



FINANCIAL REVIEW

Fiscal Year Ended December 31, 2017



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RADIUS GOLD INC.

We have audited the accompanying consolidated financial statements of Radius Gold Inc., which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained 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. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of Radius Gold Inc. as at December 31, 2016 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements dated May 1, 2017.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2018

Vancouver

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

T: 604 687 1231
F: 604 688 4675

Langley

305 – 9440 202 St
Langley, BC V1M 4A6

T: 604 282 3600
F: 604 357 1376

Nanaimo

201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1

T: 250 755 2111
F: 250 984 0886

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

As at:	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	\$ 3,317,667	\$ 5,130,064
Available-for-sale investments (Note 6)	4,938,978	2,793,962
Derivative investments (Note 6)	204,252	-
Receivables (Note 7)	78,752	194,586
Due from related parties (Note 15)	-	16,800
Prepaid expenses and deposits (Note 15)	44,426	188,833
Total current assets	8,584,075	8,324,245
Non-current assets		
Long-term deposits (Note 15)	123,098	123,098
Property and equipment (Note 8)	71,053	53,354
Mineral and royalty interests (Note 10)	1,410,142	1,348,165
Investment in associate (Note 9)	1	1
Total non-current assets	1,604,294	1,524,618
TOTAL ASSETS	\$ 10,188,369	\$ 9,848,863
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	\$ 199,278	\$ 107,884
Shareholders' equity		
Share capital (Note 12)	56,592,613	56,592,613
Other equity reserve	6,849,808	6,849,808
Deficit	(54,326,100)	(54,520,103)
Accumulated other comprehensive income	872,770	818,661
Total shareholders' equity	9,989,091	9,740,979
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 10,188,369	\$ 9,848,863

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON APRIL 26, 2018 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 AND COMPREHENSIVE INCOME**

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
Royalty Revenue (Note 10)	\$ -	\$ 431,643
Exploration expenditures (Notes 15)	1,140,432	544,586
Write-down of exploration and evaluation assets (Note 10)	69,187	-
	1,209,619	544,586
General and administrative expenses		
Amortization (Note 8)	19,758	24,812
Legal and audit fees	72,797	107,584
Management fees (Note 15)	42,000	42,000
Office and miscellaneous (Note 15)	104,399	141,286
Salaries and benefits (Note 15)	114,076	128,020
Share-based compensation (Note 13)	-	213,150
Shareholder communications (Note 15)	13,346	18,745
Transfer agent and regulatory fees (Note 15)	18,125	14,548
Travel and accommodation (Note 15)	23,441	11,287
	407,942	701,432
Loss from operations	(1,617,561)	(814,375)
Share of post-tax losses of associates (Note 9)	(50,000)	(136,000)
Gain on sale of mineral property interest (Note 10)	1,658,928	-
Gain on property assignment (Note 6)	606,664	-
Gain on dilution in associated company (Note 9)	-	170,045
Gain on reclassification as available-for-sale investment (Notes 6 and 9)	-	691,727
Foreign currency exchange gain (loss)	16,256	(37,286)
Gain on sale of available-for-sale investments (Note 6)	204,346	2,688,336
Impairment of available-for-sale investments (Note 6)	(839,555)	(205,321)
Fair value gain of derivative investments (Note 6)	204,252	-
Gain from mineral property option agreements (Note 10)	-	276,252
Investment income	10,673	13,068
Impairment of receivables (Notes 7 and 10)	-	(784,180)
Net income for the year	\$ 194,003	\$ 1,862,266
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale investments (Note 6)	54,109	683,953
Total comprehensive income	\$ 248,112	\$ 2,546,219
Basic and diluted income per share	\$0.00	\$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 SHAREHOLDERS' EQUITY**

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income	Accumulated deficit	Total
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
Income for the year	-	-	-	-	194,003	194,003
Available-for-sale investments	-	-	-	54,109	-	54,109
Balance, December 31, 2017	86,675,617	\$56,592,613	\$ 6,849,808	\$ 872,770	\$(54,326,100)	\$ 9,989,091

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, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net income for the year	\$ 194,003	\$ 1,862,266
Items not involving cash:		
Amortization	19,758	24,812
Gain from mineral property option agreements	-	(276,252)
Gain on sale of mineral property interest	(1,658,928)	-
Gain on property assignment	(606,664)	-
Impairment of receivable	-	784,180
Write-down of exploration and evaluation assets	69,187	-
Gain on reclassification as available-for-sale investment	-	(691,727)
Impairment of available-for-sale investments	839,555	205,321
Gain on sale of available-for-sale investments	(204,346)	(2,688,336)
Fair value gain of derivative investments	(204,252)	-
Share of post-tax losses of associates	50,000	136,000
Gain on dilution in associate	-	(170,045)
Share-based compensation	-	213,150
	(1,501,687)	(600,631)
Changes in non-cash working capital items:		
Receivables	115,834	(194,002)
Prepaid expenses and deposits	144,407	(129,180)
Long-term deposits	-	499
Due from related parties	16,800	(8,576)
Accounts payable and accrued liabilities	91,394	1,479
Cash used in operating activities	(1,133,252)	(930,411)
INVESTING ACTIVITIES		
Purchase of investments	(951,230)	(593,314)
Investment in associate	(50,000)	-
Expenditures on exploration and evaluation asset acquisition costs	(131,164)	(112,407)
Proceeds from disposal of mineral property	186,710	-
Proceeds from mineral property option agreements	-	75,000
Proceeds from sale of available-for-sale investments	303,996	6,539,335
Purchase of property and equipment	(37,457)	-
Cash provided by (used for) investing activities	(679,145)	5,908,614
Increase (decrease) in cash and cash equivalents	(1,812,397)	4,978,203
Cash and cash equivalents, beginning of year	5,130,064	151,861
Cash and cash equivalents, end of year	\$ 3,317,667	\$ 5,130,064

Supplemental Cash Flow Information (Note 19)

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, 2017

(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 under the laws of British Columbia.

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

2. BASIS OF PREPARATION

These consolidated 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.

Statement of Compliance

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

Basis of Measurement

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

The consolidated financial statements are presented in Canadian dollars (“CDN”), which is the Company’s and its subsidiaries’ 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 consolidated financial statements are disclosed in Note 4.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(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 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, 2017 and 2016 are as follows:

<u>Name</u>	<u>Place of Incorporation</u>	<u>Interest %</u>	<u>Principal Activity</u>
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 the Company 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, 2017 and 2016, there was no embedded derivative.

c) Investment in Associates

Where the Company has significant influence over 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 profit or loss, 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, 2017

(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 profit or loss.

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 income and 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, 2017

(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, 2017

(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 the Company.

For the years ended December 31, 2017 and 2016, potentially dilutive common shares (relating to options outstanding at year-end) totalling 5,070,000 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 periods 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. The proceeds received are first allocated to common shares at the time the units are priced, and any excess is allocated to warrants.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss. 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, 2017 and 2016, the Company had no significant asset retirement or rehabilitation obligations.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(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.

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.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Canadian Dollars)

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

n) Financial Instruments – (cont'd)

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.

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 equivalents	Fair value through profit or loss
Available-for-sale investments	Available-for-sale financial assets
Receivables	Loans and receivables
Due from related parties	Loans and receivables
Deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Derivative instruments	Fair value through profit or loss

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(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 standards 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:

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 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. The Company expects the above standard to have a significant impact on the presentation of the consolidated financial statements and is currently in the process of evaluating its impact on the consolidated financial statements.

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

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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

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

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*, 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 the Company's annual period beginning 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.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration.

On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for the Company's annual period beginning January 1, 2018. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

- a) 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");

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – (cont'd)

- 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 are 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 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, and derivative instruments, 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.

As at December 31,		
Cash and cash equivalents is comprised of:	2017	2016
Cash	\$ 2,858,611	\$ 2,644,302
Cash equivalents	459,056	2,485,762
	<u>\$ 3,317,667</u>	<u>\$ 5,130,064</u>

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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6. INVESTMENTS

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 are carried at cost. As of December 31, 2017, and 2016, available-for-sale investments consisted of the following:

Number of common shares held as at December 31:

	2017	2016
Advantage Lithium Corp. ("Advantage")	-	250,000
CROPS Inc. (formerly Focus Ventures Ltd.) ("CROPS")	2,564,027	1,272,102
Fortuna Silver Mines Inc. ("Fortuna")	239,385	-
GrowMax Resources Corp. ("GrowMax")	1,200,000	500,000
Medgold Resources Corp. ("Medgold")	10,040,000	10,040,000
Southern Silver Exploration Corp. ("Southern Silver")	1,407,000	1,500,000
ValGold Resources Ltd ("ValGold")	1,000,000	-
Volcanic Gold Mines Inc. ("Volcanic")	3,222,883	-
War Eagle Mining Company Inc. (formerly Champagne Resources Limited) ("War Eagle")	625,000	625,000

