



**FINANCIAL REVIEW**

**First Quarter Ended March 31, 2016**



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

**RADIUS GOLD INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(Expressed in Canadian Dollars)

<b>As at:</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 5)	\$ 1,010,305	\$ 151,861
Available-for-sale investments (Note 6)	5,104,705	4,252,417
Receivables (Note 7)	776,392	784,764
Due from related parties (Note 13)	8,774	8,224
Prepaid expenses and deposits (Note 13)	51,593	59,653
<b>Total current assets</b>	<b>6,951,769</b>	<b>5,256,919</b>
<b>Non-current assets</b>		
Long-term deposits (Note 13)	123,597	123,597
Property and equipment (Note 8)	70,304	78,166
Mineral property and royalty interests (Note 10)	1,259,506	1,259,506
Investment in associates (Note 9)	325,829	369,829
<b>Total non-current assets</b>	<b>1,779,236</b>	<b>1,831,098</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,731,005</b>	<b>\$ 7,088,017</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 13)	\$ 150,247	\$ 106,407
<b>Total liabilities</b>	<b>150,247</b>	<b>106,407</b>
<b>Shareholders' equity</b>		
Share capital (Note 11)	56,592,613	56,592,613
Other equity reserve	6,636,658	6,636,658
Deficit	(56,477,429)	(56,382,369)
Accumulated other comprehensive income	1,828,916	134,708
<b>Total shareholders' equity</b>	<b>8,580,758</b>	<b>6,981,610</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 8,731,005</b>	<b>\$ 7,088,017</b>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON MAY 26, 2016 BY:

"Simon Ridgway", Director  
Simon Ridgway

"William Katzin", Director  
William Katzin

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

**RADIUS GOLD INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(Expressed in Canadian Dollars)

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Royalty revenue</b> (Note 10)	\$ 221,407	\$ -
Exploration expenditures	118,473	146,892
Write-off of mineral property interests	-	32,022
	<b>118,473</b>	<b>178,914</b>
General and administrative expenses		
Amortization	7,862	9,277
Legal and audit fees	17,323	54,798
Management fees (Note 13)	10,500	25,500
Office and miscellaneous (Note 13)	45,472	53,260
Salaries and benefits (Note 13)	26,651	42,442
Shareholder communications (Note 13)	1,599	12,399
Transfer agent and regulatory fees	6,753	18,142
Travel and accommodation (Note 13)	4,331	12,440
	<b>120,491</b>	<b>228,258</b>
<b>Loss before other income (expenses)</b>	<b>(17,557)</b>	<b>(407,172)</b>
<b>Other income (expenses)</b>		
Share of post-tax losses of associates (Note 9)	(44,000)	(56,000)
Gain on loan conversion	-	180,000
Foreign currency exchange gain (loss)	(64,596)	7,228
Gain on sale of available-for-sale investments	172,328	-
Impairment on available-for-sale investments	(141,920)	(28,264)
Gain from mineral property option agreements	-	60,661
Investment income	685	16,829
Recovery of receivables	-	423,055
<b>Net income (loss) for the period</b>	<b>\$ (95,060)</b>	<b>\$ 196,337</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains (losses) on available-for-sale investments (Note 6)	1,694,208	(24,741)
<b>Total comprehensive income</b>	<b>\$ 1,599,148</b>	<b>\$ 171,596</b>
<b>Basic and diluted earnings (loss) per share</b>	<b>\$(0.00)</b>	<b>\$0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>86,675,617</b>	<b>86,675,617</b>

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

**RADIUS GOLD INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

	<b>Number of common shares</b>	<b>Share capital</b>	<b>Other equity reserve</b>	<b>Accumulated other comprehensive income</b>	<b>Deficit</b>	<b>Total</b>
Balance, December 31, 2014	86,675,617	\$ 56,592,613	\$ 6,636,658	\$ 201,108	\$ (54,506,920)	\$ 8,923,459
Income for the period	-	-	-	-	196,337	196,337
Available-for-sale investments	-	-	-	(24,741)	-	(24,741)
Balance, March 31, 2015	86,675,617	56,592,613	6,636,658	176,367	(54,310,583)	9,095,055
Loss for the period	-	-	-	-	(2,071,786)	(2,071,786)
Available-for-sale investments	-	-	-	(41,659)	-	(41,659)
Balance, December 31, 2015	86,675,617	56,592,613	6,636,658	134,708	(56,382,369)	6,981,610
Loss for the period	-	-	-	-	(95,060)	(95,060)
Available-for-sale investments	-	-	-	1,694,208	-	1,694,208
<b>Balance, March 31, 2016</b>	<b>86,675,617</b>	<b>\$ 56,592,613</b>	<b>\$ 6,636,658</b>	<b>\$ 1,828,916</b>	<b>\$ (56,477,429)</b>	<b>\$ 8,580,758</b>

