



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2017. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

RADIUS GOLD INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in Canadian Dollars)

As at:	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	\$ 3,529,617	\$ 5,130,064
Available-for-sale investments (Note 6)	5,430,905	2,793,962
Receivables (Note 7)	45,791	194,586
Due from related parties (Note 13)	21,931	16,800
Prepaid expenses and deposits (Note 13)	138,075	188,833
Total current assets	9,166,319	8,324,245
Non-current assets		
Long-term deposits (Note 13)	123,098	123,098
Property and equipment (Note 8)	77,249	53,354
Mineral property and royalty interests (Note 10)	1,378,863	1,348,165
Investment in associate (Note 9)	1	1
Total non-current assets	1,579,211	1,524,618
TOTAL ASSETS	\$ 10,745,530	\$ 9,848,863
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	\$ 130,650	\$ 107,884
Total liabilities	130,650	107,884
Shareholders' equity		
Share capital (Note 11)	56,592,613	56,592,613
Other equity reserve	6,849,808	6,849,808
Deficit	(53,705,623)	(54,520,103)
Accumulated other comprehensive income	878,082	818,661
Total shareholders' equity	10,614,880	9,740,979
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 10,745,530	\$ 9,848,863

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 27, 2017 BY:

"Simon Ridgway", Director
Simon Ridgway

"William Katzin", Director
William Katzin

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

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

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Royalty revenue	\$ -	\$ 26,973	\$ -	\$ 383,683
Exploration expenditures	421,265	215,591	766,734	441,654
Write-off of mineral interests (Note 10)	-	-	69,187	-
	421,265	215,591	835,921	441,654
General and administrative expenses				
Amortization	5,765	4,779	13,562	20,550
Legal and audit fees	1,659	-	24,746	47,584
Management fees (Note 13)	10,500	10,500	31,500	31,500
Office and miscellaneous (Note 13)	25,165	28,899	79,521	114,350
Salaries and benefits (Note 13)	30,702	40,008	84,038	97,695
Shareholder communications (Note 13)	4,656	2,973	10,427	10,190
Transfer agent and regulatory fees (Note 13)	6,884	2,049	17,493	12,917
Travel and accommodation (Note 13)	1,905	2,853	16,927	8,229
	87,236	92,061	278,214	343,015
Loss from operations	(508,501)	(280,679)	(1,114,135)	(400,986)
Share of post-tax losses of associates	-	-	-	(44,000)
Gain on sale of mineral property interest (Note 10)	1,658,928	-	1,658,928	-
Foreign currency exchange gain (loss)	(5,273)	5,846	965	(56,039)
Gain on sale of available-for-sale investments	24,063	697,610	36,538	2,688,336
Impairment on available-for-sale investments	(147,188)	-	(382,940)	(141,920)
Gain from mineral property option agreements	-	311,252	-	311,252
Gain on property assignment (Note 6)	-	-	606,664	-
Investment income	1,973	4,764	8,460	8,379
Gain on reclassification as available-for-sale investment	-	-	-	598,772
Net income for the period	\$ 1,024,002	\$ 738,793	\$ 814,480	\$ 2,963,794
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Fair value gains (losses) on available-for-sale investments (Note 6)	(410,246)	(404,269)	59,421	1,292,817
Total comprehensive income	\$ 613,756	\$ 334,524	\$ 873,901	\$ 4,256,611
Basic and diluted earnings per share	\$0.01	\$0.01	\$0.01	\$0.03
Weighted average number of common shares outstanding	86,675,617	86,675,617	86,675,617	86,675,617

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

RADIUS GOLD INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income (loss)	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 period	-	-	-	-	2,963,794	2,963,794
Available-for-sale investments	-	-	-	1,292,817	-	1,292,817
Balance, September 30, 2016	86,675,617	56,592,613	6,636,658	1,427,525	(53,418,575)	11,238,221
Loss for the period	-	-	-	-	(1,101,528)	(1,101,528)
Available-for-sale investments	-	-	-	(608,864)	-	(608,864)
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 period	-	-	-	-	814,480	814,480
Available-for-sale investments	-	-	-	59,421	-	59,421
Balance, September 30, 2017	86,675,617	\$ 56,592,613	\$ 6,849,808	\$ 878,082	\$ (53,705,623)	\$ 10,614,880