	Advantage	B2Gold	CROPS	Fortuna	GrowMax	Medgold
Balance, December 31, 2015	\$ -	\$ 3,626,000	\$ 326,417	\$ -	\$ -	\$ -
Acquisition of shares	225,000	-	172,958	-	70,355	300,000
Disposition of shares	-	(3,626,000)	-	-	-	-
Impairment adjustment	-	-	(205,321)	-	-	-
Reclassification as investment in associate (Note 9)	-	-	-	-	-	1,095,600
Net change in fair value recorded in other comprehensive income	17,500	-	(14,192)	-	7,145	261,000
Balance, December 31, 2016	242,500	-	279,862	-	77,500	1,656,600
Acquisition of shares	-	-	229,481	1,472,218	81,649	-
Disposition of shares	(95,000)	-	-	-	-	-
Impairment adjustment	(130,000)	-	(252,940)	-	-	-
Net change in fair value recorded in other comprehensive income	(17,500)	-	-	98,148	(33,149)	(50,200)
Balance, December 31, 2017	\$ -	\$ -	\$ 256,403	\$ 1,570,366	\$ 126,000	\$ 1,606,400

	Southern Silver	ValGold	Volcanic	War Eagle	Total
Balance, December 31, 2015	\$ 300,000	\$ -	\$ -	\$ -	\$ 4,252,417
Acquisition of shares	-	-	-	50,000	818,313
Disposition of shares	(225,000)	-	-	-	(3,851,000)
Impairment adjustment	-	-	-	-	(205,321)
Reclassification as investment in associate (Note 9)	-	-	-	-	1,095,600
Net change in fair value recorded in other comprehensive income	412,500	-	-	-	683,953
Balance, December 31, 2016	487,500	-	-	50,000	2,793,962
Acquisition of shares	-	65,000	1,181,764	-	3,030,112
Disposition of shares	(4,650)	-	-	-	(99,650)
Impairment adjustment	-	-	(456,615)	-	(839,555)
Net change in fair value recorded in other comprehensive income	51,810	5,000	-	-	54,109
Balance, December 31, 2017	\$ 534,660	\$ 70,000	\$ 725,149	\$ 50,000	\$ 4,938,978

Radius Gold Inc.

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6. INVESTMENTS – (cont'd)

CROPS and Fortuna each have two common directors with the Company. Medgold and Volcanic each have one common director with the Company. All companies are publicly listed companies with the exception of War Eagle which was a private company as of December 31, 2017. Subsequent to December 31, 2017, Champagne completed a merger with War Eagle Mining Company Inc. whereby the 625,000 common shares of Champagne held by the Company were converted to 233,781 common shares of War Eagle. War Eagle is a publicly listed company. Also subsequent to December 31, 2017, CROPS changed its name from Focus Ventures Ltd. and completed a share consolidation so that every four existing common shares of CROPS were exchanged for one new common share of CROPS.

As at December 31, 2017, the fair value based on published market prices of the available-for-sale investments that are publicly listed was \$4,888,978 (2016: \$2,743,962) and the cost of the War Eagle available-for-sale investment was \$50,000 (2016: \$50,000).

During the year ended December 31, 2017, impairment charges of \$130,000 and \$456,615 were recorded against the Advantage and Volcanic shares, respectively, due to their fair value declining significantly below their cost base and an impairment charge of \$252,940 was recorded against the CROPS shares due to the fair value of the shares being less than the cost base (2016: an impairment charge of \$205,321 was recorded against the CROPS shares).

During the year ended December 31, 2017, the Company completed the following transactions:

- i) Sold 93,000 shares of Southern Silver for net proceeds of \$41,188 and recorded a gain of \$36,538;
- ii) Purchased 685,675 units of a CROPS private placement at a cost of \$137,135. Each unit consists of one common share of CROPS and one share purchase warrant; each full warrant entitling the Company to purchase one additional common share of CROPS at \$0.40 for five years. The 685,675 share purchase warrants acquired in this private placement are recorded as a derivative investment as of December 31, 2017 with a corresponding gain of \$30,717 being charged to operations. The fair value of the warrants was determined using the Black-Scholes option pricing model with inputs being an expected volatility factor of 77%; risk-free interest rate of 1.81%, expected life of 4.22 years, and expected dividend yield of 0%. The CROPS share purchase warrants are not tradable on an exchange;
- iii) Purchased 606,250 common shares of CROPS in the open market at a cost of \$92,346;
- iv) Received 1,263,883 common shares of Volcanic with a fair value of \$606,664 at the time of issuance, pursuant to a mineral property assignment agreement described below;
- v) Received 239,385 common shares of Fortuna with a fair value of \$1,472,218 at the time of issuance, pursuant to a sale of a mineral property (Note 10);
- vi) 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. The 417,000 share purchase warrants acquired in this private placement are recorded as a derivative investment with a gain of \$1,255 being charged to operations. The fair value of the warrants was determined using the Black-Scholes option pricing model with inputs being an expected volatility factor of 89%; risk-free interest rate of 1.66%, expected life of 0.01 years, and expected dividend yield of 0%.;
- vii) 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 1,125,000 share purchase warrants acquired in this private placement are recorded as a derivative investment with a gain of \$106,457 being charged to operations. The fair value of the warrants was determined using the Black-Scholes option pricing model with inputs being an expected volatility factor of 89%; risk-free interest rate of 1.81%, expected life of 4.19 years, and expected dividend yield of 0%. The Volcanic share purchase warrants are not tradable on an exchange;

Radius Gold Inc.

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For the year ended December 31, 2017

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6. INVESTMENTS – (cont'd)

- viii) Purchased 700,000 common shares of GrowMax in the open market at a cost of \$81,649;
- ix) Purchased 1,000,000 units of a ValGold private placement at a cost of \$65,000. Each unit consists of one common share of ValGold and one share purchase warrant; each full warrant entitling the Company to purchase one additional common share of ValGold at \$0.10 for two years. The 1,000,000 share purchase warrants acquired in this private placement are recorded as a derivative investment with a gain of \$58,301 being charged to operations. The fair value of the warrants was determined using the Black-Scholes option pricing model with inputs being an expected volatility factor of 221%; risk-free interest rate of 1.68%, expected life of 1.76 years, and expected dividend yield of 0%. The ValGold share purchase warrants are not tradable on an exchange; and
- x) Sold in the open market 250,000 common shares of Advantage for net proceeds of \$262,808 and recorded a gain of \$167,808.
- xi) The 312,500 share purchase warrants of War Eagle acquired in the year ended December 31, 2016, are recorded as a derivative investment with a gain of \$7,522 being charged to operations. The fair value of the warrants are determined using the Black-Scholes option pricing model with inputs being an expected volatility factor of 100%; risk-free interest rate of 1.68%, expected life of 1.50 years, and expected dividend yield of 0%. The War Eagle share purchase warrants are not tradeable on an exchange.

The Company also held as at December 31, 2017, 3,973,275 free trading common shares of Rackla with a fair value of \$456,927 as of December 31, 2017 but they are recorded as an investment in associate (Note 9).

Subsequent to the year ended December 31, 2017, the Company completed the following transactions:

- i) Purchased in the open market 86,500 common shares of Medgold at a cost of \$18,064; and
- ii) Sold in the open market 147,500 common shares of Southern Silver for net proceeds of \$39,487.

During the year ended December 31, 2016, the Company 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 192,500 units of a CROPS private placement at a cost of \$50,050. Each unit consists of one common share of CROPS and one share purchase warrant; each full warrant entitling the Company to purchase one additional common share of CROPS at \$0.30 for one year. The CROPS share purchase warrants are not tradable on an exchange;
- iii) Acquired 192,500 CROPS shares upon the exercise of 192,500 share purchase warrants at a cost of \$57,750, and 177,500 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 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 War Eagle 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.

Radius Gold Inc.

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For the year ended December 31, 2017

(Expressed in Canadian Dollars)

6. INVESTMENTS – (cont'd)

In 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”). During the year ended December 31, 2017, 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 (note 6(iv)). 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. As at December 31, 2017, the Company and Volcanic have one common director.

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 \$1,095,600. 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 and 2017 to 10,040,000.

7. RECEIVABLES

	December 31, 2017	December 31, 2016
Royalty revenue receivable	\$ 784,180	\$ 784,180
Provision for impairment (Note 10 – Guatemala Tambor Project)	(784,180)	(784,180)
Royalty revenue receivable, net	-	-
Sales taxes	70,945	34,253
Other receivables	7,807	160,333
	\$ 78,752	\$ 194,586

The provision for impairment of the royalty receivable was included in profit or loss during 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 and 2017 as the Company has allowed Kappes, Cassidy & 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).

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Trucks	Computer equipment	Furniture and equipment	Geophysical equipment	Field equipment	Total
Cost							
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
Additions	-	37,457	-	-	-	-	37,457
Balance, December 31, 2017	\$ 62,762	\$ 253,095	\$ 252,068	\$ 62,656	\$ 84,882	\$ 2,480	\$ 717,943
Accumulated amortization							
Balance, December 31, 2015	\$ 42,367	\$ 208,680	\$ 232,085	\$ 49,653	\$ 67,409	\$ 2,126	\$ 602,320
Charge for year	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
Charge for year	6,300	4,173	4,225	2,191	2,795	74	19,758
Balance, December 31, 2017	\$ 54,967	\$ 219,811	\$ 242,211	\$ 53,896	\$ 73,699	\$ 2,306	\$ 646,890
Carrying amounts							
At December 31, 2016	\$ 14,095	\$ -	\$ 14,082	\$ 10,951	\$ 13,978	\$ 248	\$ 53,354
At December 31, 2017	\$ 7,795	\$ 33,284	\$ 9,857	\$ 8,760	\$ 11,183	\$ 174	\$ 71,053

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. INVESTMENT IN ASSOCIATES

Medgold

As at December 31, 2017, the Company held 10,040,000 (2016: 10,040,000) common shares of Medgold, representing 11.2% of Medgold's outstanding common shares.

