Of these payments received, \$23,748 was recorded as a recovery of acquisition costs and the remaining amount of \$276,252 recorded as a gain from mineral property option agreements.

Advantage had an option (the "First Option") to earn a 55% interest in the projects by issuing 750,000 shares (the "Option Shares") and spending \$1,500,000 on exploration of the projects.

Subsequent to December 31, 2016, Advantage advised the Company that it has decided to focus its efforts in countries other than Mexico and therefore will be terminating its option agreement.

ii) Tlacolula Property

The Company owns a 100% interest in the Tlacolula Property which consists of one granted exploration concession covering 12,642 hectares.

By an agreement signed in September 2009 and subsequently amended in December 2012 and then again on November 10, 2014, the Company granted to Fortuna Silver Mines Inc. ("Fortuna") the option to earn a 60% interest in the Tlacolula Property by spending US\$2 million on exploration of the Property and making staged payments totaling US\$300,000 cash and US\$250,000 in common stock no later than January 31, 2017 and according to the following schedule:

- US\$20,000 cash and US\$20,000 cash equivalent in shares upon regulatory approval (received);
- US\$30,000 cash and US\$30,000 cash equivalent in shares by the first year anniversary (received);
- US\$50,000 cash and US\$50,000 cash equivalent in shares by the second year anniversary (received);
- US\$50,000 cash and US\$50,000 cash equivalent in shares by the third year anniversary (received);
- US\$50,000 cash within ten days after TSXV approval of the November 10, 2014 amending agreement (received \$60,661 January 2015);
- incurring US\$2 million on exploration of the Property within 12 months of receipt of a drill permit, such work to include at 1,500 metres of drilling; and
- US\$100,000 cash and US\$100,000 cash equivalent in shares within 90 days of completion of the 1,500 metres of drilling.

Radius Gold Inc.

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10. MINERAL INTERESTS AND ROYALTIES – (cont'd)

Mexico – (cont'd)

ii) Tlacolula Property – (cont'd)

As of December 31, 2016, Fortuna has advanced the property with sampling and trenching but has been unsuccessful to date in obtaining a social license to conduct a drill testing program. In January 2017, subsequent to the year ended December 31, 2016, the deadline for meeting the required exploration expenditures lapsed.

The Company and Fortuna have two common directors.

iii) Margarita Silver Project

In March 2015, the Company acquired an option to earn a 100% interest in the Margarita Silver Project located in the State of Chihuahua, Mexico. The Project consisted of two mining exploration licenses comprising a total of 125 hectares. The Company could have earned the 100% interest in the project by making cash payments to the property owners, two private Mexico corporations, totalling US\$3,000,000 over a period of five years following issuance of a drill permit for the Project, of which a cash payment of \$23,821 (US\$20,000) was made upon execution of the agreement. If the option was exercised by the Company, the property owners would have been entitled to a 0.5% NSR royalty and the Company could have re-purchased the royalty at any time for US\$500,000. During the year ended December 31, 2016, the Company decided to terminate the agreement and acquisition costs totaling \$23,821 were written off 2015 fiscal year.

iv) Cerro Las Minitas Property

In November 2014, the Company loaned \$800,000 to Southern Silver in order to fund Southern Silver's final option payment to acquire the Cerro Las Minitas mineral claims in Mexico. In consideration of the loan, Southern Silver granted to the Company an exclusive option for 120 days to settle the terms of a business arrangement for the Company to acquire either a direct or indirect interest in the Cerro Las Minitas claims, whereby the Company would participate in the continued exploration and development of the property. Security for the loan consisted of an option to earn a 100% interest in the Cerro Las Minitas claims.

At the election of the Company, the loan could be converted into common shares of Southern Silver at a rate of \$0.05 per share. The loan was repayable on demand, provided that the Company shall not demand payment for a period of one year, and interest was payable annually at 8% per annum.

During the 2015 fiscal year, the Company decided to not pursue obtaining an interest in the Cerro Las Minitas claims and in March 2015 the Company elected to have \$300,000 of the hybrid instrument converted to 6,000,000 common shares of Southern Silver, and the remaining loan principal balance of \$500,000 plus \$21,742 in interest was paid to the Company in full satisfaction of the repayment of the loan. On conversion of the hybrid instrument, a fair value gain of \$180,000 was recognized on the Southern Silver shares held in the 2015 fiscal year.

Radius Gold Inc.

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10. MINERAL INTERESTS AND ROYALTIES – (cont'd)

USA

i) Spring Peak Property

In May 2016, the Company entered into an option agreement with Kinetic Gold (US) Inc. (“Kinetic”) for the right to acquire a 100% interest in the Spring Peak gold property which consists of 37 United States federal mineral claims comprising 309 hectares and located in Mineral County, Nevada. The option can be exercised by making a cash payment to Kinetic of \$19,472 (US\$15,000) on signing (paid) and further expenditures by the Company as follows:

- a) cash payments to Kinetic totalling US\$415,000 over the first five years following the issuance of a drill permit for the property, and then US\$250,000 in each subsequent year until the option is exercised or terminated; and
- b) a total of US\$725,000 in permitting and exploration work on the property, over three years following the issuance of the drill permit.

At any time while the option is in good standing, the Company may elect to deliver to Kinetic a technical report, complying with NI 43-101 standards, which documents a minimum 500,000 ounce gold equivalent inferred resource on the property, and upon said delivery, the Company will have the right for one year thereafter to purchase from Kinetic an outright 100% interest in the Property for the sum of US\$500,000.

If the Company completes the purchase of the Spring Peak property, a combined 3.0% net smelter returns royalty will be granted to Kinetic and the underlying property owner. Up to one-half of the royalty may be purchased for up to US\$1.5 million.

ii) ABC Property

During the year ended December 31, 2016, the Company staked 122 contiguous United States federal mining claims covering approximately 992 hectares in Mineral County, Nevada. Acquisition costs totaling \$69,187 were recorded during the current year.

iii) Bald Peak Property

Subsequent to December 31, 2016, the Company acquired a 100% interest in the Bald Peak gold property from Nevada Select Royalty, Inc. (“Nevada Select”) in consideration of a cash payment of US\$35,115, the granting to Nevada Select and/or a former property owner, of a total 3% NSR royalty, and making annual advance royalty payments to Nevada Select of US\$25,000. The advance royalty payments become payable on the date the Company receives a drill permit for the property and on each annual anniversary thereof so long as the Company holds title to the property. The Company has the right to reduce either royalty by 1% by paying US\$1.0 million to Nevada Select, and/or US\$500,000 to the former owner.

iv) Blue Hill Property

In 2014, the Company entered into an agreement with Otis Gold Corp (“Otis”) for the right to acquire a 70% interest in the Blue Hill gold property, subject to a 2.5% net smelter return royalty, which consists of 36 federal lode mining claims located on federal land comprising 295 hectares and one Idaho State lease comprising 33 hectares in the Cassia County, Idaho. The option could be exercised by making cash payments to Otis totaling US\$25,000 (US\$30,000 paid) and incurring exploration expenditures on the property totaling US\$5,000,000, over a period of four years. During the 2015 fiscal year, the Company decided to terminate the agreement and acquisition costs totaling \$32,022 were written off.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. MINERAL INTERESTS AND ROYALTIES – (cont'd)

Guatemala

i) Tambor Project

In August 2012, the Company sold its interest in its subsidiary, Exploraciones Mineras de Guatemala S.A., which holds the Tambor gold project, to KCA, giving KCA a 100% interest in the project. KCA agreed to make royalty payments to the Company, upon commercial production, based on the then price of gold and the number of ounces produced from the property.

Commercial production commenced in December 2014, and as a result, KCA paid to the Company during the 2015 fiscal year, US\$341,063 as settlement for an outstanding receivable balance that was previously written off and the Company recorded a recovery of \$423,055 in the 2015 fiscal year. For the year ended December 31, 2016, the Company has recognized \$431,643 in royalty income (2015: \$1,098,912). During the year ended December 31, 2016, the Company received payments totaling \$357,204 towards royalty revenue recognized during the 2015 fiscal year.

On May 11, 2016, KCA informed the Company that mining operations were suspended by the Supreme Court of Guatemala due to a lack of consultation by the Guatemalan Ministry of Mines with local indigenous people when the mine was permitted in 2011. To date, the Supreme Court has not made a decision on when the mine may re-open.

As at December 31, 2016, all gold sales subject to the Company's royalty had been final settled and the balance that remained unpaid to the Company was \$748,180. Due to the uncertainty as to when the mine may re-open and when the amount owing by KCA to the Company will be paid, a provision of \$748,180 against the receivable amount has been charged to operations for the year ended December 31, 2016.

ii) Southeast Guatemala Ag-Au Epithermal Fields (formerly called Banderas)

The Company's 100% owned land holdings in southeast Guatemala as at December 31, 2015 consist of 34 concessions (three exploitation applications, 30 exploration applications, and one reconnaissance application) filed with the Guatemala Ministry of Energy and Mines covering a total of 230,489 hectares. The three exploitation applications were filed in order to convert one previously granted exploration licence to exploitation; until the exploitation licences are granted, the granted exploration licence remains in place. Due to the Company only performing care and maintenance activities on this property since 2013 and the uncertainty regarding when or if exploration activities will resume, an impairment charge of \$531,367 was recorded during the year ended December 31, 2015, bringing the property's carrying balance to \$1.