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

**RADIUS GOLD INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Expressed in Canadian Dollars)

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (95,060)	\$ 196,337
Items not involving cash:		
Amortization	7,862	9,277
Gain from mineral property option agreements	-	(60,661)
Recovery of receivables	-	(423,055)
Write off of mineral property interests	-	32,022
Impairment of available-for-sale investments	141,920	28,264
Gain on sale of available-for-sale investments	(172,328)	-
Gain on loan conversion	-	(180,000)
Share of post-tax losses of associates	44,000	56,000
	(73,606)	(341,816)
Changes in non-cash working capital items:		
Receivables	8,372	(10,891)
Prepaid expenses and deposits	8,060	28,818
Due from related parties	(550)	(387,938)
Accounts payable and accrued liabilities	43,840	32,448
Cash used in operating activities	(13,884)	(679,379)
<b>INVESTING ACTIVITIES</b>		
Recovery of receivables	-	423,055
Proceeds from loan repayment and interest payment	-	521,742
Expenditures on mineral property acquisition costs	-	(23,821)
Proceeds from mineral property option agreements	-	60,661
Proceeds from sale of available-for-sale investments	872,328	-
Cash provided by investing activities	872,328	981,637
<b>Increase in cash and cash equivalents</b>	<b>858,444</b>	<b>302,258</b>
Cash and cash equivalents, beginning of period	151,861	1,238,372
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,010,305</b>	<b>\$ 1,540,630</b>

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

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

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#### 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 condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

##### Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis as modified by any revaluation of available-for-sale financial assets.

The condensed interim 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 of 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.

##### Basis of Consolidation

These condensed interim 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 March 31, 2016 are as follows:

<b>Name</b>	<b>Place of Incorporation</b>	<b>Interest %</b>	<b>Principal Activity</b>
Minerales Sierra Pacifico S.A.	Guatemala	100%	Exploration company
Geometales Del Norte-Geonorte	Mexico	100%	Exploration company
Radius (Cayman) Inc.	Cayman Islands	100%	Holding company



## **Radius Gold Inc.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

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### **3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE**

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

#### **IFRS 9 Financial Instruments**

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

#### **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. The Company is in the process of evaluating the impact of the new standard.

#### **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. The Company is in the process of evaluating the impact of the new standard.

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

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#### 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 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 condensed interim 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") and Medgold Resources Corp ("Medgold");
- 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; and
- 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
- e) The determination of when receivables are impaired requires significant judgment as to their collectability.

The key estimate applied in the preparation of the condensed interim 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.

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

#### 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

Available-for-sale investments are recorded at fair value. As of March 31, 2016, available-for-sale investments consisted of 2,090,000 (December 31, 2015: 2,590,000) common shares of B2Gold Corp. ("B2Gold"), 2,838,406 (December 31, 2015: 2,838,406) common shares of Focus Ventures Ltd. ("Focus"), and 6,000,000 (December 31, 2015: 6,000,000) common shares of Southern Silver Exploration Corp. ("Southern Silver"), all of which are public companies.

During the period ended March 31, 2016, the Company sold 500,000 common shares of B2Gold for net proceeds of \$872,328 and recorded a gain on sale of available-for-sale investments of \$172,328.

Subsequent to the period ended March 31, 2016, the Company sold 1,790,000 common shares of B2Gold for net proceeds of approximately \$3.82 million, bringing the remaining number of B2Gold shares held to 300,000; sold 3,808,500 common shares of Southern Silver for net proceeds of approximately \$523,000, bringing the number of shares held to 2,191,500; and acquired 495,000 shares of Focus on the open market at a cost of approximately \$47,000, bringing the number of shares held to 3,333,406.

During the period ended March 31, 2016, an impairment charge of \$141,920 (2015: \$Nil) was charged against the Focus shares due the fair value of the shares being less than the adjusted cost base.

As at March 31, 2016, the fair value based on quoted market prices of the available-for-sale investments was \$5,104,705 (December 31, 2015: \$4,252,417). An unrealized gain of \$1,694,208 was recorded in other comprehensive income during the period ended March 31, 2016 (2015: unrealized loss of \$24,741), of which an unrealized gain of \$1,588,400 related to B2Gold shares (2015: \$Nil), an unrealized gain of \$120,000 related to Southern Silver shares (2015: unrealized loss of \$60,000), and an unrealized loss of \$14,192 related to Focus shares (2015: unrealized gain \$35,259).