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

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

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net income for the period	\$ 1,024,002	\$ 738,793	\$ 814,480	\$ 2,963,794
Items not involving cash:				
Amortization	5,765	4,779	13,562	20,550
Gain from mineral property option agreements	-	(311,252)	-	(311,252)
Gain on property assignment	-	-	(606,664)	-
Gain on sale of mineral property interest	(1,658,928)	-	(1,658,928)	-
Write off of mineral property interests	-	-	69,187	-
Impairment of available-for-sale investments	147,188	-	382,940	141,920
Gain on sale of available-for-sale investments	(24,063)	(697,610)	(36,538)	(2,688,336)
Share of post-tax losses of associates	-	-	-	44,000
Gain on reclassification as available-for-sale investment	-	-	-	(598,772)
	(506,036)	(265,290)	(1,021,961)	(428,096)
Changes in non-cash working capital items:				
Receivables	19,354	(139,937)	148,795	(97,294)
Prepaid expenses and deposits	(96,645)	32,982	50,758	22,909
Due from related parties	(11,000)	(11,127)	(5,131)	(12,903)
Accounts payable and accrued liabilities	18,012	7,994	22,766	(55,566)
Cash used in operating activities	(576,315)	(375,378)	(804,773)	(570,950)
INVESTING ACTIVITIES				
Purchase of available-for-sale investments	(97,409)	(357,750)	(886,230)	(472,959)
Expenditures on mineral property acquisition costs	-	(92,935)	(99,885)	(112,407)
Proceeds from mineral property option agreements	-	75,000	-	75,000
Proceeds from disposal of mineral property	186,710	-	186,710	-
Proceeds from sale of available-for-sale investments	27,463	1,127,284	41,188	6,539,335
Purchase of property and equipment	(22,894)	-	(37,457)	-
Cash provided by (used for) investing activities	93,870	751,599	(795,674)	6,028,969
Increase (decrease) in cash and cash equivalents	(482,445)	376,221	(1,600,447)	5,458,019
Cash and cash equivalents, beginning of period	4,012,062	5,233,659	5,130,064	151,861
Cash and cash equivalents, end of period	\$ 3,529,617	\$ 5,609,880	\$ 3,529,617	\$ 5,609,880

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

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 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.

The Company is domiciled in Vancouver, Canada and 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 is 650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

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

Nature of Operations

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

Basis of Consolidation

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

Details of the Company’s principal subsidiaries at September 30, 2017 are as follows:

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

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2017

(Expressed in Canadian Dollars)

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

IFRS 9 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.

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.

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2017

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

- a) Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Rackla Metals Inc. (“Rackla”);
- b) The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period;
- c) The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment;
- d) The application of the Company’s accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company.
If, after exploration and evaluation assets is capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available; and
- e) The determination of when receivables are impaired requires significant judgment as to their collectability.

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

- a) The Company is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2017

(Expressed in Canadian Dollars)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company does not hold any deposits with maturities of greater than three months from the date of acquisition. Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