Medgold previously met the definition of an associate and was equity accounted for in the consolidated financial statements. During the year ended December 31, 2016, Medgold no longer met the definition of an associate when the Company's 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 third 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 \$1,095,600 and its carrying cost was \$403,873. As a result, a gain of \$691,727 was recognized in the consolidated statement of income and comprehensive income 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% as a result of an increase in the issued capital of Medgold. Accordingly, the Company recorded a gain on dilution of \$170,045 for the year ended December 31, 2016.

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

Balance, December 31, 2015	\$	369,828
Less: share of losses in associate		(136,000)
Gain on dilution		170,045
Reclassification to an available-for-sale investment		(403,873)
Balance, December 31, 2016	\$	-

The financial statement balances of Medgold were as follows:

		June 30, 2016⁽¹⁾
Total current assets	\$	1,507,091
Total assets	\$	2,039,702
Total liabilities	\$	497,674
Net loss ⁽²⁾	\$	1,016,621

⁽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.

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9. INVESTMENT IN ASSOCIATES – (cont'd)

Rackla

As at December 31, 2017, the Company held 3,973,275 (2016: 2,973,275) common shares of Rackla, representing 19.8% (2016: 19.7%) of Rackla's outstanding common shares. During the year ended December 31, 2017, the Company exercised its 1,000,000 share purchase warrants for 1,000,000 common shares of Rackla at a cost of \$50,000. The Rackla share purchase warrants were not tradable on an exchange.

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, 2016 to December 31, 2017:

Balance, December 31, 2015 and 2016	\$	1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2017	\$	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 2017 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 as at December 31, 2017. The cumulative unrecognized share of losses for the associate is \$567,382.

The financial statement balances of Rackla are as follows:

	December 31, 2017	December 31, 2016
Total current assets	\$ 250,862	\$ 36,537
Total assets	\$ 316,474	\$ 104,597
Total liabilities	\$ 225,230	\$ 133,476
Net loss	\$ 130,627	\$ 219,288

At December 31, 2017, the fair value of the 3,973,275 common shares of Rackla was \$456,927 (2016: \$445,991 fair value of 2,973,275 common shares).

Radius Gold Inc.

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(Expressed in Canadian Dollars)

10. MINERAL INTERESTS AND ROYALTIES

Acquisition costs	Peru	United States	Guatemala	Mexico	Total
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	88,659	1	-	1,348,165
Additions - cash	-	117,816	-	13,348	131,164
Write-off acquisition costs	-	(69,187)	-	-	(69,187)
Balance, December 31, 2017	\$ 1,259,505	\$ 137,288	\$ 1	\$ 13,348	\$ 1,410,142

USA

i) Bald Peak Property

In February 2017, 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 to Nevada Select of \$46,032 (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.

Subsequent to its agreement with Nevada Select, the Company staked an additional 113 unpatented mining claims at a cost of \$71,784, increasing the land position of the Bald Peak Property to 151 unpatented mining claims in Mineral County, Nevada, and one mineral prospecting licence in Mono County, California.

ii) 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 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:

- cash payments to Kinetic totaling 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
- 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.

iii) ABC Property

In 2016, the Company staked 122 contiguous United States federal mining claims (covering approximately 992 hectares) in Mineral County, Nevada. During the year ended December 31, 2017, the Company wrote off acquisition costs of \$69,187 relating to the ABC Property as the Company allowed the claims to lapse.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Canadian Dollars)

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

USA – (cont'd)

iv) Coyote Property

Subsequent to December 31, 2017, the Company was granted a lease and option agreement with Geologic Services Inc. (“Geologic”) on the Coyote gold property which consists of 58 unpatented mineral claims located in Elko County, Nevada.

Geologic granted the Company an exclusive lease of a 100% interest in the property for a period of up to 15 years, in consideration for the granting to Geologic of a 2.0% to 3.0% NSR royalty, the percentage to depend on the prevailing price of gold. In order to keep the lease in good standing, the Company is to make annual advance royalty payments to Geologic, beginning with a payment of US\$25,000 that was made upon the execution of the agreement.

At any time during the term of the lease, the Company may elect to acquire a 100% interest in the Coyote property by making a cash payment of US\$2.0 million to Geologic.

Mexico

i) Amalia Project

In June 2017, the Company signed a binding agreement with a private individual to option the (380-hectare) Amalia Project in the State of Chihuahua, Mexico. The Company can earn a 100% interest in the Amalia Project by making an initial cash payment of US\$5,000 (paid) and by completing staged payments over a period of five years totaling US\$845,000 cash and, subject to stock exchange approval, US\$15,000 in shares of the Company.

Following the signing of the option agreement, the Company staked an additional 10,000 hectares surrounding the Amalia Project. A total of \$13,348 in acquisition costs have been recorded for this property during the year ended December 31, 2017.

ii) Tarros Project

In September 2017, the Company signed a binding agreement with a private Mexican company to option the (473-hectare) Tarros Project in the State of Chihuahua, Mexico. The Company could earn a 100% interest in the Tarros Project by making an initial cash payment of US\$3,250 (paid) and by completing staged payments over a period of 4.5 years totaling US\$1,098,500. As at December 31, 2017, the carrying value of the Tarros Project was \$Nil. The Company expensed the US\$3,250 paid as the project is no longer recoverable.

Subsequent to December 31, 2017, the Company terminated the option agreement prior to the due date of the next required cash option payment.

iii) Tlacolula Property

The Tlacolula Property consists of one granted exploration concession.

By an agreement signed in September 2009, as amended, the Company granted to 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.

Fortuna did not meet the January 31, 2017 deadline for making the required exploration expenditures. Accordingly, during the year ended December 31, 2017, the Company and Fortuna amended the option so that Fortuna could acquire a 100% interest in the Property, subject to a 2% royalty being retained by the Company. On July 31, 2017, the sale of the Tlacolula Property to Fortuna was completed with a cash payment of \$187,710 (US\$150,000), granting of the 2% royalty, and issuance of 239,385 Fortuna shares with a fair value of \$1,472,218. The Company incurred \$1,000 in transaction costs. A gain of \$1,658,928 was recorded for this transaction during the year ended December 31, 2017.

The Company and Fortuna have two common directors.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Canadian Dollars)

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

Mexico – (cont'd)

iii) Lithium Brine Projects

In 2016, the Company submitted applications for mineral concessions covering four lithium brine projects in the States of Chihuahua and Coahuila, 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.

During the year ended December 31, 2017, Advantage advised the Company that it had decided to focus its efforts in countries other than Mexico and therefore terminated the option agreement. Also during the current year, the Company submitted an application for an additional 10,000 hectare mineral concession covering an adjacent lithium brine project in the State of Chihuahua, but subsequently withdrew this and allowed the three other lithium applications in Chihuahua to lapse. The Company currently retains one application in the State of Coahuila. As at December 31, 2017, the carrying value of the Lithium Brine Projects is \$nil (2016: \$nil).

Guatemala

i) Tambor Project Royalty

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. In May 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.

There was no royalty income recognized for the year ended December 31, 2017 (2016: \$431,643).

As at December 31, 2017, 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 was charged to operations in 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, 2017 consist of 34 concessions (one granted exploration licence, twenty-nine exploration applications, three exploitation applications, and one reconnaissance application) filed with the Guatemala Ministry of Energy and Mines covering a total of 228,264 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, the property has a nominal carrying value of \$1.

Radius Gold Inc.

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For the year ended December 31, 2017

(Expressed in Canadian Dollars)

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

Peru

Bayovar 12 Project Royalty

In April 2015, the Company purchased from CROPS a production royalty equivalent to 2% of CROPS'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, CROPS will retain a first right of refusal. The Company and CROPS have two common directors.

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:

2018	\$	190,608
2019		190,608
	\$	381,216

For the year ended December 31, 2017, the Company received a total of \$160,663 (2016: \$147,441) from those companies which share office space with the Company.

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, 2017 and 2016.

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, 2017:

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	1,245,000	-	-	-	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	100,000	-	-	-	100,000	100,000
Dec 13, 2012	Dec 12, 2022	\$0.20	1,885,000	-	-	-	1,885,000	1,885,000
Oct 19, 2016	Oct 18, 2026	\$0.15	1,740,000	-	-	-	1,740,000	1,740,000
			5,070,000	-	-	-	5,070,000	5,070,000
		Weighted average exercise price	\$0.22	-	-	-	\$0.22	\$0.22

Radius Gold Inc.

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For the year ended December 31, 2017

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13. SHARE-BASED PAYMENTS – (cont'd)

a) Option Plan Details – (cont'd)

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

b) Fair Value of Options Granted During the Year

There were no options granted during the year ended December 31, 2017.