The fair value of quoted securities is based on published market prices.

	<b>B2Gold</b>	<b>Focus</b>	<b>Southern</b>	<b>Total</b>
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
Disposition of shares	(700,000)	-	-	(700,000)
Impairment adjustment	-	(141,920)	-	(141,920)
Net change in fair value recorded in other comprehensive income	1,588,400	(14,192)	120,000	1,694,208
<b>Balance, March 31, 2016</b>	<b>\$ 4,514,400</b>	<b>\$ 170,305</b>	<b>\$ 420,000</b>	<b>\$ 5,104,705</b>

As of March 31, 2016, the Company also holds 2,973,275 free trading common shares of Rackla with a fair value of \$163,530 (December 31, 2015: \$163,530) and 8,040,000 free trading shares of Medgold Resources Corp. ("Medgold") with a fair value of \$643,200 (December 31, 2015: \$562,800) but they are recorded as investment in associates (Note 9).

**Radius Gold Inc.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

**7. RECEIVABLES**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Royalty revenue	\$ 731,456	\$ 743,682
Loan receivable	-	-
Sales taxes	34,885	35,465
Interest receivable	-	-
Other receivables	10,050	5,617
	<b>\$ 776,392</b>	<b>\$ 784,764</b>

**8. PROPERTY AND EQUIPMENT**

	<b>Leasehold improvements</b>	<b>Trucks</b>	<b>Computer equipment</b>	<b>Furniture and equipment</b>	<b>Geophysical equipment</b>	<b>Field equipment</b>	<b>Total</b>
<b>Cost</b>							
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
Additions	-	-	-	-	-	-	-
<b>Balance, March 31, 2016</b>	<b>\$ 62,762</b>	<b>\$ 215,638</b>	<b>\$ 252,068</b>	<b>\$ 62,656</b>	<b>\$ 84,882</b>	<b>\$ 2,480</b>	<b>\$ 680,486</b>
<b>Accumulated amortization</b>							
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	1,575	3,331	1,644	412	874	26	7,862
<b>Balance, March 31, 2016</b>	<b>\$ 43,942</b>	<b>\$ 212,011</b>	<b>\$ 233,729</b>	<b>\$ 50,065</b>	<b>\$ 68,283</b>	<b>\$ 2,152</b>	<b>\$ 610,182</b>
<b>Carrying amounts</b>							
At December 31, 2015	\$ 20,395	\$ 6,958	\$ 19,983	\$ 13,003	\$ 17,473	\$ 354	\$ 78,166
<b>At March 31, 2016</b>	<b>\$ 18,820</b>	<b>\$ 3,627</b>	<b>\$ 18,339</b>	<b>\$ 12,591</b>	<b>\$ 16,599</b>	<b>\$ 328</b>	<b>\$ 70,304</b>

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

## 9. INVESTMENT IN ASSOCIATES

### Medgold

As at March 31, 2016, the Company held 8,040,000 (December 31, 2015: 8,040,000) common shares of Medgold, representing 15.5% of Medgold's outstanding common shares.

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

During the year ended December 31, 2015, the Company's shareholdings in Medgold decreased from 19.1% to 15.5% as a result of an increase in the issued capital of Medgold while still being able to exercise significant influence over Medgold. As a result, the Company recorded a gain on dilution of \$85,743 for that fiscal year.

As at March 31, 2016, the Company held 2,000,000 (December 31, 2015: 2,000,000) share purchase warrants to purchase common shares of Medgold. Each Medgold warrant entitles the Company to purchase an additional common share exercisable until February 4, 2017 at a price of \$0.15. The Medgold share purchase warrants are not tradable on an exchange.

The following table shows the continuity of the Company's interest in Medgold for the period from December 31, 2014 to March 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		(44,000)
<b>Balance, March 31, 2016</b>	<b>\$</b>	<b>325,828</b>

The financial statement balances of Medgold are as follows:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Total current assets	\$ 90,094	\$ 254,480
Total assets	872,562	1,089,109
Total liabilities	659,870	548,625
Net loss	283,707 <sup>(1)</sup>	1,182,037 <sup>(2)</sup>

<sup>(1)</sup> Net loss for three month period ended March 31, 2016.

<sup>(2)</sup> Net loss for the year ended December 31, 2015.

At March 31, 2016, the fair value of the 8,040,000 common shares of Medgold was \$643,200 (December 31, 2015: \$562,800).