6. AVAILABLE-FOR-SALE INVESTMENTS

	Advantage	B2Gold	Champagne	Focus	Fortuna	GrowMax	Medgold	Southern Silver	Volcanic	Total
Balance, December 31, 2015	\$ -	\$ 3,626,000	\$ -	\$ 326,417	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ 4,252,417
Acquisition of shares	225,000	-	50,000	172,958	-	70,355	300,000	-	-	818,313
Disposition of shares	-	(3,626,000)	-	-	-	-	-	(225,000)	-	(3,851,000)
Impairment adjustment	-	-	-	(205,321)	-	-	-	-	-	(205,321)
Reclassification as investment in associate	-	-	-	-	-	-	1,095,600	-	-	1,095,600
Net change in fair value recorded in other comprehensive income	17,500	-	-	(14,192)	-	7,145	261,000	412,500	-	683,953
Balance, December 31, 2016	242,500	-	50,000	279,862	-	77,500	1,656,600	487,500	-	2,793,962
Acquisition of shares	-	-	-	229,481	1,472,218	81,649	-	-	1,181,764	2,965,112
Disposition of shares	-	-	-	-	-	-	-	(4,650)	-	(4,650)
Impairment adjustment	(130,000)	-	-	(252,940)	-	-	-	-	-	(382,940)
Net change in fair value recorded in other comprehensive income	35,000	-	-	-	(165,176)	(21,149)	301,200	(4,470)	(85,984)	59,421
Balance, September 30, 2017	\$ 147,500	\$ -	\$ 50,000	\$ 256,403	\$ 1,307,042	\$ 138,000	\$ 1,957,800	\$ 478,380	\$ 1,095,780	\$ 5,430,905

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 September 30, 2017, available-for-sale investments consisted of the following:

Number of common shares held as at:

	September 30, 2017	December 31, 2016
Advantage Lithium Corp. ("Advantage")	250,000	250,000
Champagne Resources Limited ("Champagne")	625,000	625,000
Focus Ventures Ltd. ("Focus")	10,256,106	5,088,406
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
Volcanic Gold Mines Inc. ("Volcanic")	3,222,883	-

Focus 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 Champagne which is a private company.

As at September 30, 2017, the fair value based on published market prices of the available-for-sale investments that are publicly listed was \$5,380,905 (December 31, 2016: \$2,743,962) and the cost of the Champagne available-for-sale investment is \$50,000.

During the period ended September 30, 2017, an impairment charge of \$130,000 was recorded against the Advantage shares due to their fair value declining significantly below their initial cost base and an impairment charge of \$252,940 was recorded against the Focus shares due to the fair value of the shares being less than the adjusted cost base (2016: an impairment charge of \$141,920 was recorded against the Focus shares).

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2017

(Expressed in Canadian Dollars)

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

During the period ended September 30, 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 2,742,700 units of a Focus private placement at a cost of \$137,135. Each unit consists of one common share of Focus and one share purchase warrant; each full warrant entitling the Company to purchase one additional common share of Focus at \$0.10 for five years. The Focus share purchase warrants are not tradable on an exchange;
- iii) Purchased 2,425,000 common shares of Focus 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 \$1,491,369 at the time of issuance, pursuant to a sale of a mineral property (Note 10(iii));
- 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;
- 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 Volcanic share purchase warrants are not tradable on an exchange; and
- viii) Purchased 700,000 common shares of GrowMax in the open market at a cost of \$81,649;

Subsequent to the period ended September 30, 2017, the Company completed the following transactions:

- i) Purchased 1,000,000 units of a ValGold Resources Ltd. (“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 ValGold share purchase warrants are not tradable on an exchange; and
- ii) Sold in the open market 100,000 common shares of Advantage for net proceeds of \$111,921;

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 period ended September 30, 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. 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 September 30, 2017, the Company and Volcanic have one common director.

The Company also held as at September 30, 2017 2,973,275 free trading common shares of Rackla with a fair value of \$341,927 as of September 30, 2017 but they are recorded as an investment in associate (Note 9).

Radius Gold Inc.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2017

(Expressed in Canadian Dollars)

7. RECEIVABLES

	September 30, 2017	December 31, 2016
Royalty revenue receivable	\$ 784,180	\$ 784,180
Provision for impairment	(784,180)	(784,180)
Royalty revenue receivable, net	-	-
Sales taxes	37,014	34,253
Other receivables	8,777	160,333
	\$ 45,791	\$ 194,586

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 September 30, 2017 as the Company has allowed the property owner, 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.