Peru

Bayovar 12 Project Royalty

In April 2015, the Company purchased from Focus a production royalty equivalent to 2% of Focus's 70% interest in future phosphate production from the Bayovar 12 project located in the Sechura district of northern Peru. The purchase price for the royalty was \$1,259,505 (US\$1,000,000). Should the Company decide at any time in the future to sell the royalty, Focus will retain a first right of refusal. The Company and Focus have two common directors.

Portugal

Medgold Strategic Alliance

On January 8, 2014, the Company entered into a strategic alliance agreement with Medgold whereby the Company had the right to option one of Medgold's properties in Portugal. For a period of eighteen months, the Company had the right to select one of the Medgold's Portuguese properties in which the Company would be granted the option to earn a 51% interest by spending \$3,000,000 on exploration and development of that property. During the 2015 fiscal year, the Company's right to option one of Medgold's properties expired.

Radius Gold Inc.

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10. MINERAL INTERESTS AND ROYALTIES – (cont'd)

Nicaragua

Joint Venture Properties

In 2012, B2Gold and the Company entered into a joint venture agreement with respect to each of the Company's San Jose and B2Gold's La Magnolia properties in Nicaragua to jointly explore the properties with B2Gold and the Company owning 60% and 40%, respectively, of the rights and obligations of each joint venture. In 2013, an agreement was reached whereby the Company would sell to B2Gold its 40% interest in the San Jose and La Magnolia properties in consideration of a 2% NSR royalty on each property, and B2Gold would have the right to purchase one-half of each royalty for US\$1,000,000. The Company and B2Gold then decided in 2014 to relinquish the La Magnolia concession. Formal agreements to sell the San Jose property to B2Gold were signed in October 2014 and the transaction was completed during the 2015 fiscal year.

11. COMMITMENTS

The Company has entered into an operating lease agreement for its office premises. The Company also rents space to other companies related by common directors and officers on a month to month basis, the amounts of which are netted against rental expense; however, there are no commitments from these companies and thus the amounts presented below are the gross commitments. The annual commitments under the lease are as follows:

2017	\$	190,608
2018		190,608
2019		190,608
	\$	571,824

For the year ended December 31, 2016, the Company received a total of \$147,441 (2015: \$218,796) from those companies it rents space to.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES

a) Common Shares

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

There was no share capital activity during the years ended December 31, 2016 and 2015.

b) Share Purchase Warrants

There was no share purchase warrant activity during the years ended December 31, 2016 and 2015 and as at December 31, 2016, no share purchase warrants were outstanding.

13. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (“TSX-V”) under which it is authorized to grant options up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is not less than the closing market price of the Company’s stock on the trading day prior to the date of grant. Options granted to investor relations personnel 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, 2016:

Grant date	Expiry date	Exercise price	Opening balance	During the year			Closing balance	Vested and exercisable
				Granted	Exercised	Forfeited / expired		
Jan 08, 2010	Jan 07, 2020	\$0.29	1,570,000	-	-	(325,000)	1,245,000	1,245,000
May 26, 2010	May 25, 2020	\$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	\$0.69	820,000	-	-	(720,000)	100,000	100,000
Jul 27, 2011	Jul 26, 2021	\$0.81	150,000	-	-	(150,000)	-	-
Dec 13, 2012	Dec 12, 2022	\$0.20	2,135,000	-	-	(250,000)	1,885,000	1,885,000
Oct 19, 2016	Oct 18, 2026	\$0.15	-	1,740,000	-	-	1,740,000	1,740,000
			4,775,000	1,740,000	-	(1,445,000)	5,070,000	5,070,000
		Weighted average exercise price	\$0.34	\$0.15	-	\$0.53	\$0.22	\$0.22

The following is a summary of changes in options for the year ended December 31, 2015:

Grant date	Expiry date	Exercise price	Opening balance	During the year			Closing balance	Vested and exercisable
				Granted	Exercised	Forfeited / expired		
Jan 08, 2010	Jan 07, 2020	\$0.29	1,570,000	-	-	-	1,570,000	1,570,000
May 26, 2010	May 25, 2020	\$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	\$0.69	820,000	-	-	-	820,000	820,000
Jul 27, 2011	Jul 26, 2021	\$0.81	150,000	-	-	-	150,000	150,000
Dec 13, 2012	Dec 12, 2022	\$0.20	2,135,000	-	-	-	2,135,000	2,135,000
			4,775,000	-	-	-	4,775,000	4,775,000
		Weighted average exercise price	\$0.34	-	-	-	\$0.34	\$0.34

There were no options exercised during the years ended December 31, 2016 and 2015.

Radius Gold Inc.

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For the year ended December 31, 2016

(Expressed in Canadian Dollars)

13. SHARE-BASED PAYMENTS – (cont'd)

b) 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, 2016 was \$0.12 per option (2015: \$Nil).

There were no options granted during the year ended December 31, 2015.

The weighted average remaining contractual life of the options outstanding at December 31, 2016 is 6.46 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, 2016 included:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
Oct 19, 2016	Oct 18, 2026	\$0.145	\$0.15	1.29%	10 years	88%	0%

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 and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense were \$213,150 (2015: \$Nil).

As of December 31, 2016 and 2015 there was no amount of total unrecognized compensation cost related to unvested share-based compensation awards.

d) Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized during the years ended December 31, 2016 and 2015.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. INCOME TAXES

Taxation in the Company and its subsidiaries' operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	December 31, 2016	December 31, 2015
Income (loss) before income taxes	\$ 1,862,266	\$ (1,875,449)
Tax charge/(recovery) based on the statutory rate of 26%	484,000	(488,000)
Non-deductible expenses	77,000	210,000
Different tax rates in other jurisdictions	194,000	(70,000)
Non-taxable portion of capital gains	(328,000)	229,000
Initial recognition exemption and other	(76,000)	241,000
Changes in unrecognized deferred tax assets	(351,000)	(122,000)
Total income tax expense / (recovery)	\$ -	\$ -

Effective January 1, 2015, the Canadian Federal corporate tax rate and provincial tax rate remained at 15% and 11% respectively.

The tax rates represent the federal statutory rate applicable for the 2016 taxation year, 0% for Cayman Islands, 30.0% for Mexico, 5.0% for Guatemala and 30.0% for Nicaragua.

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	December 31, 2016	December 31, 2015
Loss carry forwards	\$ 2,005,000	\$ 1,402,000
Property and equipment	89,000	82,000
Mineral properties	460,000	548,000
Available-for-sale investments	(4,000)	738,000
Investment in Associates	69,000	130,000
Other deductible temporary differences	53,000	123,000
Unrecognized tax assets	(2,672,000)	(3,023,000)
	\$ -	\$ -

As at December 31, 2016, the Company has estimated non-capital losses of \$6,036,000 (2015: \$5,046,000) for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. Non-capital Canadian tax losses expire in various amounts from 2027 to 2036.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the years ended December 31, 2016 and 2015 consist of directors, officers and companies with common directors as follows:

Related Party	Nature of Transactions
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Fortuna	Shared general and administrative expenses
Focus	Investment and shared general and administrative expenses
Medgold	Investment and shared general and administrative expenses
Rackla (Associate)	Investment

In addition to related party transactions disclosed elsewhere in the consolidated financial statements, the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the years ended December 31, 2016 and 2015:

	2016	2015
General and administrative expenses:		
Salaries and benefits	\$ 36,827	\$ 23,420
Exploration expenditures:		
Geological fees	18,542	-
Salaries and benefits	4,326	2,471
	\$ 59,695	\$ 25,891

The Company reimburses Gold Group, a company controlled by the Chief Executive Officer of the Company, for shared administrative costs and other business related expenses paid by Gold Group on behalf of the Company. During the years ended December 31, 2016 and 2015, the Company reimbursed Gold Group the following:

	2016	2015
General and administrative expenses:		
Office and miscellaneous	\$ 41,263	\$ 40,396
Shareholder communications	1,289	3,019
Salaries and benefits	118,658	124,043
Transfer agent and regulatory fees	3,378	2,763
Travel and accommodation	9,327	13,471
	\$ 173,915	\$ 183,692
Exploration expenditures	\$ 2,930	\$ 1,587

Salary and benefits costs for the years ended December 31, 2016 and 2015 include those for the Chief Financial Officer and Corporate Secretary.

Radius Gold Inc.

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15. RELATED PARTY TRANSACTIONS – (cont'd)

Prepaid expenses and deposits include an amount of \$5,797 (2015: \$7,084) paid to Gold Group for shared office and administrative services.

Long-term deposits include an amount of \$60,000 (2015: \$60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement.