The weighted average fair value at grant date of options granted during the year ended December 31, 2016 was \$0.12 per option.

The weighted average remaining contractual life of the options outstanding at December 31, 2017 is 5.46 years (2016: 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.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Canadian Dollars)

13. SHARE-BASED PAYMENTS – (cont'd)

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

During the year ended December 31, 2017, there were no expenses arising from the share-based payment transactions recognized as part of share-based compensation expense (2016: \$213,150).

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, 2017	December 31, 2016
Income before income taxes	\$ 194,003	\$ 1,862,266
Tax charge based on the statutory rate of 26%	\$ 50,000	\$ 484,000
Non-deductible expenses	13,000	77,000
Different tax rates in other jurisdictions	64,000	194,000
Non-taxable portion of capital gains	(211,000)	(328,000)
Initial recognition exemption and other	(58,000)	(76,000)
Effect of change in tax rates	(132,000)	-
Under provided in prior years	(124,000)	-
Changes in unrecognized deferred tax assets	398,000	(351,000)
Total income tax expense / (recovery)	\$ -	\$ -

The tax rates represent the federal statutory rate applicable for the 2017 taxation year, 0% for Cayman Islands, 30.0% for Mexico, 25.0% 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, 2017	December 31, 2016
Loss carry forwards	\$ 1,949,000	\$ 2,005,000
Property and equipment	71,000	89,000
Mineral properties	520,000	460,000
Available-for-sale investments	10,000	(4,000)
Investment in Associates	110,000	69,000
Other deductible temporary differences	412,000	53,000
Unrecognized tax assets	(3,072,000)	(2,672,000)
	\$ -	\$ -

As at December 31, 2017, the Company has estimated non-capital losses of \$7,218,000 (2016: \$6,036,000) 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 2037.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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15. RELATED PARTY TRANSACTIONS

The Company had transactions during the years ended December 31, 2017 and 2016 with related parties who consisted of directors, officers and the following companies with common directors:

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
CROPS	Investment and shared general and administrative expenses
Medgold	Investment and shared general and administrative expenses
Volcanic	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, 2017 and 2016:

	2017	2016
General and administrative expenses:		
Salaries and benefits	\$ 21,200	\$ 36,827
Exploration expenditures:		
Geological fees	57,688	18,542
Salaries and benefits	7,087	4,326
	\$ 85,975	\$ 59,695

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, 2017 and 2016, the Company reimbursed Gold Group the following:

	2017	2016
General and administrative expenses:		
Office and miscellaneous	\$ 43,434	\$ 41,263
Shareholder communications	1,594	1,289
Salaries and benefits	103,967	118,658
Transfer agent and regulatory fees	3,983	3,378
Travel and accommodation	11,900	9,327
	\$ 164,878	\$ 173,915
Exploration expenditures	\$ -	\$ 2,930

Gold Group salary and benefits costs for the years ended December 31, 2017 and 2016 include those for the Chief Financial Officer and Corporate Secretary.

Radius Gold Inc.

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For the year ended December 31, 2017

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS – (cont'd)

Prepaid expenses and deposits include an amount of \$1,142 (2016: \$5,797) paid to Gold Group for shared office and administrative services.

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

Due from related parties consist of \$Nil (2016: \$13,693) due from Medgold, a company which has a common director with the Company, arising from shared administrative costs and \$Nil (2016: \$3,107) due from CROPS, a company which has two common directors with the Company, arising from shared administrative costs. These amounts were unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include \$44,471 (2016: \$2,828) payable to Gold Group for shared administrative costs and \$2,594 (2016: \$4,033) to a Director of the Company for geological fees.

During the year ended December 31, 2017, the following transactions also occurred:

- i) The Company acquired 606,250 common shares of CROPS on the open market for a cost of \$92,346 (Note 6).
- ii) The Company acquired 685,675 common shares of CROPS by way of private placement at a cost of \$137,135 (Note 6).
- iii) The Company received net cash of \$186,710 and 239,385 common shares of Fortuna with a fair value of \$1,472,218 as proceeds on the sale of a mineral property to Fortuna (Note 6).
- iv) The Company acquired 1,959,000 common shares of Volcanic by way of private placements for a cost of \$575,100 and received 1,263,883 common shares with a fair value of \$606,664 pursuant to a mineral property assignment agreement (Note 6).
- v) The Company acquired 1,000,000 common shares of Rackla upon the exercise of 1,000,000 share purchase warrants at a cost of \$50,000 (Note 9).

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

- i) The Company acquired 562,500 common shares of CROPS of which 192,500 shares were acquired by way of a private placement for a cost of \$50,050, another 192,500 shares acquired upon the exercise of share purchase warrants at a cost of \$57,750, and 177,500 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).

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:

	2017	2016
Management fees	\$ 42,000	\$ 42,000
Geological fees included in exploration expenditures	60,000	60,000
Salaries, benefits and fees*	33,321	34,833
Share-based payments	-	49,000
	<u>\$ 135,321</u>	<u>\$ 185,833</u>

*Included in reimbursements to Gold Group

Total share-based payments to directors not included in the above table during the year ended December 31, 2017 was \$Nil (2016: \$55,125).

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(Expressed in Canadian Dollars)

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 Cayman Islands. Details of identifiable assets by geographic segments are as follows:

Year ended December 31, 2017	Canada	USA	Guatemala	Mexico	Other	Consolidated
Exploration expenditures	\$ -	\$ 492,991	\$ 50,834	\$ 510,010	\$ 86,597	\$ 1,140,432
Mineral property acquisition costs written off	-	69,187	-	-	-	69,187
Gain on property assignment	606,664	-	-	-	-	606,664
Gain on sale of available-for-sale investments	204,346	-	-	-	-	204,346
Investment income	10,673	-	-	-	-	10,673
Amortization	15,585	-	-	4,173	-	19,758
Net income (loss)	(205,037)	(664,377)	(49,721)	1,169,675	(56,537)	194,003
Capital expenditures*	-	117,816	-	50,805	-	168,621

Year ended December 31, 2016	Canada	USA	Guatemala	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

*Capital expenditures consist of additions of property and equipment and exploration and evaluation assets.

As at December 31, 2017	Canada	USA	Guatemala	Peru	Mexico	Other	Consolidated
Total current assets	\$ 8,343,930	\$ -	\$ 10,874	\$ -	\$ 194,521	\$ 34,750	\$ 8,584,075
Total non-current assets	160,869	137,288	-	1,259,505	46,632	-	1,604,294
Total assets	\$ 8,504,799	\$ 137,288	\$ 10,874	\$ 1,259,505	\$ 241,153	\$ 34,750	\$ 10,188,369
Total liabilities	\$ 175,116	\$ -	\$ 896	\$ -	\$ 30,867	\$ -	\$ 199,278

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

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 consolidated financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors 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, 2017 and 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2017				December 31, 2016			
	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	\$ 172,803	\$ 3,969	\$ -	\$ 574	\$ 20,012	\$ 930	\$ 24	\$ 525
Receivables	-	59,386	2,899	-	-	27,047	2,872	-
Current liabilities	(74,910)	(28,409)	(896)	-	(11,507)	(4,439)	(1,609)	(7,706)
	\$ 97,893	\$ 34,946	\$ 2,003	\$ 574	\$ 8,505	\$ 23,538	\$ 1,287	\$ (7,181)

Based on the above net exposures at December 31, 2017, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$13,500 (2016: \$2,600) increase or decrease in profit or loss, respectively.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Canadian Dollars)

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 consisting of common shares and derivative investments consisting of share purchase warrants 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 Advantage, CROPS, Fortuna, GrowMax, Medgold, Southern Silver, ValGold, Volcanic, and War Eagle and the warrants held in CROPS, Volcanic, ValGold and War Eagle are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares and warrants would result in an approximate \$514,000 decrease in comprehensive income and shareholders' 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, derivative 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, 2017, the Company had working capital of \$8.38 million (2016: \$8.22 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, available-for-sale investments, receivables, receivable derivatives, derivative instruments, 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, 2017

(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, 2017	December 31, 2017
	Book value	Fair value
Financial assets		
Shares held in Rackla (Note 9)	\$ 1	\$ 456,927

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 CROPS, Fortuna, Southern Silver, Medgold, Advantage, GrowMax, ValGold, and Volcanic are based on quoted prices and are therefore considered to be Level 1. The available-for-sale investment for War Eagle as of December 31, 2017 and derivative instruments are based on inputs other than quoted prices and therefore considered to be Level 3. As of December 31, 2017, 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.

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, 2017. 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.

Radius Gold Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Canadian Dollars)

19. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
Shares acquired due to a mineral property assignment agreement	\$ 606,664	\$ -
Shares acquired from a sale of a mineral property	\$ 1,472,218	\$ -
Shares acquired from a mineral property option agreement	\$ -	\$ 225,000

There were no financing activities during the years ended December 31, 2017 and 2016.