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

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

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

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2014 to March 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
<b>Balance, March 31, 2016</b>	<b>\$</b>	<b>1</b>

Prior to the year ended December 31, 2015 the Company's share of losses in Rackla exceeded its interest and therefore the Company discontinued recognizing its share of further losses. During the year ended December 31, 2015, 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 \$556,382.

The financial statement balances of Rackla are as follows:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Total current assets	\$ 79,042	\$ 83,887
Total assets	225,962	231,419
Total liabilities	75,170	41,760
Net loss	38,867 <sup>(1)</sup>	161,835 <sup>(2)</sup>

<sup>(1)</sup> Net loss for three month period ended March 31, 2016.

<sup>(2)</sup> Net loss for the year ended December 31, 2015.

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

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

#### 10. MINERAL PROPERTY AND ROYALTY INTERESTS

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
<b>Balance, March 31, 2016</b>	<b>\$ 1,259,505</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,259,506</b>

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history, characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2015. Significant exploration and evaluation asset transactions that have occurred since December 31, 2015 are as follows:

##### Tambor Project - Guatemala

During the period ended March 31, 2016, the Company recognized \$221,407 in royalty revenue from the Tambor gold project, and recorded the amount as a receivable from the project owner. During the period ended March 31, 2016, the Company received payment of \$178,789 towards royalty revenue recognized during the 2015 fiscal year and subsequent to March 31, 2016, received a further payment of \$178,416. As at March 31, 2016, the amount receivable for recognized royalty revenue is \$776,392 (December 31, 2015: \$743,682).

#### 11. 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 three month periods ended March 31, 2016 and 2015.

##### b) Share Purchase Warrants

There was no share purchase warrant activity during the three month periods ended March 31, 2016 and 2015 and as at March 31, 2016, no share purchase warrants were outstanding.

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

## 12. 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 period ended March 31, 2016:

Grant date	Expiry date	Exercise price	Opening balance	During the period			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
			<b>4,775,000</b>	-	-	-	<b>4,775,000</b>	<b>4,775,000</b>
		<b>Weighted average exercise price</b>	\$0.34	-	-	-	\$0.34	\$0.34

### b) Fair Value of Options Issued During the Period

No options were granted during the period ended March 31, 2016.

The weighted average remaining contractual life of the options outstanding at March 31, 2016 is 5.26 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 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.



## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

#### 12. SHARE-BASED PAYMENTS – (cont'd)

c) Expenses Arising from Share-based Payment Transactions

No expenses arose from share-based payment transactions recognized during the periods ended March 31, 2016 and 2015 as part of share-based compensation expense.

As of March 31, 2016 there was no amount (December 31, 2015: \$Nil) of total unrecognized compensation cost related to unvested share-based compensation awards.

d) Amounts Capitalized Arising from Share-based Payment Transactions

No expenses arose from the share-based payment transactions that were capitalized during the periods ended March 31, 2016 and 2015 as part of exploration and evaluation asset acquisition costs.

#### 13. RELATED PARTY TRANSACTIONS

The Company had transactions during the three month periods ended March 31, 2015 and 2014 with related parties who consisted 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
Focus	Investment and shared general and administrative expenses
Medgold (Associate)	Investment and shared general and administrative expenses
Rackla (Associate)	Investment

In addition to related party transactions disclosed elsewhere in the condensed interim 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 periods ended March 31, 2016 and 2015:

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Expenses:		
Salaries and benefits	\$ 6,347	\$ 7,253

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 periods ended March 31, 2016 and 2015, the Company reimbursed Gold Group the following:

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
General and administrative expenses:		
Office and miscellaneous	\$ 10,329	\$ 7,919
Public relations	1,149	774
Salaries and benefits <sup>(3)</sup>	23,740	32,979
Travel and accommodation	4,331	7,760
	<b>\$ 39,549</b>	<b>\$ 51,019</b>
Exploration expenditures	\$ -	\$ 1,587

<sup>(3)</sup> Salary and benefits costs for the periods ended March 31, 2016 and 2015 include those for the Chief Financial Officer and Corporate Secretary.

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

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#### 13. RELATED PARTY TRANSACTIONS – (cont'd)

These transactions are in the normal course of operations and are measured at the fair value of the services rendered.

Prepaid expenses and deposits include an amount of \$5,775 (December 31, 2015: \$7,084) paid to Gold Group for shared office and administrative services.

Long-term deposits include an amount of \$60,000 (December 31, 2015: \$60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement dated effective July 1, 2012.