Due from related parties consist of \$13,693 (2015: \$8,224) is due from Medgold, a company which has a common director with the Company, and arose from shared administrative costs and \$3,107 (2015: \$Nil) is due from Focus, a company which has two common directors with the Company, and arose from shared administrative costs. These amounts were unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include \$2,828 (2015: \$21,913) payable to Gold Group for shared administrative costs, \$4,033 (2015: \$Nil) to a Director of the Company for geological fees and \$Nil (2015: \$8,925) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management and geological fees.

During the year ended December 31, 2016, the following transactions also occurred:

- i) The Company acquired 2,250,000 common shares of Focus of which 770,000 shares were acquired by way of a private placement for a cost of \$50,050, another 770,000 shares acquired upon the exercise of share purchase warrants at a cost of \$57,750, and 710,000 shares acquired on the open market for a cost of \$65,159 (Note 6);
- ii) The Company acquired 2,000,000 common shares of Medgold upon the exercise of 2,000,000 share purchase warrants at a cost of \$300,000 (Note 6).

During the year ended December 31, 2015, the follow transactions also occurred:

- iii) The Company acquired 40,000 common shares in Medgold on the open market at a cost of \$4,085;
- iv) The Company acquired 1,831,000 common shares and 1,831,000 share purchase warrants in Focus by way of a private placement that closed on May 26, 2015 at a cost of \$366,200 (Note 6).
- v) The Company acquired 1,000,000 common shares and 1,000,000 share purchase warrants in Rackla by way of a private placement that closed on October 19, 2015 at a cost of \$50,000 (Note 9).

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	<u>2016</u>	<u>2015</u>
Management fees	\$ 42,000	\$ 102,000
Geological fees included in Exploration expenditures	60,000	-
Salaries, benefits and fees	34,833	34,375
Share-based payments	49,000	-
	<u>\$ 185,833</u>	<u>\$ 136,375</u>

Total share-based payments to directors not included in the above table during the year ended December 31, 2016 was \$55,125 (2015: \$Nil).

Radius Gold Inc.

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16. SEGMENTED INFORMATION

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 mineral exploration except for a royalty interest in a gold producing property. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby exploration managers are responsible for business results and regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's assets were located in Canada, USA, Guatemala, Peru, Mexico, Nicaragua, and Caymans. Details of identifiable assets by geographic segments are as follows:

Year ended December 31, 2016	Canada	USA	Guatemala	Peru	Mexico	Other	Consolidated
Royalty income	\$ -	\$ -	\$ 431,643	\$ -	\$ -	\$ -	\$ 431,643
Exploration expenditures	-	194,460	69,525	-	140,205	140,396	544,586
Gain on sale of available-for-sale investments	2,688,336	-	-	-	-	-	2,688,336
Investment income	13,068	-	-	-	-	-	13,068
Amortization	18,674	-	6,138	-	-	-	24,812
Net income (loss)	2,679,715	(194,460)	(362,724)	-	(44,315)	(215,950)	1,862,266
Capital expenditures*	-	88,659	-	-	23,748	-	112,407

Year ended December 31, 2015	Canada	USA	Guatemala	Peru	Mexico	Other	Consolidated
Royalty income	\$ -	\$ -	\$ 1,098,912	\$ -	\$ -	\$ -	\$ 1,098,912
Exploration expenditures	-	39,630	99,311	-	383,004	67,217	589,162
Exploration and evaluation assets written off	-	32,022	531,368	-	23,821	-	587,211
Loss on sale of available-for-sale investments	(29,787)	-	-	-	-	-	(29,787)
Investment income	17,293	-	-	-	-	-	17,293
Amortization	22,598	-	14,795	-	-	-	37,393
Net income (loss)	(1,489,907)	(71,652)	58,684	-	(356,863)	(15,711)	(1,875,449)
Capital expenditures*	1,288	-	-	1,259,505	23,821	-	1,284,614

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

As at December 31, 2016	Canada	USA	Guatemala	Peru	Mexico	Other	Consolidated
Total current assets	\$ 8,211,529	\$ -	\$ 10,945	\$ -	\$ 32,161	\$ 69,610	\$ 8,324,245
Total non-current assets	176,454	88,659	-	1,259,505	-	-	1,524,618
Total assets	\$ 8,387,983	\$ 88,659	\$ 10,945	\$ 1,259,505	\$ 32,161	\$ 69,610	\$ 9,848,863
Total liabilities	\$ 94,130	\$ -	\$ 1,609	\$ -	\$ 4,439	\$ 7,706	\$ 107,884

As at December 31, 2015	Canada	Guatemala	Peru	Mexico	Other	Consolidated
Total current assets	\$ 4,338,675	\$ 755,962	\$ -	\$ 29,537	\$ 132,745	\$ 5,256,919
Total non-current assets	565,041	6,552	1,259,505	-	-	1,831,098
Total assets	\$ 4,903,716	\$ 762,514	\$ 1,259,505	\$ 29,537	\$ 132,745	\$ 7,088,017
Total liabilities	\$ 96,353	\$ 567	\$ -	\$ 4,718	\$ -	\$ 106,407

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all 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 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 receive 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 of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2016 and 2015, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2016				December 31, 2015			
	US Dollar (CDN equivalent)	Mexican Peso (CDN equivalent)	Guatemala Quetzal (CDN equivalent)	Nicaragua Cordoba (CDN equivalent)	US Dollar (CDN equivalent)	Mexican Peso (CDN equivalent)	Guatemala Quetzal (CDN equivalent)	Nicaragua Cordoba (CDN equivalent)
Cash	\$ 20,012	\$ 930	\$ 24	\$ 525	\$ 93,498	\$ 1,290	\$ 411	\$ 1,045
Receivables	-	27,047	2,872	-	743,682	27,592	2,261	-
Current liabilities	(11,507)	(4,439)	(1,609)	(7,706)	(19,141)	(4,718)	(567)	(4,769)
	\$ 8,505	\$ 23,538	\$ 1,287	\$ (7,181)	\$ 818,039	\$ 24,164	\$ 2,105	\$ (3,724)

Based on the above net exposures at December 31, 2016, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$2,600 (2015: \$84,000) increase or decrease in profit or loss, respectively.

Radius Gold Inc.

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (cont'd)

a) Market Risk – (cont'd)

Commodity Price Risk

The Company's royalty revenue is derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in gold prices. The Company has not engaged in any hedging activities.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited as it holds no assets or liabilities subject to variable rates of interest.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in Medgold, Focus, Southern Silver, Advantage, GrowMax, and Champagne are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would result in an approximate \$279,000 decrease in equity.

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, available-for-sale investments and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents or available-for-sale investments that are invested in asset based commercial paper. For advances and other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

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, 2016, the Company had working capital of \$8.22 million (2015: \$5.15 million) available to apply against short-term business requirements. All of the Company's financial liabilities have 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.

Management considers that due to their short-term nature the carrying amounts of financial assets and financial liabilities, which include cash and cash equivalents, investments in available-for-sale investments, receivables, receivable derivatives, amounts due from related parties, deposits, and accounts payables and accrued liabilities are assumed to approximate their fair values.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (cont'd)

The fair value investments in associates are detailed in the following table:

	December 31, 2016 Book value	December 31, 2016 Fair value
Financial assets		
Shares held in Rackla and recorded as investment in associate (Note 9)	\$ 1	\$ 445,991

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped 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 available-for-sale investments for B2Gold, Focus, Southern Silver, Medgold, Advantage, and GrowMax are based on quoted prices and are therefore considered to be Level 1. The available-for-sale investment for Champagne is based on inputs other than quoted prices and therefore considered to be Level 2. As of December 31, 2016, there was no embedded derivative on royalty income receivables derived from gold prices to include as a Level 2 measurement and therefore no fair value measurement was necessary.

There were no transfers between Levels in the year.

18. 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 advance its mineral properties. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company expects its current capital resources to be sufficient to carry out its planned exploration programs and operating costs for the next twelve months.

19. CHANGE IN PRESENTATION

The Company has reclassified certain prior period expenses to conform to the current year presentation of expenses.



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2016

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, 2016. The following information, prepared as of May 1, 2017, should be read in conjunction with the December 31, 2016 consolidated financial statements. The Company reports its financial position, results of operations 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.

The Company’s public filings, including its most recent unaudited and audited financial statements can be reviewed on the SEDAR website (www.sedar.com).

Forward Looking Information

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

- the Company’s planned exploration activities for its mineral properties;
- The Company’s available-for-sale and equity investments;
- the suspension of receiving royalty payments from the Tambor Project;
- 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, if needed, equity capital or access debt facilities; and
- maturities of the Company’s financial liabilities or other contractual commitments.

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

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

- risks associated with mineral exploration activities, and investing in companies which conduct mineral exploration and development activities;
- due diligence investigations on potential investments not identifying all relevant facts;
- inability to dispose of illiquid securities;
- receipt of royalty payments from the Tambor Project;
- 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 and 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; and
- uncertainties relating to general economic conditions.