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2017

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, 2017. The following information, prepared as of April 26, 2018, should be read in conjunction with the December 31, 2017 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 the Americas for over a decade which has resulted in the discovery of several gold deposits in Central America. 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 April 2015 the Company completed 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”). The Company remains involved only in the resource sector and has not sought 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

On April 23, 2018, one of the Company’s investments, Focus Ventures Ltd., changed its name to CROPS Inc. (“CROPS”) and completed a share consolidation so that every four existing common shares were exchanged for one new common share of CROPS.

The following is a summary of investment activities from January 1, 2017 and until the date of this MD&A:

- 685,675 common shares and 685,675 warrants of CROPS were purchased by way of a private placement at a cost of \$137,135.
- 606,250 common shares of CROPS were purchased on the open market at a cost of \$92,346.
- 700,000 common shares of GrowMax Resources Corp. (“GrowMax”) were purchased on the open market at a cost of \$81,649.
- 239,385 shares of Fortuna Silver Mines Inc. (“Fortuna”) were received with a fair market value at time of issuance of \$1,472,218 as part consideration for the sale of the Company’s Tlacolula Property, Mexico.
- 1,263,883 common shares of Volcanic Gold Mines Inc. (“Volcanic”) 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 and 1,542,000 warrants of Volcanic were acquired by way of private placements at a cost of \$575,100.
- 240,000 common shares of Southern Silver Exploration Corp. (“Southern Silver”) were sold on the open market for net proceeds of \$80,675.
- 1,000,000 common shares of Rackla Metals Inc. (“Rackla”) were acquired by way of a warrant exercise at a cost of \$50,000.
- 1,000,000 common shares and 1,000,000 warrants of ValGold Resources Ltd. (“ValGold”) were acquired by way of a private placement at a cost of \$65,000.
- 250,000 common shares of Advantage Lithium Corp. (“Advantage”) were sold on the open market for net proceeds of \$262,808.
- 86,500 common shares of Medgold Resources Corp. (“Medgold”) were purchased on the open market at a cost of \$18,064.

- 625,000 common shares and 312,500 warrants of Champagne Resources Limited (“Champagne”) were exchanged for 233,785 common shares and 116,890 warrants of War Eagle Mining Company Limited (“War Eagle”), a public company which amalgamated with Champagne.

The Company’s current cash and cash equivalents on hand is approximately \$2.8 million and its current investments consist of:

<p><i>CROPS</i> 2,564,027 shares Current market value: \$205,000</p> <p>Plus: warrants to purchase an additional 1,143,425 shares</p>	<p>CROPS is a Canadian-listed exploration company developing the Bayovar 12 sedimentary phosphate resource in northern Peru.</p>
<p><i>Fortuna</i> 239,385 shares Current market value: \$1,779,000</p>	<p>Fortuna is a growth oriented, precious metal producer with its primary assets being the Caylloma silver mine in southern Peru, the San Jose silver-gold mine in Mexico and the Lindero gold project in Argentina.</p>
<p><i>GrowMax</i> 1,200,000 shares Current market value: \$120,000</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> 10,126,500 shares (10+% of issued) Current market value: \$1,924,000</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</i> 3,973,275 shares (10+% of issued) Current market value: \$377,000</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> 1,259,500 shares Current market value: \$353,000</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>ValGold</i> 1,000,000 shares Current market value: \$80,000</p> <p>Plus: warrants to purchase an additional 1,000,000 shares</p>	<p>ValGold is a mineral exploration and development company based in Ontario which holds a 2% NSR on the Garrison Gold Project on the “Golden Highway” east of Timmins, Ontario, a 100% interest in the Tower Mountain gold project near Thunder Bay, Ontario, and exploration projects in Venezuela.</p>
<p><i>Volcanic</i> 3,222,883 shares Current market value: \$677,000</p> <p>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>
<p><i>War Eagle</i> 233,785 shares Current market value: \$34,000</p> <p>Plus: warrants to purchase an additional 116,890 shares</p>	<p>War Eagle is a TSXV listed 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>

Property Interests

USA – Nevada – Bald Peak Property

In March 2017, the Company added to the Company’s portfolio of epithermal gold prospects in the Aurora gold camp, Nevada with the acquisition of the Bald Peak gold property from Ely Gold & Minerals Inc. (TSX-V: ELY) and its wholly owned subsidiary, Nevada Select Royalty Inc. Subsequently, the Company increased its land position by staking an additional 113 unpatented mining claims which are contiguous to the claims acquired from Ely Gold.

The Bald Peak Property currently consists of 151 unpatented mining claims in Mineral County, Nevada, and one mineral prospecting licence in Mono County, California. The Property now covers an 8 kilometre by 2 kilometre area trends northeast from inside the California border into Nevada, parallel to the trend of the neighboring Bodie, Aurora, and Borealis mining camps.

Bald Peak is an un-eroded epithermal gold prospect in the Aurora-Bodie mining district. Sinter terraces outcrop along the length of the Property, evidence that the epithermal system has not been eroded beyond its paleo-surface elevation, and is thus likely fully preserved. Despite the Property’s proximity to several Au-rich mining districts, the area has seen limited exploration activity. Several operators have acquired the Property over the last 30 years and mapped alteration zones and various other criteria pertinent to epithermal gold discoveries. The area has seen very limited drilling however, and its potential remains untested.

Work by the Company at Bald Peak in 2017 consisted of geological mapping and prospecting, rock and soil geochemistry, and compilation work of historical exploration and academic and government datasets. The work has demonstrated the presence of a strong gold-bearing epithermal alteration system that can be traced along strike for over six kilometres in a northeast trend, with an anomalous zone of up to several hundred metres in width on surface. Within this global target area are several high priority drill targets. They are described below, in order from SW to NE, and maps showing the property and the targets have been placed on the Company's website.

West Bald Peak

West Bald Peak is a high-level epithermal drill target located in Mono County, California, at the southwestern end of the property. West Bald Peak exhibits a high Au, As, Sb, Hg response in both rocks and soils and a ~2-3 metres thick approximately flat lying silica sinter terrace observed over 250 metres. The sinter terrace is bound to the southeast by an approximately 30 metres wide northeast trending, steeply west dipping gold-bearing fault zone that is observed for 300 metres along strike and is open in both directions. The sinter terrace is hosted within a thick volcanoclastic sequence and displays cross-cutting quartz veining with anomalous gold values. Planned drill holes will test beneath the sinter terrace/fault zone at productive levels beneath paleosurface.

Bald Peak Flats

Located southwest of the Bald Peak rhyolite, Bald Peak Flats is a ~1.3 kilometre long by 500 metres wide As, Sb, Hg-in-soil anomaly hosted within a volcanoclastic sequence. The soil anomaly drapes over a local topographic high exhibiting northeast-trending chalcedonic quartz veins and zones of silicification, mapped by previous operators. Two historical drill holes are known in this area; however, were not drilled to sufficient depths to test the mineralized system. High-level chalcedonic quartz, low Au and pathfinder elements (As, Sb, Hg) are indicative that this target is at high levels with an epithermal system.

Little Bald Peak

Little Bald Peak, located 200 metres lower in elevation and to the northwest of Bald Peak, is a possible side vent or flow dome of the Bald Peak rhyolite. Where outcropping, brittle/fissile flow-banded rhyolite hosts both concordant and discordant <2 mm quartz veins and lenses. A historical prospecting pit is found on the southern side of Little Bald peak; no clear vein or vein orientation was observed but the spoil pile contained fine-grained, maroon-coloured jasperoid which returned anomalous Au and high As, Sb, Hg values. The target displays a high As, Sb-in-soil anomaly over Little Bald Peak itself and is located along strike and at higher elevations of a known mineralized zone (Great Wall).

The Great Wall

The Great Wall is a NNE-trending, steeply dipping, up to 3 metre wide zone containing three parallel quartz veins hosted within a trachyandesitic unit. The outcrop is exposed over a ~25 metre strike length. Rock channel sampling returned relatively high Au values in quartz veins displaying slightly coarser quartz crystallinity compared to the chalcedonic quartz observed within other zones. This increase in quartz crystallinity with a corresponding increase in gold grade is a positive indication that gold grade is increasing with depth.

NE Sinters

This target contains an extensive area of outcrop and float comprising two distinct zones of sinter within a widespread 1.5 kilometre by 600 metres wide As, Sb, Hg-in-soil anomaly. NE Sinter 1 is a broad topographic

high with widely distributed sinter outcrops; NE Sinter 2 located on the northern slopes of the Bald Peak rhyolite is identified by zones of limited vegetation. This target is bound to the west by an approximately north-south trending fault that has down dropped and preserved these sinter areas. The occurrence of sinter combined with high As, Sb, Hg pathfinder elements are indicative of being at the top of a fully preserved mineralized system.

Planned Work at Bald Peak

During the summer of 2018, as permitting a plan of operations proceeds with the United States Forest Service, the Company intends to better these targets by geophysical surveys and further geological and structural mapping programs. The permitting process may allow for a late 2018 drill program, but more likely the process will run into early 2019 before drilling is authorized.

Quality Assurance / Quality Control

The work program at the Bald Peak Property was planned by Company personnel and implemented by Company personnel, consultants and contractors. Rock samples were collected by Company personnel and/or consultants. During the prospecting phase, suitable certified reference materials were added to the sample stream. Rock samples were delivered to ALS Chemex, prepared using method Prep-31, and fire assayed by method Au-ICP21, as well as analysed for multi-elements by method code ME-ICP61.