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, September 30, 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 period	4,725	1,873	3,169	1,643	2,096	56	13,562
Balance, September 30, 2017	\$ 53,392	\$ 217,511	\$ 241,155	\$ 53,348	\$ 73,000	\$ 2,288	\$ 640,694
Carrying amounts							
At December 31, 2016	\$ 14,095	\$ -	\$ 14,082	\$ 10,951	\$ 13,978	\$ 248	\$ 53,354
At September 30, 2017	\$ 9,370	\$ 35,584	\$ 10,913	\$ 9,308	\$ 11,882	\$ 192	\$ 77,249

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2017

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATE

Rackla

As at September 30, 2017, the Company held 2,973,275 (December 31, 2016: 2,973,275) common shares of Rackla, representing 19.3% of Rackla's outstanding common shares. The Company also held 1,000,000 share purchase warrants entitling it to purchase an additional 1,000,000 common shares of Rackla until October 18, 2017 at a price of \$0.05 per share. All of these share purchase warrants were exercised subsequent to the period end. 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 condensed interim consolidated financial statements.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2016 to September 30, 2017:

Balance, December 31, 2015	\$	1
Balance, December 31, 2016		1
Balance, September 30, 2017	\$	1

Prior to the 2015 fiscal year, the Company's share of losses in Rackla exceeded its interest and therefore the Company discontinued recognizing its share of further losses. The cumulative unrecognized share of losses for the associate is \$607,982.

The financial statement balances of Rackla are as follows:

	September 30, 2017	December 31, 2016
Total current assets	\$ 33,394	\$ 36,537
Total assets	99,618	104,597
Total liabilities	187,013	133,476
Net loss	82,766 ⁽¹⁾	219,288 ⁽²⁾

⁽¹⁾ Net loss for nine month period ended September 30, 2017.

⁽²⁾ Net loss for the year ended December 31, 2016.

At September 30, 2017, the fair value of the 2,973,275 common shares of Rackla was \$341,927 (December 31, 2016: \$445,991).

Radius Gold Inc.

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10. MINERAL PROPERTY AND ROYALTY INTERESTS

<u>Acquisition costs</u>	<u>Peru</u>	<u>United States</u>	<u>Guatemala</u>	<u>Mexico</u>	<u>Total</u>
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	-	86,537	-	13,348	99,885
Write-off acquisition costs	-	(69,187)	-	-	(69,187)
Balance, September 30, 2017	\$ 1,259,505	\$ 106,009	\$ 1	\$ 13,348	\$ 1,378,863

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

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2016. Significant exploration and evaluation asset transactions that have occurred since December 31, 2016 are as follows:

USA

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 \$40,505, 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.

ABC Property

During the period ended September 30, 2017, the Company wrote off acquisition costs of \$69,187 relating to the ABC Property as the Company allowed the claims to lapse.

Mexico

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 the Company's shares.

Following the signing of the option agreement, the Company staked an additional 10,000 hectares surrounding the Amalia Project.

Radius Gold Inc.

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10. MINERAL PROPERTY AND ROYALTY INTERESTS – (cont'd)

Mexico – (cont'd)

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 can earn a 100% interest in the Tarros Project by making an initial cash payment of US\$3,250 (paid subsequent to period end) and by completing staged payments over a period of 4.5 years totaling US\$1,098,500. The owners retain a 2% Net Smelter Royalty which can be purchased by the Company for US\$1,000,000 for each 1%.

Tlacolula Property

The Tlacolula Property consists of one granted exploration concession covering 12,642 hectares.

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.

Prior to the current period, Fortuna advanced the Property with sampling and trenching but was unsuccessful in obtaining a social license to conduct a drill testing program. In January 2017 the deadline for meeting the required exploration expenditures lapsed. During the period ended September 30, 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. A gain of \$1,658,928 was recorded for this transaction during the period ended September 30, 2017.

The Company and Fortuna have two common directors.

Lithium Brine Projects

In 2016, the Company submitted applications for mineral concessions totalling 37,000 hectares 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 period ended September 30, 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 period, 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 for 10,000 hectares in the State of Coahuila.