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/or development activities proceeding on a basis consistent with the Company’s current expectations;
- ability to sell our available-for-sale and equity investments as needed;
- royalty payments from the Tambor Project to begin being received again;
- due diligence investigations on potential investments will reveal all relevant facts;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

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 has been exploring for gold in Latin America for over a decade which has resulted in the discovery of several gold deposits in Central America. Following the sale of its Trebol and El Pavon projects in Nicaragua to B2Gold Corp. (“B2Gold”), the Company established a strong treasury which previously included shares of B2Gold. Management has been conducting an ongoing review of exploration projects and/or distressed junior companies that may be available for acquisition or joint venture with the aim of expanding the geographic and commodity focus of the Company.

Since commencement of commercial production at the Tambor Project, Guatemala in December 2014 and until suspension of operations in May 2016, the Company has received royalty payments from the project owner. To date, the Company has recognized net royalty income of \$1,530,555, of which \$746,375 has been received to date. For further details on this royalty, see “Royalty Interests – Guatemala-Tambor Project Royalty” below.

In order to give the Company more flexibility in the way it is allowed to put its capital to work, the Company completed in April 2015 a change of business from a Tier 2 Mining Issuer to a Tier 1 Investment Issuer in accordance with the rules and policies of the TSX Venture Exchange (“TSXV”). There have been no changes in the Company’s management or Board members as a result of the change of business. The Company remains involved only in the resource sector and is not seeking to become solely a royalty company or investment fund. The change of business has simply given the Company more flexibility to apply its working capital to a wider range of projects within the resource sector.

A summary of the Company’s investments, royalties and properties is provided below:

Investments

In order to capitalize on rebounding markets, the Company sold in 2016 its remaining shares in B2Gold and a portion of its shares in Southern Silver Exploration Corp. The following is a summary of investment activities since January 1, 2016 and until the date of this report:

- 2,590,000 shares of B2Gold were sold, for net proceeds of \$5.72 million.
- 4,525,000 shares of Southern Silver Exploration Corp. (“Southern Silver”) were sold, for net proceeds of approximately \$828,000.
- 4,992,700 shares of Focus Ventures Ltd. (“Focus”) were purchased at a cost of \$310,094, of which 3,512,700 shares were acquired by way of private placements, 770,000 shares by exercising share purchase warrants, and 710,000 shares by purchases in the open market.
- 2,000,000 common shares of Medgold Resources Corp. (“Medgold”) were acquired at a cost of \$300,000 upon the exercise of 2,000,000 share purchase warrants.
- 250,000 common shares of Advantage Lithium Corp. (“Advantage”) were acquired pursuant to a mineral property option agreement.
- 500,000 common shares of GrowMax Resources Corp. (“GrowMax”) were purchased at a cost of \$70,355 in the open market.
- 625,000 common shares of Champagne Resources Limited (“Champagne”), a private company, were acquired by way of a private placement at a cost of \$50,000.
- 1,263,883 common shares of Volcanic Gold Mines Inc. (“Volcanic”), a publicly listed company, were received with a fair value of \$606,664 at the time of issuance, pursuant to a mineral property assignment agreement.
- 1,959,000 common shares of Volcanic were acquired by way of private placements at a cost of \$575,100.

The Company's current cash and cash equivalents on hand is approximately \$4.3 million and its current investments consist of:

<p><i>Advantage</i> 250,000 shares Current market value: \$135,000</p>	<p>Advantage is a resource company specializing in the strategic acquisition, exploration and development of lithium properties.</p>
<p><i>Champagne</i> 625,000 shares Current market value: N/A Plus: warrants to purchase an additional 312,500 shares</p>	<p>Champagne is a private company engaged in the exploration of mineral resource properties in northern Ontario with a focus on gold deposits. It has a significant land position in the world class Kirkland Lake Gold Camp five kilometres from the Town of Kirkland Lake and adjacent to Kirkland Lake Gold Inc.'s high grade producing gold mine.</p>
<p><i>Focus</i> 7,831,106 shares Current market value: \$391,000 Plus: warrants to purchase an additional 4,573,700 shares</p>	<p>Focus is a Canadian-listed exploration company developing the Bayovar 12 sedimentary phosphate resource in northern Peru.</p>
<p><i>GrowMax</i> 500,000 shares Current market value: \$57,000</p>	<p>GrowMax is a TSXV listed company focused on exploration and development of phosphate and potassium-rich brine resources on its Bayovar concessions in northwestern Peru.</p>
<p><i>Medgold</i> 10,040,000 shares (10+% of issued) Current market value: \$2,058,000</p>	<p>Medgold is a European-focused TSXV listed gold exploration and development company, focussing on the orogenic gold provinces of northwest Iberia and the under-explored provinces of southern Europe.</p>
<p><i>Rackla Metals Inc. ("Rackla")</i> 2,973,275 shares (10+% of issued) Current market value: \$401,000 Plus: warrants to purchase an additional 1,000,000 shares</p>	<p>Rackla is a mineral exploration company actively looking for new projects in the Americas to add to its portfolio of mineral claims in the Yukon Territory.</p>

<p><i>Southern Silver</i> 1,475,000 shares Current market value: \$567,000</p>	<p>Southern Silver is engaged in the acquisition, exploration and development of high-grade precious / base metals properties within North America, and is continuing to advance its flagship Cerro Las Minitas silver-lead-zinc property in Mexico.</p>
<p><i>Volcanic</i> 3,222,883 shares Current market value: \$1,933,000 Plus: warrants to purchase an additional 1,542,000 shares</p>	<p>Volcanic is a TSXV listed company focused on consolidating an under-explored gold district in West Africa.</p>

Property Interests

USA – Nevada – Bald Peak Property

In March 2017, the Company purchased the Bald Peak gold property from Ely Gold & Minerals Inc. (TSX-V: ELY) and its wholly owned subsidiary, Nevada Select Royalty Inc. (“Nevada Select”), adding to the Company’s portfolio of epithermal gold prospects in the Aurora gold camp, Nevada.

The Bald Peak Property consists of 38 unpatented mining claims in Mineral County, Nevada and one mineral prospecting licence in Mono County, California. The Property overlies a 6 kilometres long, NE-trending zone of gold-bearing quartz-chalcedony veins, stockworks and hot spring silica sinters that has seen minimal historical exploration work.

Bald Peak Mountain is a rhyolite dome complex located 7 kilometres WNW of the historic Aurora Gold mine that was recently acquired by Klondex Mines Inc. The high level gold bearing veins/stockworks and sinters discovered on the Property occur in a rhyolitic sedimentary unit intermittently exposed beneath more recent volcanic flows along a NE-trending depression, potentially a graben structure. Previous explorers in the area collected rock chip samples along this trend. Historical exploration documentation shows that within the Property boundaries, 201 rock chip samples from exposed outcrops returned assay values ranging from trace to 7 g/t Au, with 40 samples returning assay values above 1 g/t Au. Rock chip samples also contain highly anomalous levels of Hg, Sb, and As, elements typical of shallowly-exposed epithermal systems. The historical geochemical data suggest that these outcrops may represent the upper portions of a productive hydrothermal system.

The Company intends to leverage its prior experience in these high level environments to advance the Bald Peak Property, exploring for bonanza epithermal gold-silver veins similar to those seen within the Bodie-Aurora-Borealis district. Initial work on the Property will entail geological mapping, rock sampling and the establishment of a soil sampling grid over the entire claim group with multi-element I.C.P. This program will likely be followed by a geophysical survey.

The historical results given here are from previous explorers’ exploration summary documents, and have not been independently verified by a Qualified Person. The exploration work summarized appears to have been done to an appropriate technical standard, however, and the Company’s Qualified Person believes them to be reliable. The Company will be selectively resampling surface outcrop as part of its due diligence exploration work.

Acquisition Terms

The Company has acquired a 100% interest in the Bald Peak Property in consideration of the payment to Nevada Select of US\$35,115, the granting to Nevada Select and/or a former property owner, of a total 3% NSR royalty, and making annual advance royalty payments to Nevada Select of US\$25,000. The Company has the right to reduce either royalty by 1% by paying US\$1.0 million to Nevada Select, and/or US\$500,000 to the former owner.

USA - Nevada – Spring Peak Property

In May 2016, the Company acquired an option to earn a 100% interest in the Spring Peak gold property in Mineral County, Nevada, from Kinetic Gold (US) Inc. The terms of the option agreement are described in the Company's December 31, 2016 financial statements.

The Spring Peak Property consists of 37 contiguous United States Federal Mineral Claims comprising 309 hectares located approximately 37 kilometres southwest of the town of Hawthorne, Nevada. The Property is situated in the historic Aurora-Borealis-Bodie mining district which lies within the Walker Lane gold trend of western Nevada. The gold deposits in the Aurora-Borealis-Bodie district occur as both high grade vein-hosted low sulphidation deposits (Aurora, Bodie), and as high-sulphidation alunite-kaolinite gold-deposits (Borealis). Total historical precious metal production along this trend, from the mid-19th century to the mid-1990s, has been estimated at 4.0 million ounces Au, and 11.2 million ounces Ag (MDA, 2002).