The due from related party amount of \$8,774 (December 31, 2015: \$8,224) is due from Medgold, a company which has a common director with the Company, and arose from shared administrative costs. This amount was unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include \$22,835 (December 31, 2015: \$21,913) payable to Gold Group for shared administrative costs, \$17,850 (December 31, 2015: \$8,925) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management and geological fees, and \$647 (December 31, 2015: \$ Nil) to Focus, a company with two common directors for shared administrative costs.

Subsequent to March 31, 2016, the Company acquired 495,000 common shares of Focus, a publicly listed company with two common directors, on the open market for a cost of approximately \$47,000.

#### 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 March 31,	
	2016	2015
Geological fees	\$ 15,000	\$ -
Management fees	10,500	25,500
Salaries, benefits and fees	6,417	7,333
	<b>\$ 31,917</b>	<b>\$ 32,833</b>

Total share-based payments to directors not included in the above table during the periods ended March 31, 2016 and 2015 was \$Nil.

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

#### 14. 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, Peru, Guatemala, Nicaragua, Mexico and Caymans. Details of identifiable assets by geographic segments are as follows:

<b>Period ended March 31, 2016</b>	<b>Canada</b>	<b>Guatemala</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
Royalty revenue	\$ -	\$ 221,407	\$ -	\$ -	\$ 221,407
Exploration expenditures	-	16,969	51,564	49,940	118,473
Gain on sale of available-for-sale investments	172,328	-	-	-	172,328
Investment income	685	-	-	-	685
Amortization	4,668	3,194	-	-	7,862
Net income (loss)	(389,135)	391,914	(16,022)	(81,817)	(95,060)

<b>Period ended March 31, 2015</b>	<b>Canada</b>	<b>USA</b>	<b>Guatemala</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
Exploration expenditures	\$ -	\$ 4,349	\$ 37,991	\$ 82,824	\$ 21,728	\$ 146,892
Exploration and evaluation assets written off	-	32,022	-	-	-	32,022
Investment income	16,829	-	-	-	-	16,829
Amortization	5,606	-	3,671	-	-	9,277
Net income (loss)	556,312	(4,349)	(208,741)	(55,371)	(91,514)	196,337
Capital expenditures*	-	-	-	23,821	-	23,821

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

<b>As at March 31, 2016</b>	<b>Canada</b>	<b>Guatemala</b>	<b>Peru</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
Total current assets	\$ 6,114,010	\$ 752,956	\$ -	\$ 26,497	\$ 58,306	\$ 6,951,769
Total non-current assets	516,372	3,359	1,259,505	-	-	1,779,236
<b>Total assets</b>	<b>\$ 6,630,382</b>	<b>\$ 756,315</b>	<b>\$ 1,259,505</b>	<b>\$ 26,497</b>	<b>\$ 58,306</b>	<b>\$ 8,731,005</b>
<b>Total liabilities</b>	<b>\$ 140,166</b>	<b>\$ 387</b>	<b>\$ -</b>	<b>\$ 3,895</b>	<b>\$ 5,799</b>	<b>\$ 150,247</b>

<b>As at December 31, 2015</b>	<b>Canada</b>	<b>Guatemala</b>	<b>Peru</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
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
<b>Total assets</b>	<b>\$ 4,903,716</b>	<b>\$ 762,514</b>	<b>\$ 1,259,505</b>	<b>\$ 29,537</b>	<b>\$ 132,745</b>	<b>\$ 7,088,017</b>
<b>Total liabilities</b>	<b>\$ 96,353</b>	<b>\$ 567</b>	<b>\$ -</b>	<b>\$ 4,718</b>	<b>\$ -</b>	<b>\$ 106,407</b>

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

## 15. 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 March 31, 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	March 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	\$ 195,168	\$ 146	\$ -	\$ 606	\$ 93,498	\$ 1,290	\$ 411	\$ 1,045
Receivables	731,456	26,150	2,089	-	743,682	27,592	2,261	-
Current liabilities	(10,993)	(3,895)	(387)	(5,804)	(19,141)	(4,718)	(567)	(4,769)
	<b>\$ 915,631</b>	<b>\$ 24,401</b>	<b>\$ 1,702</b>	<b>\$ (5,198)</b>	<b>\$ 818,039</b>	<b>\$ 24,164</b>	<b>\$ 2,105</b>	<b>\$ (3,724)</b>

Based on the above net exposures at March 31, 2016, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately an \$93,000 (December 31, 2015: \$84,000) increase or decrease in profit or loss, respectively.

## Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

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### 15. 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 B2Gold, Focus, and Southern Silver 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 \$510,000 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 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 March 31, 2016, the Company had working capital of \$6.8 million (December 31, 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, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties are assumed to approximate their fair values.