The soil survey was contracted to Ethos Geological. Soil samples were collected in kraft bags and sent in sealed containers to ALS Geochemistry, Reno, Nevada. All sample sites were labelled with flagging tape displaying their unique sample number. The samples were sieved to minus 180 microns (Prep-41), and then analyzed by ICP-MS for 51 elements (method AuME-TL43).

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 annual consolidated 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 (*Gold-Silver Mining Districts, Alteration Zones, and Paleolandforms in the Miocene Bodie Hills Volcanic Field, California and Nevada. USGS Scientific Investigations Report 2015-2012*).

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 (100 metre x 25 metre grid oriented orthogonal to the NE-SW targeted structure).

The Company has completed all the necessary studies for its NEPA (National Environmental Policy Act) Plan of Operation to drill the Spring Peak Property. A plan of operations has been approved by the United States Forest Service for drilling the Property, and the Company is in the final stages of completing the necessary bonding for issuance of the drill permit. Drilling is planned to begin in mid-July 2018.

USA – Nevada – Coyote Property

In March 2018, the Company was granted a lease and option to purchase on the Coyote gold property from Geologic Services Inc. (“Geologic”), adding to the Company’s portfolio of epithermal gold projects in Nevada. The property is located in northern Elko County on the eastern flank of the Independence Valley, an area known for its prolific gold production.

The Coyote property consists of 58 unpatented mining claims located on the east side of a Tertiary basin. Chalcedonic lenses and siliceous sinter deposits are localized along north-east trending normal faults that form the basin boundary and have been traced along strike on the property for 8,500 feet. The alteration extends into the hillsides for 2,000 feet.

In 1990, Chevron Resources drilled the Coyote property as part of their Independence Valley district program. They drilled four angle holes each approximately 800 feet apart, along one of the bounding structures of the basin in the area of the largest siliceous sinter terrace. The holes ranged from 240 feet to 500 feet deep maximum depth. All four holes encountered an altered structural zone ranging from 40 feet to 100 feet thick exhibiting strong argillic alteration with the rock mostly altered to clay.

Geochemical results of Chevron’s drilling returned anomalous values in mercury (high of 19 ppm), antimony (high of 1,900 ppm) and arsenic (high of 910 ppm) with weak gold values (high of 93 ppb) – geochemical results consistent with the top of a low-sulfidation epithermal gold system. The deepest drill hole intercepted the structural zone at 125 feet below surface.

The results described above are summarized from historical exploration data provided to the Company by Geologic. The Company believes the historical work was performed according to best practices and the historical exploration data are reliable, but a Qualified Person has not verified the results independently.

The Company plans to conduct due diligence and exploration field studies this spring and summer on the Coyote property, including surface prospecting and alteration mapping, and a geophysical CSAMT survey. The latter will investigate the subsurface along the range-bounding fault in the vicinity of the siliceous sinters for evidence of a structural feeder to the hydrothermal system.

Agreement Terms

Geologic has granted to the Company a lease of the Coyote property for up to 15 years, in consideration for the granting by the Company to Geologic of a 2.0% to 3.0% net smelter return royalty, the percentage to depend on the prevailing price of gold. In order to keep the lease in good standing, the Company has the right to make annual advance royalty payments to the Geologic. At any time during the term of the lease, the Company may

elect to acquire a 100% interest in the Coyote property by making a cash payment of US\$2.0 million to Geologic. The Company has also agreed to reimburse Geologic for the filing costs of a portion of the claims comprising the Coyote property.

USA - Nevada – ABC Property

In 2016, the Company staked 122 contiguous United States federal mining claims covering approximately 992 hectares 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. Following detailed analysis and project ranking, the Company decided in 2017 to allow the ABC Property claims to lapse, in order to focus on higher priority targets in Nevada.

Mexico – Amalia Project

The Amalia Project comprises 9,461 hectares located in the Sierra Madre gold belt in the State of Chihuahua, Mexico. In June 2017, the Company signed a binding agreement with a private individual to option 380 hectares of the project area which is host to high grade epithermal silver-gold mineralization. Following the signing of the option agreement, the Company staked an additional 9,081 hectares surrounding the Amalia Project, covering three new regional target areas.

The Project is located approximately 25 kilometres SW of the historic Guadalupe y Calvo mining district in Chihuahua, Mexico. During due diligence evaluation the Company's geologists sampled bonanza grade outcrop containing 20.4 g/t Au and 5,360 g/t Ag from a 1.2 metre chip. The Company has established a 10 man camp at Amalia and completed an initial exploration program comprising geological mapping, prospecting and channel sampling of the main targets. Epithermal Au-Ag mineralization has been sampled by the Company in several veins, vein breccias and disseminated zones over 3.5 kilometres of strike length and a 600 metre vertical interval following the trace of a large regional fault zone.

Campamento Target

At the main target area, known as Campamento, a 150 by 300 metre zone of intense silicification, and brecciation with massive and stockwork veining has been mapped at the contact between the upper Rhyolite and lower Andesite volcanic sequence. The zone strikes roughly 350/70E.

101 continuous chip channel samples between 1 and 2 metres wide were sampled across the middle of the Campamento zone, as outcrop allowed, representing the full estimated width of the zone at 148 metres. The weighted average of all 101 samples was 0.20 g/t Au and 49 g/t Ag. The main mineralized interval graded:

62 metres at 0.43 g/t Au and 98 g/t Ag
including: 30 metres at 0.58 g/t Au and 151 g/t Ag

A second, 14 metre wide continuous chip sample (open to expansion) located 60 metres north of the main sample line, near a historic tunnel graded:

14 metres at 1.47 g/t Au and 167 g/t Ag
including: 7 metres at 2.37 g/t Au and 239 g/t Ag

Sampling conducted in the most recent field campaign resulted in a new high-grade extension northward of Campamento zone with a continuous rock chip channel assaying 4.5 metres at 10.3 g/t Au and 202 g/t Ag. This

extends the total strike length of outcrop of the high level chalcedonic breccias and stockwork zone at Campamento to 500 metres.

Guadalupe Target

Located 700 metres southeast of Campamento, and 250 metres vertically below, the Guadalupe target includes a historic tunnel and shaft which expose a high-grade quartz sulphide vein breccia, hosted in andesite volcanics. The Company collected three continuous chip samples within the historic workings where the main vein is well exposed. The results include:

Guadalupe shaft:		7 metres at 3.62 g/t Au and 1,048 g/t Ag
	including:	4 metres at 6.04 g/t Au and 1,702 g/t Ag
Guadalupe tunnel cross-cut:		7 metres at 2.4 g/t Au and 188 g/t Ag
Guadalupe tunnel 10 metres above cross-cut:		4 metres at 3.92 g/t Au and 888 g/t Ag

The sampling at Guadalupe shows consistent high grade over a vertical interval of approximately 60 metres, from the upper shaft to lower tunnel. The area around Guadalupe is steep and bush covered with limited outcrop, hence the extent of the mineralized zone is not yet known

Dulces Target

Located 800 metres northeast of Campamento, at roughly similar elevation, the Dulces vein is exposed in an historic underground tunnel within an extensive area of argillic altered andesite volcanics. The vein varies from 1 to 1.5 metres and chip samples of the vein within the short 15 metre tunnel returned:

AM377:	1 metre at 34 g/t Au and 13 g/t Ag
AM378:	1 metre at 20.3 g/t Au and 44 g/t Ag
AM379:	1.5 metres at 114.5 g/t Au and 57 g/t Ag

The Company is currently negotiating access with the landowner for a trenching and sampling program at Dulces.

Exploration Summary

During the past several months, the Company has focused its exploration efforts on defining drill targets within the central area covering the Campamento and Guadalupe targets at Amalia over strike length of approximately 1 kilometre and vertical interval of 250 metres. A new discovery located between Campamento and Guadalupe, called San Pedro, returned 13 metres at 2.51 g/t Au and 164 g/t Ag in a continuous chip (10 samples) across the discovery outcrop. New sampling 50 metres vertically above and along strike from Guadalupe returned 8 metres at 0.21 g/t Au and 264 g/t Ag (8 samples).

The Company has now defined a central corridor of mineralization, along the north-west trending major structural break. In the north at Campamento, a 500 metre x 70 metre zone of intense silicification, and brecciation with massive and stockwork veining has been mapped at the contact between the upper rhyolite and lower andesite volcanic sequence. The mineralization at Campamento is hosted in high level white chalcedonic banded veins and breccias. Southeast along the fault system and vertically down in the system, the mineralization transitions from Campamento style rhyolite-hosted chalcedonic silica veins, to andesite-hosted sulphide rich fault breccias observed at San Pedro and Guadalupe, where the mineralization is narrower and higher grade as shown at San Pedro 300 metres south and 175 metres lower with 13 metres at 2.51 g/t Au and 164 g/t Ag.