The Spring Peak Property is approximately 6 kilometres southeast of the historical open pit mines at Aurora. At Spring Peak, a sinter terrace is exposed overlying altered volcanoclastic deposits and basement Cretaceous granites (USGS, 2012). The sinter system contains anomalous concentrations of Au, Ag, Hg, Sb, and As. Recent ash fall deposits cover much of the area, but frequent vein float with multi-ppm gold concentrations can be found across the Property. The area was drilled with shallow holes in the 1980s, the majority of which were vertical. The sinter terrace and potential structures beneath it were never adequately drill tested. The Company believes the Property has the potential to host subvertical high grade veins as feeders to the sinter terraces.

The Company has completed a 13-line CSAMT survey (see news release dated October 19, 2016) and has generated new drill targets on the Spring Peak Property. Previous exploration activities by the Company include due diligence sampling of sinter terraces, and vein float on the Property, prospecting along the structure of interest, and conducting a soil sampling survey (100m x 25m grid oriented orthogonal to the NE-SW targeted structure).

The Company is currently preparing a Plan of Operations for a drilling program at Spring Peak, to be submitted to the United States Forest Service. Drill-testing of the Property is planned once the Plan of Operations has been approved, anticipated for mid- to late-2017.

USA - Nevada – ABC Property

During the year ended December 31, 2016, the Company staked 122 contiguous United States federal mining claims covering approximately 992 hectares in in the historic Walker Lane Gold Trend in Mineral County, Nevada. The ABC Property is located along the structural trend that hosts the historical Aurora mining district, the Borealis mine and the historical Bodie mining camp in California. The gold deposits in the Aurora-Borealis-Bodie district occur as both high grade vein-hosted low sulphidation deposits (Aurora, Bodie), and as high-sulphidation alunite-kaolinite gold-deposits (Borealis). Total historical precious metal production along this approximately 32 kilometre trend, from the mid-19th century to the mid-1990s, has been estimated at 4.0 million ounces Au, and 11.2 million ounces Ag ⁽¹⁾.

The Aurora-Borealis-Bodie district hosts both oxidized and gold-sulphide deposits. From studies of the mineralized deposits of the Borealis mine, gold-sulphide mineralization is observed at the bottom of most pits, the

most significant of which is beneath the Freedom Flats deposit ⁽⁴⁾. Previous operators of the Borealis mine also believe that potential high-grade feeder structures remain beneath existing pits. Drilling of these zones has intercepted thick zones of high-grade, in particular, the Freedom Flats area, including ⁽⁴⁾:

- FF-50 with 18.3 m averaging 7.95 g/t Au
- FF-173 with 16.8 m averaging 17.55 g/t Au
- FF-223 with 6.2 m averaging 16.11 g/t Au
- FF-229 with 33.5 m averaging 29.35 g/t Au

The results from the Borealis mine above are solely displayed to illustrate the existence of high-grade feeder structures in the Aurora-Borealis-Bodie district.

The Company's Qualified Person has been unable to verify the above information, and it is not necessarily indicative that similar mineralization will be found on the ABC Property.

The ages of mineralization within the district span 6 million years (Ma) (Bodie 8.5 Ma, Aurora 10.5 Ma ⁽²⁾ and Borealis 4.5 Ma ⁽³⁾, evidencing a long-lived structure that has facilitated significant fluid flow and produced three significant gold deposits. The Company believes the long-lived and well-mineralized nature of this structure make the covered untested sections compelling areas to explore for blind high-grade gold deposits.

The ABC Property covers seven kilometres of what management believes to be an untested portion of the structure that acted as the conduit system for these gold deposits, and is covered by thin extrusive trachyandesites of the Aurora Volcanic Field. It is the Company's belief that no previous operator in the area has attempted to identify the regional structure beneath these extrusive flows. The Company is targeting relatively shallow high-grade prospects, similar to those observed at the Freedom Flats deposit, using IP to delineate new targets. IP has been successfully used in the area to identify buried targets in the Borealis mine area.

References:

- 1) *Technical Report on the Esmeralda Project, Mineral County, Nevada USA. P. Knudsen & N. Prens, Mine Development Associates (MDA). Prepared for Metallic Ventures Inc., 2002.*
- 2) *Gold-Silver Mining Districts, Alteration Zones, and Paleolandforms in the Miocene Bodie Hills Volcanic Field, California and Nevada. USGS Scientific Investigations Report 2015-2012.*
- 3) *Geologic Discussion of the Borealis Gold Deposit, Mineral County, Nevada. Strachan D. G. USGS Bull. 1982.*
- 4) *NI 43-101 Pre-Feasibility Study Update of the Mineral Resources of the Borealis Gold Project Located in Mineral County, Nevada, USA. J. D. Welsh & J. M. Brown. Prepared for Gryphon Gold Corp., 2011.*

Mexico – Lithium Brine Projects

During 2016, the Company submitted applications for mineral concessions totaling 37,000 hectares covering four lithium brine projects in the States of Chihuahua and Coahuila in northern Mexico.

While working in northern Mexico, the Company's exploration team recognized the potential of the large salar basins and compiled a database from historic lithium exploration conducted by the Mexican geological survey between 1987 and 1993. Highlights of the Company's lithium projects include:

- The projects are located in large, salar closed basins, in geological settings analogous to the Clayton Valley Basin, Nevada, host of Albemarle's Silver Peak lithium producing mine operation.
- Historic work in the area by the Mexican Geologic Survey included a 1982 drill hole at La Union which returned a brine sample of 283 ppm Li.

- The Company conducted controlled surface samples which delivered numerous anomalous lithium results including 189ppm Li at La Viesca.
- Region is underexplored.
- Mexico is considered a mining friendly jurisdiction. The area has excellent infrastructure and is road accessible, allowing for potentially low exploration costs.

Key geographical highlights similar to Clayton Valley and/or associated with brine deposits:

- Located in a desert climate with historic evaporate ponds.
- Large closed basin salar targets.
- Geothermal hot springs observed at two of the salars.
- Suitable lithium source-rocks.
- Subsurface highly saline aquifers described in historic data.

In September 2016, the Company granted to Advantage an option to earn up to a 70% interest in the projects. However, prior to commencing any exploration work on the projects, Advantage has recently advised the Company that it has decided to focus its efforts in countries other than Mexico and therefore will be terminating its option agreement. The Company is identifying other lithium companies to initiate discussions on a joint venture on the projects.

Mexico - Tlacolula Property

The Company discovered silver mineralization in 2005 following a regional stream geochemical survey in various areas of the state of Oaxaca. An initial trenching program on the Tlacolula property defined a broad low grade silver/gold anomaly associated with opaline silica, indicating a high level system. In late 2009, the Company optioned the Tlacolula silver project to Fortuna Silver Mines Inc. (TSX-FVI) ("Fortuna") and the option agreement was amended in December 2012 and in November 2014. The 12,642 hectare property is located 14 kilometres east-southeast of the city of Oaxaca and 30 kilometres northeast of Fortuna's 100%-owned San Jose silver-gold mine.

Pursuant to the option agreement as amended, Fortuna had the right until January 2017 to earn a 60% interest in the Tlacolula project by making certain cash payments and share issuances to the Company and by spending US\$2.0 million on exploration, which includes a commitment to drill 1,500 metres within 12 months of issuance of a drill permit for the project. To date, the Company has received US\$200,000 in cash and 34,589 shares of Fortuna.

Fortuna advanced the property with sampling and trenching but has been unsuccessful to date in obtaining social licence to conduct a drill testing program. As the deadline for meeting the required expenditures under the option agreement has lapsed, the Company and Fortuna have agreed to amend the option so that Fortuna will acquire a 100% interest in the property by paying to the Company US\$150,000 in cash, issuing such number of Fortuna shares that is equal to 250,000 Fortuna shares less such number of Fortuna shares that is equal to US\$50,000, and granting the Company a 2% NSR royalty. Fortuna will retain the right to purchase one-half of the royalty (equal to 1%) by paying the Company US\$1.5 million. This amendment is subject to stock exchange approval.

The Company and Fortuna are related parties.

Guatemala - Southeast Guatemala Ag-Au Epithermal Fields

As a result of continued uncertainty surrounding the granting of both exploration and exploitation concessions in Guatemala, and a general increase in the level of anti-mining activism in many parts of the country, the Company

ceased its ongoing exploration activities in the country in the third quarter of 2013 though care and maintenance of the properties continue. Management will reassess the Company's plans for this country on a regular basis and exploration activities may be ramped back up if the mining investment climate improves. Discussions are underway with a number of potential partners to joint venture this ground.

Royalty Interests

Guatemala – Tambor Project Royalty

In 2012, the Company sold its interest in its subsidiary, Exploraciones Mineras de Guatemala S.A., which holds the Tambor gold project in Guatemala, to Kappes, Cassidy & Associates ("KCA"), giving KCA a 100% interest in the project. In part consideration therefor, KCA agreed that upon commercial production at Tambor, KCA would commence making royalty payments to the Company.