## Radius Gold Inc.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016

(Expressed in Canadian Dollars)

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

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

	March 31, 2016	March 31, 2016
	Book value	Fair value
Financial assets		
Shares held in Rackla and recorded as investment in associate (Note 9)	\$ 1	\$ 163,530
Shares held in Medgold and recorded as investment in associate (Note 9)	\$ 325,828	\$ 643,200

#### 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, and Southern Silver are based on quoted prices and are therefore considered to be Level 1. The embedded derivative on royalty income receivables is derived from gold prices and therefore considered to be Level 2. There were no transfers between Levels during the current period.

#### 16. 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 period ended March 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.

#### 17. CHANGE IN PRESENTATION

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



(the “Company”)

## **INTERIM MANAGEMENT’S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**

**For the Three Months Ended March 31, 2016**

### **General**

This interim Management’s Discussion and Analysis (“Interim MD&A”) supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2016. The following information, prepared as of May 26, 2016, should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for three months ended March 31, 2016 and the related notes contained therein. 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”). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2015 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2016 financial statements have not been reviewed by the Company’s auditors.

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

### **Forward Looking Information**

This Interim 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 Interim MD&A include, without limitation, statements relating to:

- the Company’s planned exploration activities for its mineral properties;
- the Company’s continued receipt of 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;
- continued 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 Interim MD&A.

Forward-looking Statements contained in this Interim 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;
- royalty payments from the Tambor Project will continue to be received;
- 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 includes 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, the Company has been receiving royalty payments from the project owner. As of March 31, 2016, the Company has recognized net royalty income of \$1,320,319, of which \$793,497 has been received to date. For further details on this revenue source for the Company, 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 the current rebounding markets, the Company decided in early 2016 to sell the majority of 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:

- 2,290,000 shares of B2Gold were sold, for net proceeds of \$4.69 million.
- 3,808,500 shares of Southern Silver Exploration Corp. (“Southern Silver”) were sold, for net proceeds of approximately \$523,000.
- 495,000 shares of Focus Ventures Ltd. (“Focus”) were purchased in the market, at a cost of approximately \$47,000.

The Company’s current cash and cash equivalents on hand is approximately \$5.2 million and its current investments consist of:

<i>B2Gold</i> 300,000 shares - approximately 0.03% of issued. Current market value: \$753,000	B2Gold is a Vancouver based gold producer with four operating mines, one mine under construction and numerous exploration projects across four continents in various countries, including Nicaragua, the Philippines, Namibia, Mali and Burkina Faso.
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<p><i>Focus</i> 3,333,406 shares – approximately 2.8% of issued. Current market value: \$266,000</p> <p>Plus: warrants to purchase an additional 1,831,000 shares</p>	<p>Focus is a Canadian-listed exploration company developing the Bayovar 12 sedimentary phosphate resource in northern Peru.</p>
<p><i>Medgold Resources Corp. (“Medgold”)</i> 8,040,000 shares – approximately 14.9% of issued. Current market value: \$964,000</p> <p>Plus: warrants to purchase an additional 2,000,000 shares</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 – approximately 19.7% of issued. Current market value: \$208,000</p> <p>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> 2,191,500 shares – approximately 3.3% of issued. Current market value: \$547,000</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>

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. As of March 31, 2016, the Company has recognized net royalty income of \$1,320,319 of which \$793,497 has been received to-date.

Management has been advised by KCA that Tambor has been producing at about 220 tonnes per day of dry ore feed to the mill which is operating at about 85% monthly availability. Throughput is about 5,700 tonne per month at an average grade of about 8.0 g/t gold. Recoveries have been below target but recent changes and ongoing optimization work are expected to bring the recoveries up to greater than 75% in due course.

In mid May 2016, management of the Company became aware of media reports in Guatemala regarding a temporary suspension of mining operations at the Tambor. The Company is awaiting clarification of this situation.

#### *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. 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.

#### Property Interests

##### *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 has the right until January 2017 to earn a 60% interest in the Tlacolula project 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., and to complete the option payments, Fortuna must pay to the Company US\$100,000 in cash and US\$100,000 worth of shares in Fortuna within 90 days of completion of the 1,500 metre drill program. Fortuna has not yet received a drill permit. 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.