Geologically similar gold-silver epithermal deposits of the Sierra Madre belt have mineralization defined over a vertical interval of 600 to 700 metres, and the transition from upper rhyolite hosted mineralization into higher grade andesite host at depth is commonly observed. The Company believes that the system is preserved at Amalia and along the controlling regional fault system mineralization occurs over a 600 metre vertical interval. The Company plans to target high grade mineralization at depth below the Campamento silica zone and at the Guadalupe and San Pedro targets. Maps and photos of the Amalia Project are available on the Company's website.

Quality Assurance / Quality Control

Sampling at Amalia followed a standardized protocol to ensure representative and unbiased quantities of material from across each sample. Chip samples were taken using hammer and chisel continuously along the walls of the underground mines and cleaned surface outcrops. Nominally widths were between 1 and 2 metres. Continuous chip samples were taken across strike and are the best estimate of true width.

The Company utilizes industry-standard QA/QC program. Rock samples were prepared and analyzed at ALS laboratories in Mexico and Canada. Blanks and certified reference standards are inserted into the sample stream to monitor laboratory performance and the results have been within acceptable limits.

Option Terms

The Company can earn a 100% interest in the Amalia Project by making cash payments to the property owner staged payments over a period of five years totaling US\$845,000 (US\$10,000 paid) and, subject to stock exchange approval, US\$15,000 in shares of the Company.

Mexico – Tarros Project

After conducting a detailed mapping and sampling program, the Company relinquished in January 2018 its option to acquire the 473-hectare Tarros Project located 50 kilometres north of the Company's Amalia Project in the Sierra Madre Gold Silver belt in the State of Chihuahua, Mexico.

Mexico – Lithium Brine Project

The Company holds a 10,000 hectare application at Salar Viesca in Coahuila State, Mexico. The Company is identifying lithium companies to initiate discussions on a joint venture on this lithium brine project.

Highlights of the Viesca project include:

- The project is 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.
- The Company conducted controlled surface samples which delivered numerous anomalous lithium results including 189 ppm Li.
- 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.
- Suitable lithium source-rocks.
- Subsurface highly saline aquifers described in historic data.

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, 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. 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 in the 2016 fiscal year.

Mexico - Tlacolula Property Royalty

In July 2017, the Company completed the sale of its Tlacolula silver property, Mexico to Fortuna in consideration for a cash payment of US\$150,000, 239,385 common shares of Fortuna, and a 2% NSR royalty on the property. Fortuna retains the right to purchase one-half of the royalty by paying the Company US\$1.5 million. The Company and Fortuna are related parties.

Peru – Bayovar 12 Project Royalty

In April 2015, the Company purchased from CROPS a production royalty, equivalent to a 2% net smelter return, on CROPS' 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. CROPS 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, CROPS will retain a first right of refusal. In May 2016, CROPS published a pre-feasibility study for production of phosphate rock concentrate from the Bayovar 12 project. The Company and CROPS 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 subsequently decided to relinquish the La Magnolia concession. Closing of the San Jose sale, and the royalty grant to the Company, took place on in 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: Bruce A Smith, M.Sc., MAIG., a member of the Australian Institute of Geoscientists, 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 ended December 31, 2017, 2016, and 2015:

	2017 (\$)	2016 (\$)	2015 (\$)
Royalty income	-	431,643	1,098,912
Investment and other income	10,673	13,068	17,293
Exploration expenditures	1,140,432	544,586	589,162
Net income (loss) for the year			
Total	194,003	1,862,266	(1,875,449)
Basic & fully diluted per share	0.00	0.02	(0.02)
Total assets	10,188,369	9,848,863	7,088,017
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

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, 2017:

Quarter ended	Dec. 31, 2017 (\$)	Sep. 30, 2017 (\$)	June 30, 2017 (\$)	Mar. 31, 2017 (\$)	Dec. 31, 2016 (\$)	Sep. 30, 2016 (\$)	June 30, 2016 (\$)	Mar. 31, 2016 (\$)
Royalty revenue, net	-	-	-	-	47,960	26,973	135,303	221,407
Investment and other income	2,213	1,973	2,438	4,049	4,689	4,764	2,930	685
Exploration expenditures	373,698	421,265	260,902	84,567	102,932	215,591	107,590	118,473
Net income (loss)	(620,477)	1,024,002	(569,184)	359,662	(1,101,528)	738,793	2,320,061	(95,060)
Basic and diluted income (loss) per share	(0.01)	0.01	(0.01)	0.00	(0.01)	0.01	0.02	(0.00)

The Company recorded royalty revenue from production at the Tambor Project up to the quarter ended June 30, 2016, the period in which mining operations were suspended. The royalty revenue recorded in the following two quarters was due to adjustments to income recorded in the prior periods. The quarter ended September 30, 2017 recorded a net income due to a gain of \$1,658,928 on the sale of the Tlacolula property. The quarter ended March 31, 2017 recorded a net income due to a gain of \$606,664 from a property assignment agreement. 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.

Results of Operations

Quarter ended December 31, 2017

The quarter ended December 31, 2017 had a net loss of \$620,477 compared to \$1,101,528 for the quarter ended December 31, 2016, a decrease of \$481,051. The comparative quarter's loss was higher primarily due to a

provision for impairment of a receivable of \$784,180 relating to royalty revenue from the Tambor Project that is yet to be paid. The current quarter also recorded a gain on sale of available-for-sale investments of \$167,808 and a gain of \$204,252 on the fair value of derivative investments. The derivative investments consist of share purchase warrants that were acquired along with common shares in private placement investments. There were no such gains recorded for the comparative year. However, the current quarter also recorded an impairment charge of \$456,615 on available-for-sale investments compared to \$63,401 in the comparative quarter.

Exploration expenditures in the current quarter totaled \$373,698 compared to \$102,932 in the comparative quarter, an increase of \$270,766. 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, 2017 were \$129,728 compared to \$358,417 for the comparative quarter, a decrease of \$228,689. This decrease is mostly due to the comparative quarter recording a share-based compensation expense of \$213,150 relating to the issuance of stock options whereas there was no such charge for the current quarter.

Year ended December 31, 2017

The year ended December 31, 2017 had a net income of \$194,003 compared to \$1,862,266 for the year ended December 31, 2016, a decrease of \$1,668,263. Exploration expenditures in the current year totaled \$1,140,432 compared to \$544,586 in the comparative year, an increase of \$595,846. Besides less exploration expenditures being incurred in the comparative year, the comparative year also recorded royalty income of \$431,643 compared to none for the current year.

The current year net income includes a gain of \$1,658,928 on the sale of the Tlacolula property in addition to a gain of \$606,664 on a property assignment agreement with Volcanic and the gain of \$204,252 on derivative investments. There were no such gains in the comparative year though it did record a gain on sale of available-for-sale investments of \$2,688,336 compared to \$204,346 for the current year. Both the current and comparative years also recorded impairment charges relating to available-for-sale investments which were \$839,555 and \$205,321 respectively.

General and administrative expenses for the current year were \$407,942 compared to \$701,432 for the comparative year, a decrease of \$293,490. As in the quarterly comparison, the comparative year included the share-based payment expense of \$213,150 whereas there was no such charge for the current year. All general and administrative expenses in the current year, except for regulatory fees and travel costs, were lower than those in the comparative year. The most notable cost decreases were in office and miscellaneous, salaries, and legal and audit fees. Office and salary costs were lower in the current year due to the Company's portion of shared office lease and personnel costs being reduced. Legal and audit fees were lower in the current year due to the timing of audit fees.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the year ended December 31, 2017 is as follows:

United States – A total of \$492,991 was incurred on property investigation and exploration related costs, of which \$15,727 was on general property investigation, \$33,505 on the Spring Peak property, and \$443,759 on the Bald Peak property. Acquisition costs totaling \$117,816 were also incurred on the Bald Peak property.

Mexico - A total of \$510,010 was incurred on exploration, property investigation, and miscellaneous administrative costs, of which \$227,551 was incurred on the Amalia property and \$39,839 on the Tarros property. Acquisition costs totaling \$13,348 were also recorded for the Amalia property.

Guatemala – A total of \$50,834 was incurred on property investigation and care and maintenance related costs.

Other – A total of \$86,597 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, 2017 and 2016 are provided in the schedules at the end of this MD&A.

Liquidity and Capital Resources

The Company's cash and cash equivalents decreased from \$5.13 million at December 31, 2016 to \$3.32 million at December 31, 2017. As at December 31, 2017, working capital was \$8.38 million compared to \$8.22 million at December 31, 2016. Included in working capital is the value of the Company's available-for-sale investments which as at December 31, 2017 had a fair value of \$4.94 million compared to \$2.79 million as at December 31, 2016. A significant transaction that decreased cash and cash equivalents and increased available-for-sale investment value during the current year was the acquisition of 1,959,000 common shares of Volcanic at a cost of \$575,100 by way of private placements. Available-for-sale investments also increased in the current year due to the receipt of 1,263,883 common shares of Volcanic with a fair value of \$606,664 at the time of issuance, pursuant to a mineral property assignment agreement, and the receipt of 239,385 Fortuna shares with a fair value of \$1,491,369 at the time of issuance, pursuant to the Tlacolula mineral property sale.

During the year ended December 31, 2017, the Company sold 93,000 Southern Silver shares for net proceeds of \$41,188 and sold 250,000 Advantage shares for net proceeds of \$262,808.