Commercial production commenced in December 2014 and royalty payments are now due to the Company based on the price of gold at the time and the number of ounces of gold produced as follows:

<u>Gold Price (US\$)</u>	<u>Per Ounce of Gold</u>
Below \$1,200	\$100
\$1,201 - \$1,300	\$125
\$1,301 - \$1,400	\$150
\$1,401 - \$1,500	\$200
\$1,501 and greater	\$250

up to a maximum of US\$10.0 million. After the US\$10.0 million has been paid and cumulative gold production from the Tambor Project has exceeded 100,000 ounces, the cash payments will be based on the then price of gold and the number of ounces of gold produced as follows:

<u>Gold Price (US\$)</u>	<u>Per Ounce of Gold</u>
Below \$1,500	\$25
\$1,501 - \$1,750	\$35
\$1,751 - \$2,000	\$40
\$2,001 and greater	\$50

Receipt of royalty payments by the Company commenced during the third quarter of 2015. To date, the Company has recognized net royalty income of \$1,530,555 of which \$746,375 has been received to date.

On May 11, 2016, the project owner informed the Company that mining operations were suspended by the Supreme Court of Guatemala due to a lack of consultation by the Guatemalan Ministry of Mines with local indigenous people when the mine was permitted in 2011. To date, the Supreme Court has not made a decision on when the mine may re-open. The Company has allowed KCA to defer payment of the remaining receivable balance while KCA prepares a legal strategy to overturn the suspension of operations and seek compensation from the Guatemalan authorities, from which the Company would benefit as well. Due to these circumstances, for accounting purposes, a provision was recorded against the KCA receivable for the year ended December 31, 2016.

Peru – Bayovar 12 Project Royalty

In April 2015, the Company purchased from Focus a production royalty, equivalent to a 2% net smelter return, on Focus's 70% interest in future phosphate production from the Bayovar 12 project located in the Sechura district of

northern Peru. The purchase price for the royalty was US\$1.0 million. Focus had the right until April 15, 2016 to buy back one-half of the royalty for US\$1.0 million, but did not elect to make such purchase. Should the Company decide at any time in the future to sell the royalty, Focus will retain a first right of refusal. In May 2016, Focus published a pre-feasibility study for production of phosphate rock concentrate from the Bayovar 12 project. The Company and Focus are related parties.

Nicaragua – San Jose Royalty

In 2013, an agreement was reached whereby the Company would sell to B2Gold its 40% interest in the San Jose and La Magnolia properties in consideration of a 2% NSR royalty on each property, and B2Gold would have the right to purchase one-half of each royalty for US\$1.0 million. The Company and B2Gold have since decided to relinquish the La Magnolia concession. Formal agreements were signed by the companies in October 2014, and the closing of the San Jose sale, and the royalty grant to the Company, took place on June 30, 2015.

Outlook

The Company continues to conduct its property investigations in various jurisdictions and with various commodities but with a focus on gold and silver in Nevada and Mexico. The Company's geologists are using a low cost and effective method of field testing targets that are generated through desktop research and through submittals.

Qualified Person: David Clark, M.Sc., P.Geo., a member of the Association of Professional Engineers and Geoscientists of British Columbia, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this MD&A.

Selected Annual Information

The following table sets forth selected annual financial information of the Company for, and as at, the end of each of the last three financial years ending December 31, 2016, 2015, and 2014:

	2016 (\$)	2015 (\$)	2014 (\$)
Royalty income	431,643	1,098,912	-
Investment and other income	13,068	17,293	43,245
Exploration expenditures ⁽¹⁾	544,586	589,162	1,502,453
Net income (loss) for the year			
Total	1,862,266	(1,875,449)	(1,369,907)
Basic & fully diluted per share	0.02	(0.02)	(0.02)
Total assets	9,848,863	7,088,017	9,045,049
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

⁽¹⁾ The Company has reclassified certain prior period exploration expenses to conform to the current year presentation of expenses.

The Company first started recording royalty income in the 2015 fiscal year as a result of the previously held Tambor Project going into production in December 2014. Royalty revenue was less in the 2016 fiscal year due to the suspension of mine operations since May 2016.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2016:

Quarter ended	Dec. 31, 2016 (\$)	Sep. 30, 2016 (\$)	June 30, 2016 (\$)	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)	Sep. 30, 2015 (\$)	June 30, 2015 (\$)	Mar. 31, 2015 (\$)
Royalty revenue, net	47,960	26,973	135,303	221,407	343,350	267,729	487,833	-
Investment and other income	4,689	4,764	2,930	685	18	34	412	16,829
Exploration expenditures ⁽¹⁾	102,932	215,591	107,590	118,473	132,381	114,923	194,966	146,892
Net income (loss)	(1,101,528)	738,793	2,320,061	(95,060)	(842,842)	(1,287,262)	58,318	196,337
Basic and diluted income (loss) per share	(0.01)	0.01	0.02	(0.00)	(0.01)	(0.02)	0.00	0.00

⁽¹⁾ The Company has reclassified certain prior period exploration expenses to conform to the current year presentation of expenses.

The Company started to record royalty revenue from production at the Tambor Project during the quarter ended June 30, 2015 and continued to the quarter ended June 30, 2016, the period in which mining operations were suspended. The royalty revenue recorded in the two most recent quarters was due to adjustments to income recorded in a prior period. The quarter ended September 30, 2016 recorded a net income due to a gain on the sale of available-for-sale investments of \$697,610 resulting from the disposition of B2Gold and Southern Silver shares and a gain of \$311,252 from mineral property option agreement payments consisting of cash and common shares received from Advantage. The quarter ended June 30, 2016 recorded a net income due to the disposition of B2Gold and Southern Silver shares resulting in a gain of \$1,818,398 and a gain of \$520,727 on the reclassification of an investment. The net losses for the quarters ended December 31, 2015 and September 30, 2015 were impacted by impairment charges against available-for-sale investments with the most significant being \$1,243,199 in the quarter ended September 30, 2015. The quarter ended March 31, 2015 recorded a net income due to a recovery of a previously written off receivable of \$423,055 related to the Tambor Project, and a gain of \$180,000 resulting from the receipt of Southern Silver shares as partial settlement of a loan.

Results of Operations

Quarter ended December 31, 2016

The quarter ended December 31, 2016 had a net loss of \$1,101,528 compared to a net loss of \$842,842 for the quarter ended December 31, 2015, an increase of \$258,686. Due to the suspension of Tambor operations in May 2016, the current quarter included net royalty income of only \$47,960 which was an adjustment to income recorded in a prior period. The comparative period recorded a net royalty income of \$343,350. The net loss for the comparative quarter was also significantly impacted by a provision of \$784,180 against a receivable on royalty revenue. The current quarter recorded an impairment charge of \$63,401 on available-for-sale investments compared to an impairment charge of \$370,691 in the comparative quarter. Exploration expenditures in the current quarter totaled \$102,932 compared to \$132,381 in the comparative quarter, a decrease of \$29,449. However, the comparative quarter recorded a write-off of \$555,189 on exploration and evaluation asset costs whereas there was no such expense in the current quarter. Exploration expenditures include property investigation costs which relate to evaluating new opportunities, and exploration activities on properties held by the Company.

General and administrative expenses for the quarter ended December 31, 2016 were \$358,417 compared to \$152,299 for the comparative quarter, an increase of \$206,118. This increase was due to a share-based compensation expense of \$213,150 in the current quarter that related to the granting of stock options compared to no such expense in the comparative quarter. Notable cost decreases in the current quarter were in management fees and office and miscellaneous. Office costs were higher in the comparative quarter due to higher office lease costs. Management fees are lower during the current quarter as the compensation for the Chief Executive Officer

has been allocated between management and geological services whereas they were not in the comparative year; otherwise total compensation to the Chief Executive Officer remained the same for both years.

Year ended December 31, 2016

The year ended December 31, 2016 had a net income of \$1,862,266 compared to a net loss of \$1,875,449 for the year ended December 31, 2015, a difference of \$3,737,715. The current year net income is due to a gain on sale of available-for-sale investments of \$2,688,336, a gain of \$691,727 on the reclassification of an investment, and a gain of \$276,252 from mineral property option payments received. Royalty income during the current year totaled \$431,643 compared to \$1,098,912 in the comparative year, a decrease of \$667,269. The comparative year recorded a \$423,055 recovery of a previously written off receivable relating to the Tambor Project and a \$180,000 gain on a loan conversion, whereas no such items were recorded in the current year. The current year recorded a share of post-tax losses of Medgold, an associated company up until June 2016, of \$136,000 compared to \$243,000 in the comparative year. Both years also included an impairment charge on available-for-sale investments, with the amount for the current year being \$205,321 and the comparative year \$1,642,154. Exploration expenditures in the current year totaled \$544,586 compared to \$589,162 in the comparative year. Similar to the quarterly comparison, the comparative year also recorded a write-off of \$587,211 on exploration and evaluation asset costs whereas there was no such write-off in the current year.