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11. SHARE CAPITAL AND RESERVES

a) Common Shares

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

There was no share capital activity during the periods ended September 30, 2017 and 2016.

b) Share Purchase Warrants

There was no share purchase warrant activity during the periods ended September 30, 2017 and 2016 and as at September 30, 2017, no share purchase warrants were outstanding.

12. SHARE-BASED PAYMENTS

a) Option Plan Details

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

The following is a summary of changes in options for the period ended September 30, 2017:

Grant date	Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
				Granted	Exercised	Forfeited / expired		
Jan 08, 2010	Jan 07, 2020	\$0.29	1,245,000	-	-	-	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

b) Fair Value of Options Issued During the Period

No options were granted during the period ended September 30, 2017.

The weighted average remaining contractual life of the options outstanding at September 30, 2017 is 5.71 years.

c) Expenses Arising from Share-based Payment Transactions

No expenses arose from share-based payment transactions recognized during the periods ended September 30, 2017 and 2016 as part of share-based compensation expense.

As of September 30, 2017 there was no amount of total unrecognized compensation cost related to unvested share-based compensation awards (December 31, 2016: \$Nil).

d) Amounts Capitalized Arising from Share-based Payment Transactions

No expenses arose from the share-based payment transactions that were capitalized during the periods ended September 30, 2017 and 2016 as part of exploration and evaluation asset acquisition costs.

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13. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 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
Focus	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 condensed interim consolidated financial statements, the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the periods ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
General and administrative expenses:				
Salaries and benefits	\$ 5,600	\$ 12,773	\$ 14,400	\$ 26,827
Exploration expenditures:				
Geological fees	17,501	-	47,040	-
Salaries and benefits	1,829	-	7,087	4,163
	\$ 24,930	\$ 12,773	\$ 68,527	\$ 30,990

The Company reimburses Gold Group, a company controlled by the Chief Executive Officer of the Company, for shared administrative costs and other business related expenses paid by Gold Group on behalf of the Company. During the periods ended September 30, 2017 and 2016, the Company reimbursed Gold Group the following:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
General and administrative expenses:				
Office and miscellaneous	\$ 11,564	\$ 11,084	\$ 32,850	\$ 30,644
Shareholder communications	206	-	1,520	1,289
Salaries and benefits	24,386	34,551	75,290	87,735
Transfer agent and regulatory fees	1,439	901	3,961	2,856
Travel and accommodation	1,655	1,938	8,882	7,314
	\$ 39,250	\$ 48,474	\$ 122,503	\$ 129,838

Gold Group salary and benefits costs for the periods ended September 30, 2017 and 2016 include those for the Chief Financial Officer and Corporate Secretary.

Prepaid expenses and deposits include an amount of \$930 (December 31, 2016: \$5,797) paid to Gold Group for shared office and administrative services.

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

Radius Gold Inc.

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13. RELATED PARTY TRANSACTIONS – (cont'd)

Due from related parties consist of \$21,931 (December 31, 2016: \$13,693) due from Medgold, a company which has a common director with the Company, and arose from shared personnel costs and \$Nil (December 31, 2016: \$3,107) due from Focus, a company which has two common directors with the Company. These amounts were unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include \$4,804 (December 31, 2016: \$4,033) due to a Director of the Company for geological fees and \$25,171 (December 31, 2016: \$2,828) payable to Gold Group for shared administrative costs.

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 September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Geological fees included in exploration expenditures	\$ 15,000	\$ 15,000	\$ 45,000	\$ 45,000
Management fees	10,500	10,500	31,500	31,500
Salaries, benefits and fees	6,875	9,625	23,375	26,125
	<u>\$ 32,375</u>	<u>\$ 35,125</u>	<u>\$ 99,875</u>	<u>\$ 102,625</u>

Radius Gold Inc.