#### Outlook

The Company continues to conduct its property investigations in the United States and Mexico, using a low cost and effective method of field testing targets that are generated by its geologists 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 Interim MD&A.*

#### **Quarterly Information**

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

Quarter ended	Mar. 31, 2016 (\$)	Dec. 31, 2015 (\$)	Sep. 30, 2015 (\$)	June 30, 2015 (\$)	Mar. 31, 2015 (\$)	Dec. 31, 2014 (\$)	Sep. 30, 2014 (\$)	June 30, 2014 (\$)
Royalty revenue, net	221,407	343,350	267,729	487,833	-	-	-	-
Investment and other income	685	18	34	412	16,829	16,115	11,227	11,985
Exploration expenditures	118,473	129,728	85,723	189,627	146,892	524,667	519,535	212,066
Net income (loss)	(95,060)	(842,842)	(1,287,262)	58,318	196,337	(1,005,167)	(1,000,792)	(355,242)
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.02)	0.00	0.00	(0.01)	(0.01)	(0.00)

The Company started to record royalty revenue from production at the Tambor Project during the quarter ended June 30, 2015 and continued to do so up to the most recent quarter. The quarter ended March 31, 2015 included 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. The net losses for the quarters ended December 31, 2015, September 30, 2015, December 31, 2014, and September 30, 2014 were all impacted by impairment charges against available-for-sale investments with the most significant being \$1,243,199 in the quarter ended September 30, 2015.

## **Results of Operations**

### *Quarter ended March 31, 2016*

The quarter ended March 31, 2016 had a net loss of \$95,060 compared to a net income of \$196,337 for the quarter ended March 31, 2015, a difference of \$291,397. The current quarter included net royalty income of \$221,407 relating to the Tambor Project and a gain of \$172,328 on the sale of available-for-sale investments which were partially offset by an impairment charge of \$141,920 on available-for-sale investments, a foreign exchange loss of \$64,596, and the Company's share of post-tax losses of associated companies totaling \$44,000. The Company did not record royalty income during the comparative quarter but did record a recovery of receivables of \$423,055 relating to the Tambor Project and a gain of \$180,000 on conversion of a loan which resulted in a net income for that quarter. As with the current quarter, the comparative quarter also recorded its share of post-tax losses of associated companies totaling \$56,000. Exploration expenditures in the current quarter totaled \$118,473 compared to \$146,892 in the comparative quarter, a decrease of \$28,419. Exploration expenditures include property investigation costs which relate to evaluating new opportunities.

General and administrative expenses for the quarter ended March 31, 2016 were \$120,491 compared to \$228,258 for the comparative quarter, a decrease of \$107,767. Notable changes in the current quarter compared to the comparative quarter were cost decreases in legal and audit fees, salaries and benefits, management fees, transfer agent and regulatory fees, and shareholder communications. These costs were higher in the comparative quarter due to additional activities in preparation of the Change of Business that took effect during that period. Management fees are also lower during the current quarter as the compensation for the Chief Executive Officer has been allocated between management and geological services.

## **Mineral Properties Expenditures**

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

Mexico - A total of \$51,564 was incurred on exploration, property investigation, and miscellaneous administrative costs.

Guatemala - A total of \$16,969 was incurred on property investigation and care and maintenance related costs.

Other - A total of \$49,940 was incurred on property investigation and care and maintenance related costs in regions other than Mexico and Guatemala.

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

## **Liquidity and Capital Resources**

The Company's cash and cash equivalents increased from \$151,861 at December 31, 2015 to approximately \$1.01 million at March 31, 2016. As at March 31, 2016, working capital was \$6.8 million compared to \$5.15 million at December 31, 2015. Included in working capital is the value of the Company's investment in B2Gold common shares which as at March 31, 2016, consisted of 2.09 million shares and had a fair value of \$4.5 million. During the period ended March 31, 2016, the Company sold 500,000 B2Gold shares for net proceeds of \$872,328. Subsequent to March 31, 2016, the Company sold an additional 1,790,000 B2Gold shares for net proceeds of approximately \$3.82 million.

In addition to the remaining 300,000 B2Gold shares, the Company currently holds as part of its available-for-sale investments 3,333,406 common shares of Focus Ventures Ltd. ("Focus"), of which 495,000 shares were acquired on the open market subsequent to March 31, 2016 at a cost of approximately \$47,000. Subsequent to March 31,

2016, the Company sold 3,808,500 Southern Silver shares for net proceeds of approximately \$523,000, leaving a current balance of 2,191,500 shares held.

As at March 31, 2016, the carrying amount for all available-for-sale investments was \$5.1 million compared to \$4.3 million as at December 31, 2015. Although the Company sold 500,000 shares of B2Gold during the period ended March 31, 2016, the overall carrying amount of its available-for-shares increased since December 31, 2015 due to a significant increase in B2Gold's share price.