General and administrative expenses for the year ended December 31, 2016 were \$701,432 compared to \$745,821 for the year ended December 31, 2015, a decrease of \$44,389. As in the quarterly comparison, the current year recorded a share-based compensation expense of \$213,150 compared to no such expense in the comparative year. All other categories of general and administrative expenses in the current year were lower than those in the comparative year. The most notable decreases were in legal and audit fees, management fees, and office and miscellaneous costs. Legal and audit fees and office costs were higher in the comparative year due to additional activities relating to the change of business of the Company that took effect in 2015 and higher office lease costs. Management fees were lower in the current year for the same reason in the quarterly comparison.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the year ended December 31, 2016 is as follows:

United States – A total of \$194,460 on property investigation and exploration related costs were incurred, of which \$87,675 was on general property investigation, \$75,214 on the Spring Peak property, and \$31,571 on the ABC property. Acquisition costs of \$19,472 and \$69,187 were also incurred on the Spring Peak and ABC properties, respectively.

Mexico - A total of \$140,205 was incurred on exploration, property investigation, and miscellaneous administrative costs. In addition, acquisition costs of \$23,748 were incurred on the Lithium Brine Projects.

Guatemala – A total of \$69,525 was incurred on property investigation and care and maintenance related costs.

Other – A total of \$140,396 was incurred on property investigation and care and maintenance related costs in regions other than USA, Mexico and Guatemala.

Further details regarding exploration expenditures for the years ended December 31, 2016 and 2015 are provided in the schedules at the end of this MD&A.

Liquidity and Capital Resources

The Company's cash and cash equivalents increased from \$151,861 at December 31, 2015 to \$5,130,064 at December 31, 2016. As at December 31, 2016, working capital was \$8.22 million compared to \$5.15 million at

December 31, 2015. Included in working capital is the value of the Company's available-for-sale investments in Focus, Southern Silver, Medgold, Advantage, GrowMax, and Champagne common shares which as at December 31, 2016, had a combined fair value of \$2.79 million compared to \$4.25 million as at December 31, 2015. The decrease in total available-for-sale investment value during the current year is due to the disposition of all remaining B2Gold shares and a significant amount of Southern Silver shares.

During the year ended December 31, 2016, the Company sold its remaining 2,590,000 B2Gold shares for net proceeds of \$5.72 million and sold 4,500,000 Southern Silver shares for net proceeds of \$814,508. Subsequent to December 31, 2016, an additional 25,000 Southern Silver shares were sold for net proceeds of \$13,725, leaving a current balance of 1,475,000 Southern Silver shares held.

Pursuant to the option agreement entered into with Advantage on the Lithium Brine Projects, the Company received 250,000 common shares of Advantage and \$75,000 in cash during the year ended December 31, 2016.

The Company's investment in Medgold was previously accounted for as an investment in associate but was reclassified as an available-for-sale investment during the year ended December 31, 2016.

The Company holds 2,973,275 common shares in Rackla with a fair value as at December 31, 2016 of \$445,991; however, the investment is being accounted for as an investment in associate, using the equity method, since the Company may be able to exercise significant influence on Rackla. The Company also currently holds 1,000,000 Rackla warrants and although these are transferable, they are not traded on an exchange.

Since 2012, the Company has relied mostly on selling B2Gold shares to provide working capital for operations. In 2015, the Company also started to earn royalty revenue from production at the previously held Tambor Project. However, royalty revenue since May 2016 is uncertain due to the current suspension of operations at Tambor.

The Company intends to use the proceeds from sales of its equity investments, option payments received and any royalty income payments it may receive to fund its exploration programs, investment opportunities, and general working capital requirements. The Company expects its current capital resources to be sufficient to carry out its exploration and investment plans and operating costs for the next twelve months.

Commitment

The Company has entered into an operating lease agreement for its office premises. The Company also rents space to other companies related by common directors and officers on a month to month basis, the amounts of which are netted against rental expense; however, there are no commitments from these companies and thus the amounts presented below are the gross commitments. The annual commitments under the lease are as follows:

2017	\$	190,608
2018		190,608
2019		190,608
	\$	571,824

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section 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 accompanying 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 of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2016 and 2015, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2016				December 31, 2015			
	US Dollar (CDN equivalent)	Mexican Peso (CDN equivalent)	Guatemala Quetzal (CDN equivalent)	Nicaragua Cordoba (CDN equivalent)	US Dollar (CDN equivalent)	Mexican Peso (CDN equivalent)	Guatemala Quetzal (CDN equivalent)	Nicaragua Cordoba (CDN equivalent)
Cash	\$ 20,012	\$ 930	\$ 24	\$ 525	\$ 93,498	\$ 1,290	\$ 411	\$ 1,045
Receivables	-	27,047	2,872	-	743,682	27,592	2,261	-
Current liabilities	(11,507)	(4,439)	(1,609)	(7,706)	(19,141)	(4,718)	(567)	(4,769)
	\$ 8,505	\$ 23,538	\$ 1,287	\$ (7,181)	\$ 818,039	\$ 24,164	\$ 2,105	\$ (3,724)

Based on the above net exposures at December 31, 2016, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$2,600 (2015: \$84,000) increase or decrease in profit or loss, respectively.

Commodity Price Risk

The Company's royalty revenue is derived from a royalty interest and is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices. The Company has not engaged in any hedging activities.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited as it holds no assets or liabilities subject to variable rates of interest.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in Medgold, Focus, Southern Silver, Advantage, GrowMax, and Champagne are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would result in an approximate \$279,000 decrease in equity.

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, available-for-sale investments and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents or available-for-sale investments that are invested in asset based commercial paper. For advances and other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

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. The Company believes that these sources will be sufficient to cover the known requirements at this time.

Related Party Transactions

The Company's related parties with transactions during the years ended December 31, 2016 and 2015 consist of directors, officers and the following companies with common directors:

<u>Related party</u>	<u>Nature of transactions</u>
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Fortuna	Shared general and administrative expenses
Focus	Investment and shared general and administrative expenses
Medgold	Investment and shared general and administrative expenses
Rackla (Associate)	Investment

The Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company during the periods ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
General and administrative expenses:				
Salaries and benefits	\$ 10,000	\$ 4,080	\$ 36,827	\$ 23,420
Exploration expenditures:				
Geological fees	18,542	-	18,542	-
Salaries and benefits	163	1,562	4,326	2,471
	\$ 28,705	\$ 5,642	\$ 59,695	\$ 25,891

During the periods ended December 31, 2016 and 2015, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
General and administrative expenses:				
Office and miscellaneous	\$ 10,619	\$ 12,346	\$ 41,263	\$ 40,396
Shareholder communications	-	-	1,289	3,019
Salaries and benefits	30,923	23,918	118,658	124,043
Transfer agent and regulatory fees	522	-	3,378	2,763
Travel and accommodation	2,013	2,518	9,327	13,471
	\$ 44,077	\$ 38,782	\$ 173,915	\$ 185,279
Exploration expenditures	\$ 2,930	\$ -	\$ 2,930	\$ 1,587

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. Salary and benefits costs for the periods ended December 31, 2016 and 2015 include those for the Chief Financial Officer and Corporate Secretary.

Prepaid expenses and deposits include an amount of \$5,797 (2015: \$7,084) paid to Gold Group for shared office and administrative services.

Long-term deposits as of December 31, 2016 include an amount of \$60,000 (2015: \$60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement.

Amounts due from related parties as of December 31, 2016 consists of \$13,693 (2015: \$8,224) due from Medgold, a company with a common director with the Company, and arose from shared administrative costs and \$3,107 (2015: \$Nil) is due from Focus, a company which has two common directors with the Company, and arose from shared administrative costs. These amounts were unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include \$2,828 (2015: \$21,913) payable to Gold Group for shared administrative costs \$4,033 (2015: \$Nil) to a Director of the Company for geological fees, and \$Nil (2015: \$8,925) to Mill Street for management and geological fees.

During the year ended December 31, 2016, the following transactions also occurred:

- i) The Company acquired 2,250,000 common shares of Focus of which 770,000 shares were acquired by way of a private placement for a cost of \$50,050, another 770,000 shares acquired upon the exercise of share purchase warrants at a cost of \$57,750, and 710,000 shares acquired on the open market for a cost of \$65,159; and

- ii) The Company acquired 2,000,000 common shares of Medgold upon the exercise of 2,000,000 share purchase warrants at a cost of \$300,000.

During the year ended December 31, 2015, the following transactions also occurred:

- i) The Company acquired 40,000 common shares in Medgold on the open market at a cost of \$4,085;
- ii) The Company acquired 1,831,000 common shares and 1,831,000 share purchase warrants in Focus by way of a private placement that closed on May 26, 2015 at a cost of \$366,200; and
- iii) The Company acquired 1,000,000 common shares and 1,000,000 share purchase warrants in Rackla by way of a private placement that closed on October 19, 2015 at a cost of \$50,000.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended		Year ended December 31,	
	December 31, 2016	December 31, 2015	2016	2015
Management fees	\$ 10,500	\$ 25,500	\$ 42,000	\$ 102,000
Geological fees	15,000	-	60,000	-
Salaries, benefits and fees	8,708	8,708	34,833	34,375
Share-based payments	49,000	-	49,000	-
	\$ 83,208	\$ 34,208	\$ 185,833	\$ 136,375

Total share-based payments to directors not included in the above table during the year ended December 31, 2016 was \$55,125 (2015: \$Nil).