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14. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to mineral exploration except for a royalty interest in a gold producing property. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby exploration managers are responsible for business results and regional corporate offices provide support to the exploration programs in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's assets were located in Canada, USA, Guatemala, Peru, Mexico, Nicaragua, and Caymans. Details of identifiable assets by geographic segments are as follows:

Period ended September 30, 2017	Canada	USA	Guatemala	Mexico	Other	Consolidated
Exploration expenditures	\$ -	\$ 307,459	\$ 36,763	\$ 360,832	\$ 61,680	\$ 766,734
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	36,538	-	-	-	-	36,538
Investment income	8,460	-	-	-	-	8,460
Amortization	11,689	-	-	1,873	-	13,562
Net income (loss)	13,138	(488,227)	73,460	1,249,837	(47,704)	814,480
Capital expenditures*	-	86,537	-	50,805	-	137,342

Period ended September 30, 2016	Canada	USA	Guatemala	Mexico	Other	Consolidated
Royalty revenue	\$ -	\$ -	\$ 383,683	\$ -	\$ -	\$ 383,683
Exploration expenditures	-	145,980	53,396	126,274	116,004	441,654
Gain on sale of available-for-sale investments	2,688,336	-	-	-	-	2,688,336
Investment income	8,379	-	-	-	-	8,379
Amortization	14,005	-	6,545	-	-	20,550
Net income (loss)	2,863,079	(145,980)	443,243	(53,130)	(143,418)	2,963,794
Capital expenditures*	-	88,659	-	23,748	-	112,407

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

As at September 30, 2017	Canada	USA	Guatemala	Peru	Mexico	Other	Consolidated
Total current assets	\$ 8,854,480	\$ -	\$ 9,868	\$ -	\$ 256,859	\$ 34,624	\$ 9,166,319
Total non-current assets	164,764	106,009	1	1,259,505	48,932	-	1,579,211
Total assets	\$ 9,019,244	\$ 106,009	\$ 9,869	\$ 1,259,505	\$ 305,791	\$ 34,624	\$ 10,745,530
Total liabilities	\$ 89,306	\$ -	\$ 867	\$ -	\$ 40,345	\$ 7,629	\$ 130,650

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

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

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

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at September 30, 2017, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2017				December 31, 2016			
	US Dollar	Mexican Peso	Guatemala Quetzal	Nicaragua Cordoba	US Dollar	Mexican Peso	Guatemala Quetzal	Nicaragua Cordoba
	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)	(CDN equivalent)
Cash	\$ 226,241	\$ 9,233	\$ 26	\$ 452	\$ 20,012	\$ 930	\$ 24	\$ 525
Receivables	-	28,049	2,743	-	-	27,047	2,872	-
Current liabilities	(36,806)	(23,318)	(867)	(132)	(11,507)	(4,439)	(1,609)	(7,706)
	\$ 189,435	\$ 13,964	\$ 1,902	\$ 320	\$ 8,505	\$ 23,538	\$ 1,287	\$ (7,181)

Based on the above net exposures at September 30, 2017, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$20,600 (December 31, 2016: \$2,600) increase or decrease in profit or loss, respectively.

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

Commodity Price Risk

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

Interest Rate Risk

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

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in Advantage, Champagne, Focus, Fortuna, GrowMax, Medgold, Southern Silver and Volcanic are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would result in an approximate \$543,000 decrease in equity.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, available-for-sale investments and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents or available-for-sale investments that are invested in asset based commercial paper. For receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2017, the Company had working capital of \$9.04 million (December 31, 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, investments in available-for-sale investments, receivables, receivable derivatives, amounts due from related parties, deposits, and accounts payables and accrued liabilities are assumed to approximate their fair values.

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

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

	September 30, 2017	September 30, 2017
	Book value	Fair value
Financial assets		
Shares held in Rackla and recorded as investment in associate (Note 9)	\$ 1	\$ 341,927

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 Advantage, Focus, Fortuna, GrowMax, Medgold, Southern Silver and Volcanic are based on quoted prices and are therefore considered to be Level 1. The available-for-sale investment for Champagne is based on inputs other than quoted prices and therefore considered to be Level 2. As of September 30, 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.

There were no transfers between Levels in the current period.

16. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the period ended September 30, 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.