The Company also holds 8,040,000 common shares in Medgold and 2,973,275 common shares in Rackla with fair values as at March 31, 2016 of \$643,200 and \$163,530, respectively. The investments in Medgold and Rackla are being accounted for as investments in associates, using the equity method, since the Company may be able to exercise significant influence on the investments. The Company also currently holds 2,000,000 Medgold and 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 accrue royalty revenue from production at the previously held Tambor Project. Net royalty revenue totaling \$1,098,912 was recorded for the 2015 fiscal year and a further \$221,407 accrued for the period ended March 31, 2016. To date, the Company has received \$793,497 with the balance being recorded as a receivable. Royalty revenue beyond the period ended March 31, 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 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 operating lease agreements for its office premises. The Company also shares space with other companies related by common directors and officers on a month to month basis, and the amounts such companies contribute to the lease costs are netted against the Company's lease expense. There are, however, no commitments from these companies and thus the amounts presented below are the Company's gross commitments. Expected lease payments due by period as at March 31, 2016 are as follows:

Less than 1 year	\$	188,212
1 – 3 years		381,216
4 – 5 years		142,956
After 5 years		-
<b>Total</b>	<b>\$</b>	<b>712,384</b>

#### **Related Party Transactions**

Subsequent to March 31, 2016, the Company acquired 495,000 common shares of Focus, a publicly listed company with two common directors, on the open market at a cost of approximately \$47,000.

See Note 13 of the condensed interim consolidated financial statements for the three months ended March 31, 2016 for details of related party transactions which occurred in the normal course of business.

#### **Other Data**

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

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

As at May 26, 2016, the Company's outstanding share position is 86,675,617 common shares and the following incentive stock options are outstanding:

<b><u>STOCK OPTIONS</u></b>		
<b>Number of options</b>	<b>Exercise price</b>	<b>Expiry date</b>
1,570,000	\$0.29	January 7, 2020
100,000	\$0.36	May 25, 2020
820,000	\$0.69	September 23, 2020
150,000	\$0.81	July 26, 2021
2,135,000	\$0.20	December 12, 2022
<b>4,775,000</b>		

### **Investments in Associates**

The Company currently has investments in two associated companies, Medgold and Rackla, which are equity accounted for in the condensed interim consolidated financial statements. During the period ended March 31, 2016, there were no significant transactions between the Company and its investees other than the Company recording \$44,000 for its share of Medgold's losses during the same period. See Note 9 of the condensed interim consolidated financial statements for the three months ended March 31, 2016 for details regarding the Company's investment in associates.

### **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.

#### *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 no source of operating cash flow 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 care and 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**

INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the three months ended March 31, 2016

	<b>Guatemala</b>		<b>Guatemala</b>		<b>Mexico</b>	<b>Other</b>	<b>Total</b>
			General	Mineral	General	General	
	Exploration	Concessions	Exploration	Exploration	Exploration	Exploration	
Exploration administration	\$ 6,516	\$ 2,253	\$ 568	\$ 2,336	\$ 11,673		
Geochemistry	-	-	5,264	-	5,264		
Geological services	4,878	-	31,912	47,250	84,040		
Legal and accounting	525	-	1,403	354	2,282		
Licenses, rights and taxes	543	876	-	-	1,419		
Travel and accommodation	1,378	-	12,417	-	13,795		
	<b>\$ 13,840</b>	<b>\$ 3,129</b>	<b>\$ 51,564</b>	<b>\$ 49,940</b>	<b>\$ 118,473</b>		

INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the three months ended March 31, 2015

	<b>USA</b>		<b>Guatemala</b>		<b>Mexico</b>	<b>Other</b>	<b>Total</b>
	General	Mineral	General	Mineral	General	General	
	Exploration	Concessions	Exploration	Concessions	Exploration	Exploration	
Camp, food and supplies	\$ -	\$ 2,486	\$ -	\$ -	\$ -	\$ -	\$ 2,486
Environment	-	-	-	801	-	-	801
Exploration administration	-	-	3,017	2,062	1,244	230	6,553
Geochemistry	823	-	772	-	3,112	-	4,707
Geological services	525	-	14,192	-	36,366	19,657	70,740
Legal and accounting	-	-	1,345	-	1,525	319	3,189
Public relations	-	-	-	3,384	-	-	3,384
Rent and utilities	-	-	3,837	-	-	-	3,837
Salaries and wages	-	515	7,123	-	21,072	1,522	30,232
Travel and accommodation	-	-	1,458	-	19,505	-	20,963
	<b>\$ 1,348</b>	<b>\$ 3,001</b>	<b>\$ 31,744</b>	<b>\$ 6,247</b>	<b>\$ 82,824</b>	<b>\$ 21,728</b>	<b>\$ 146,892</b>