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Options

As at May 1, 2017, the Company's outstanding share position is 86,675,617 common shares and the following incentive stock options are outstanding:

<u>STOCK OPTIONS</u>		
<u>Number of options</u>	<u>Exercise price</u>	<u>Expiry date</u>
1,245,000	\$0.29	January 7, 2020
100,000	\$0.36	May 25, 2020
100,000	\$0.69	September 23, 2020
1,885,000	\$0.20	December 12, 2022
1,740,000	\$0.15	October 18, 2026
5,070,000		

Investments in Associates

Rackla

The Company currently has an investment in one associated company, Rackla, which is equity accounted for in the consolidated financial statements.

As at December 31, 2016, the Company's holding of 2,973,275 (2015: 2,973,275) common shares of Rackla, represented 19.7% (2015: 19.7%) of Rackla's outstanding common shares.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2015 to December 31, 2016:

Balance, December 31, 2014	\$	1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2015		1
Balance, December 31, 2016	\$	1

Prior to the 2015 fiscal year the Company's share of losses in Rackla exceeded the carrying value of its interest and therefore the Company discontinued recognizing its share of further losses. During the 2015 fiscal year, with the additional 1,000,000 common shares being purchased at a cost of \$50,000, the Company recognized losses in Rackla totaling \$50,000 and once again reduced the carrying amount to a nominal \$1. The cumulative unrecognized share of losses for the associate is \$567,482.

The financial statement balances of Rackla are as follows:

	December 31, 2016	December 31, 2015
Total current assets	\$ 36,537	\$ 83,887
Total assets	104,597	231,419
Total liabilities	133,476	41,760
Net loss	219,288	161,835

Medgold

Medgold previously met the definition of an associate and was equity accounted for in prior consolidated financial statements. During the year ended December 31, 2016, Medgold no longer met the definition of an associate when its interest in Medgold was further diluted to a level significantly below 20% on June 17, 2016 when Medgold issued 10,000,000 common shares by way of a private placement to a different party. Therefore the Company's investment in Medgold was reclassified as an available-for-sale investment. Upon discontinuing the use of the equity method, an investment that is a financial asset is to be measured at fair value and the difference between the fair value and the carrying value of the investment recognized in profit or loss. The fair value of the investment in Medgold as at the time of reclassification was \$924,600 and its carrying cost was \$403,873. As a result, a gain of \$520,727 was recognized in the consolidated statement of operations for the year ended December 31, 2016.

During the year ended December 31, 2016, Company recorded \$136,000 for its share of Medgold's losses during the period from January 1, 2016 to the time of de-recognition as an investment in associate.

From January 1, 2016 and until the point of reclassification to an available-for-sale investment during the year ended December 31, 2016, the Company's shareholdings in Medgold decreased from 15.5% to 12.6% (2015: 19.1% to 15.5%). As a result, the Company recorded a gain on dilution of \$170,045 for the current year (2015: \$85,743).

The following table shows the continuity of the Company's interest in Medgold for the period from January 1, 2015 to December 31, 2016:

Balance, December 31, 2014	\$	473,000
Increase in investment		4,085
Less: share of losses in associate		(193,000)
Gain on dilution		85,743
<hr/>		
Balance, December 31, 2015		369,828
Less: share of losses in associate		(136,000)
Gain on dilution		170,045
Reclassification as available-for-sale investment		(403,873)
<hr/>		
Balance, December 31, 2016	\$	-

The financial statement balances of Medgold are as follows:

	June 30, 2016⁽¹⁾	December 31, 2015
Total current assets	\$ 1,507,091	\$ 254,480
Total assets	2,039,702	1,089,109
Total liabilities	497,674	548,625
Net loss ⁽²⁾	1,016,621	1,182,037

⁽¹⁾ June 30, 2016 was the last financial statements of Medgold used for the accounting treatment as an investment in associate.

⁽²⁾ Net loss for the six months ended June 30, 2016.

Future Changes in Accounting Policies

The following new standard has been issued by the IASB but is not yet effective:

Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective for the Company's annual period beginning January 1, 2017. This new amendment is not expected to have a material impact on the Company's consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Effective for the Company's annual period beginning January 1, 2017. This new amendment is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Effective for the Company's annual period beginning December 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for annual periods starting on or after January 1, 2018, with earlier application permitted.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 Leases of which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

Risks and Uncertainties

Royalty revenue

The Company cannot predict future revenues from or operating results of mining activity. Management expects future royalty revenues from the Tambor Project to fluctuate depending on the level of future production and the price of gold. The owner of the Tambor Project is not obligated to continue production from the Tambor Project and the Company will not be entitled to any compensation if this mining operation does not meet its forecasted gold production targets or if the mine operations are discontinued on a temporary or permanent basis. Risks that could negatively affect a mine's operations include, but are not limited to economics, lack of financial capital, floods, fire, mechanical malfunctions, social unrest, expropriation, environmental regulations, and legal and/or political changes. The Tambor Project is currently subject to a suspension of operations imposed by the Supreme Court of Guatemala.

Competition

The Company faces competition from other capital providers, all of which compete with it for investment opportunities. These competitors may limit the Company's opportunities to acquire interests in investments that are attractive to the Company. The Company may be required to invest otherwise than in accordance with its Investment Policy and strategy in order to meet its investment objectives. If the Company is required to invest other than in accordance with its Investment Policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

Inability to dispose of illiquid securities

There is a possibility that the Company will be unable to dispose of illiquid securities held in its portfolio and if the Company is unable to dispose of some or all of its investments at the appropriate time, a return on such investment may not be realized.

Due diligence

The due diligence process undertaken by the Company in connection with investments that it makes or wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Mineral property exploration and mining

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.

If the Company does not satisfactorily complete its contribution requirements to any joint ventures it may be a party to, the Company's interest in a joint venture can be diluted to a point where all interest in the joint venture is forfeited.

Joint venture funding

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

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. The Company's royalty revenue is derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in gold prices.

Financing and share price fluctuation

The Company has a limited source of operating cash flow which depends on royalty revenue from a property that is subject to suspension of operations and has no assurance that additional funding will be available to it when needed 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 or the value of the Company's available-for-sale investments and corresponding effect on the Company's financial position.

Political, regulatory and currency

The Company's mineral property interests are located in emerging nations. Properties in emerging nations may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging 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 and property maintenance expenditures in US dollars, Guatemalan quetzals, and Mexican pesos. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the US dollar, Guatemalan quetzal, or Mexican peso could have an adverse impact on the amount of exploration conducted.

Insurance

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

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 fairly significant in some of the Company's areas of operations. Violence, kidnapping, theft and other criminal activities could disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Mineral Properties Expenditure Detail (see following page)

Mineral Properties Expenditure Detail

CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the year ended December 31, 2016

	USA		Guatemala		Mexico		Other	Total
	General	Mineral	General	Mineral	General	Mineral	General	
	Exploration	Concessions	Exploration	Concessions	Exploration	Concessions	Exploration	
Exploration administration	\$ 3,572	\$ 96	\$ 23,497	\$ 8,632	\$ 1,950	\$ -	\$ 8,732	\$ 46,479
Geochemistry	3,301	6,959	-	-	15,182	-	2,606	28,048
Geological services	68,029	55,290	24,076	3,457	102,689	541	119,182	373,264
Legal and accounting	-	-	2,036	570	11,311	-	998	14,915
Licenses, rights and taxes	-	35,797	526	849	739	11,647	-	49,558
Travel and accommodation	12,773	8,643	5,882	-	29,011	-	8,878	65,187
	87,675	106,785	56,017	13,508	160,882	12,188	140,396	577,451
Expenditures recovered	-	-	-	-	(32,865)	-	-	(32,865)
	\$ 87,675	\$ 106,785	\$ 56,017	\$ 13,508	\$ 128,017	\$ 12,188	\$ 140,396	\$ 544,586

CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the year ended December 31, 2015

	USA		Guatemala		Nicaragua	Mexico	Total
	General	Mineral	General	Mineral	General	General	
	Exploration	Concessions	Exploration	Concessions	Exploration	Exploration	
Camp, food and supplies	\$ -	\$ 3,144	\$ -	\$ -	\$ -	\$ 2,066	\$ 5,210
Environment	-	7,835	-	2,097	-	-	9,932
Exploration administration	704	-	7,106	7,758	1,639	3,628	20,835
Geochemistry	823	-	772	-	-	24,057	25,652
Geological consulting	1,149	-	21,897	-	-	288,914	311,960
Legal and accounting	-	-	5,513	-	2,243	9,290	17,046
Licenses, rights and taxes	-	12,353	-	-	-	-	12,353
Public relations	-	-	-	3,462	-	-	3,462
Rent and utilities	-	-	9,338	-	-	-	9,338
Salaries and wages	8,580	3,303	33,997	-	6,486	37,975	90,341
Travel and accommodation	515	1,224	7,371	-	-	73,923	83,033
	\$ 11,771	\$ 27,859	\$ 85,994	\$ 13,317	\$ 10,368	\$ 439,853	\$ 589,162