The Company held 3,973,275 common shares in Rackla with a fair value of \$456,927 as at December 31, 2017; 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. During the year ended December 31, 2017, the Company acquired an additional 1,000,000 common share in Rackla upon the exercise of share purchase warrants at a cost of \$50,000.

The Company did not earn any royalty revenue from the previously held Tambor Project during the current year as the operations at Tambor continue to be suspended.

The Company intends to use the proceeds from any sales of its equity investments, option payments received and royalty income payments received 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:

2018	\$	190,608
2019		190,608
	\$	381,216

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, 2017 and 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	December 31, 2017				December 31, 2016			
	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	\$ 172,803	\$ 3,969	\$ -	\$ 574	\$ 20,012	\$ 930	\$ 24	\$ 525
Receivables	-	59,386	2,899	-	-	27,047	2,872	-
Current liabilities	(74,910)	(28,409)	(896)	-	(11,507)	(4,439)	(1,609)	(7,706)
	\$ 97,893	\$ 34,946	\$ 2,003	\$ 574	\$ 8,505	\$ 23,538	\$ 1,287	\$ (7,181)

Based on the above net exposures at December 31, 2017, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$13,500 (2016: \$2,600) increase or decrease in profit or loss, respectively.

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 consisting of common shares and derivative investments consisting of share purchase warrants 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 Advantage, CROPS, Fortuna, GrowMax, Medgold, Southern Silver, ValGold, Volcanic, and War Eagle and the warrants held in CROPS, Volcanic, ValGold and War Eagle are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares and warrants would result in an approximate \$514,000 decrease in comprehensive income and shareholders' 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, derivative 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.

Related Party Transactions

The Company had transactions during the years ended December 31, 2017 and 2016 with related parties who consisted of directors, officers and the following companies with common directors:

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
CROPS	Investment and shared general and administrative expenses
Medgold	Investment and shared general and administrative expenses
Volcanic	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, 2017 and 2016:

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2016	2017	2016
General and administrative expenses:				
Salaries and benefits	\$ 6,800	\$ 10,000	\$ 21,200	\$ 36,827
Exploration expenditures:				
Geological fees	10,648	18,542	57,688	18,542
Salaries and benefits	-	163	7,087	4,326
	\$ 17,448	\$ 28,705	\$ 85,975	\$ 59,695

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, 2017 and 2016, the Company reimbursed Gold Group the following:

	Three months ended		Year ended December 31,	
	December 31,		2017	
	2017	2016	2017	2016
General and administrative expenses:				
Office and miscellaneous	\$ 10,584	\$ 10,619	\$ 43,434	\$ 41,263
Shareholder communications	74	-	1,594	1,289
Salaries and benefits	28,677	30,923	103,967	118,658
Transfer agent and regulatory fees	22	522	3,983	3,378
Travel and accommodation	3,018	2,013	11,900	9,327
	\$ 42,375	\$ 44,077	\$ 164,878	\$ 173,915
Exploration expenditures	\$ -	\$ 2,930	\$ -	\$ 2,930

Gold Group salary and benefits costs for the years ended December 31, 2017 and 2016 include those for the Chief Financial Officer and Corporate Secretary.

Prepaid expenses and deposits include an amount of \$1,142 (2016: \$5,797) paid to Gold Group for shared office and administrative services.

Long-term deposits as of December 31, 2017 include an amount of \$60,000 (2016: \$60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement.

Amounts due from related parties consist of \$Nil (2016: \$13,693) due from Medgold, a company which has a common director with the Company, arising from shared administrative costs and \$Nil (2016: \$3,107) due from

CROPS, a company which has two common directors with the Company, arising from shared administrative costs. These amounts were unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include \$44,471 (2016: \$2,828) payable to Gold Group for shared administrative costs, and \$2,594 (2016: \$4,033) to a Director of the Company for geological fees.

During the year ended December 31, 2017, the following transactions also occurred:

- i) The Company acquired 510,250 common shares of CROPS on the open market for a cost of \$74,986.
- ii) The Company acquired 685,675 common shares of CROPS by way of private placement at a cost of \$137,135.
- iii) The Company received net cash of \$187,710 and 239,385 common shares of Fortuna with a fair value of \$1,472,218 as proceeds on the sale of a mineral property to Fortuna.
- iv) The Company acquired 1,959,000 common shares of Volcanic by way of private placements for a cost of \$575,100 and received 1,263,883 common shares with a fair value of \$606,664 pursuant to a mineral property assignment agreement.
- v) The Company acquired 1,000,000 common shares of Rackla upon the exercise of 1,000,000 share purchase warrants at a cost of \$50,000.

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

- i) The Company acquired 562,500 common shares of CROPS of which 192,500 shares were acquired by way of a private placement for a cost of \$50,050, another 192,500 shares acquired upon the exercise of share purchase warrants at a cost of \$57,750, and 177,500 shares acquired on the open market for a cost of \$65,159.
- 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.

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 December 31,		Year ended December 31,	
	2017	2016	2017	2016
Management fees	\$ 10,500	\$ 10,500	\$ 42,000	\$ 42,000
Geological fees	15,000	15,000	60,000	60,000
Salaries, benefits and fees	9,946	8,708	33,321	34,833
Share-based payments	-	49,000	-	49,000
	\$ 35,446	\$ 83,208	\$ 135,321	\$ 185,833

Total share-based payments to directors not included in the above table during the year ended December 31, 2017 was \$Nil (2016: \$55,125).

Other Data

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

Share Position and Outstanding Options

As at April 26, 2018, the Company's outstanding share position is 86,675,617 common shares and the following incentive stock options are outstanding:

<u>STOCK OPTIONS</u>		
Number of options	Exercise price	Expiry date
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, 2017, the Company held 3,973,275 (2016: 2,973,275) common shares of Rackla, representing 19.8% (2016: 19.7%) of Rackla's outstanding common shares. During the year ended December 31, 2017, the Company exercised its 1,000,000 share purchase warrants for 1,000,000 common shares of Rackla at a cost of \$50,000. The Rackla share purchase warrants were not tradable on an exchange.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2016 to December 31, 2017:

Balance, December 31, 2015 and 2016	\$	1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2017	\$	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 2017 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 as at December 31, 2017. The cumulative unrecognized share of losses for the associate is \$567,382.

The financial statement balances of Rackla are as follows:

	December 31, 2017	December 31, 2016
Total current assets	\$ 250,862	\$ 36,537
Total assets	316,474	104,597
Total liabilities	225,230	133,476
Net loss	130,627	219,288

At December 31, 2017, the fair value of the 3,973,275 common shares of Rackla was \$456,927 (2016: \$445,991 fair value of 2,973,275 common shares).

Medgold

As at December 31, 2017, the Company held 10,040,000 (2016: 10,040,000) common shares of Medgold, representing 11.2% of Medgold's outstanding common shares.

Medgold previously met the definition of an associate and was equity accounted for in the consolidated financial statements. In 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 third 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 \$1,095,600 and its carrying cost was \$403,873. As a result, a gain of \$691,727 was recognized in the consolidated statement of income and comprehensive income 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% as a result of an increase in the issued capital of Medgold. Accordingly, the Company recorded a gain on dilution of \$170,045 for the year ended December 31, 2016.

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

Balance, December 31, 2015	\$	369,828
Less: share of losses in associate		(136,000)
Gain on dilution		170,045
Reclassification to an available-for-sale investment		(403,873)
Balance, December 31, 2016	\$	-

The financial statement balances of Medgold are as follows:

		June 30, 2016⁽¹⁾
Total current assets	\$	1,507,091
Total assets		2,039,702
Total liabilities		497,674
Net loss ⁽²⁾		1,016,621

⁽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:

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. The Company expects the above standard to have a significant impact on the presentation of its consolidated financial statements and are currently in the process of evaluating its impact on its consolidated financial statements.

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.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration.

On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

Issued by IASB November 2016

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Effective for annual periods beginning January 1, 2018

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

INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the year ended December 31, 2017

	USA		Guatemala		Mexico		Other	Total
	General	Mineral	General	Mineral	General	Mineral	General	
	Exploration	Properties	Exploration	Properties	Exploration	Properties	Exploration	
Exploration administration	\$ 1,028	\$ 637	\$ 19,843	\$ 12,919	\$ 3,741	\$ 11,121	\$ 6,986	\$ 56,333
Field and camp	-	17,603	-	-	4,511	30,431	-	52,545
Geochemistry	230	84,306	-	-	17,078	17,240	-	118,854
Geological services	11,130	309,781	5,540	-	121,943	128,368	77,668	654,430
Legal and accounting	-	-	2,899	700	25,128	-	-	28,727
Licenses, rights and taxes	-	28,308	-	-	41,938	9,747	-	79,993
Travel and accommodation	3,339	36,629	8,933	-	34,221	70,483	1,943	155,490
	15,727	477,264	37,215	13,619	248,560	267,390	86,597	1,146,372
Expenditures recovered	-	-	-	-	(5,940)	-	-	(5,940)
	\$ 15,727	\$ 477,264	\$ 37,215	\$ 13,619	\$ 242,620	\$ 267,390	\$ 86,597	\$ 1,140,432

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