



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

(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, 2018. 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, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 6)	\$ 2,236,012	\$ 3,317,667
Equity investments (Note 7)	5,160,227	4,938,978
Derivative investments (Note 8)	80,735	204,252
Receivables (Note 9)	221,954	78,752
Prepaid expenses and deposits (Note 15)	73,935	44,426
<b>Total current assets</b>	<b>7,772,863</b>	<b>8,584,075</b>
<b>Non-current assets</b>		
Long-term deposits (Note 15)	123,098	123,098
Property and equipment (Note 10)	57,382	71,053
Mineral and royalty interests (Note 12)	1,454,526	1,410,142
Investment in associate (Note 11)	1	1
<b>Total non-current assets</b>	<b>1,635,007</b>	<b>1,604,294</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,407,870</b>	<b>\$ 10,188,369</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 15)	\$ 83,957	\$ 199,278
<b>Shareholders' equity</b>		
Share capital (Note 13)	56,592,613	56,592,613
Other equity reserve	6,962,741	6,849,808
Deficit (Note 3)	(53,373,977)	(54,326,100)
Accumulated other comprehensive income (loss) (Note 3)	(857,464)	872,770
<b>Total shareholders' equity</b>	<b>9,323,913</b>	<b>9,989,091</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 9,407,870</b>	<b>\$ 10,188,369</b>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 26, 2018 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,	
	2018	2017	2018	2017
Exploration expenditures	\$ 131,754	\$ 421,265	\$ 645,339	\$ 766,734
Write-off of mineral interests (Note 12)	-	-	-	69,187
	131,754	421,265	645,339	835,921
General and administrative expenses				
Amortization	4,474	5,765	13,671	13,562
Legal and audit fees	-	1,659	5,560	24,746
Management fees (Note 15)	10,500	10,500	31,500	31,500
Office and miscellaneous (Note 15)	25,242	25,165	81,824	79,521
Salaries and benefits (Note 15)	28,016	30,702	93,038	84,038
Share-based compensation (Note 14)	-	-	112,933	-
Shareholder communications (Note 15)	455	4,656	6,091	10,427
Transfer agent and regulatory fees (Note 15)	2,672	6,884	12,673	17,493
Travel and accommodation (Note 15)	1,884	1,905	10,096	16,927
	73,243	87,236	367,386	278,214
<b>Loss from operations</b>	<b>(204,997)</b>	<b>(508,501)</b>	<b>(1,012,725)</b>	<b>(1,114,135)</b>
Gain from mineral property option agreements (Note 12)	103,518	-	103,518	-
Gain on sale of mineral property interests	-	1,658,928	-	1,658,928
Gain on property assignment	-	-	-	606,664
Investment income	3,822	1,973	11,618	8,460
Foreign currency exchange gain (loss)	(2,961)	(5,273)	(5,623)	965
Gain on sale of equity investments	-	24,063	-	36,538
Impairment on equity investments	-	(147,188)	-	(382,940)
Fair value loss on derivative investments (Note 8)	(67,156)	-	(123,517)	-
<b>Net income (loss) for the period</b>	<b>\$ (167,774)</b>	<b>\$ 1,024,002</b>	<b>\$ (1,026,729)</b>	<b>\$ 814,480</b>
<b>Other comprehensive income (loss)</b>				
Items that may be reclassified subsequently to profit or loss:				
Gains (losses) on sale of equity investments (Note 7)	(1,091)	-	26,597	-
Fair value gains (losses) on equity investments (Note 7)	(2,288,477)	(410,246)	222,021	59,421
<b>Total comprehensive income (loss)</b>	<b>\$ (2,457,342)</b>	<b>\$ 613,756</b>	<b>\$ (778,111)</b>	<b>\$ 873,901</b>
<b>Basic and diluted earnings (loss) per share</b>	<b>\$(0.00)</b>	<b>\$0.01</b>	<b>\$(0.01)</b>	<b>\$0.01</b>
<b>Weighted average number of common shares outstanding</b>	<b>86,675,617</b>	<b>86,675,617</b>	<b>86,675,617</b>	<b>86,675,617</b>

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

**RADIUS GOLD INC.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income (loss)	Deficit	Total
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
Equity 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
Loss for the period	-	-	-	-	(620,477)	(620,477)
Equity investments	-	-	-	(5,312)	-	(5,312)
<b>Balance, December 31, 2017</b>	<b>86,675,617</b>	<b>56,592,613</b>	<b>6,849,808</b>	<b>872,770</b>	<b>(54,326,100)</b>	<b>9,989,091</b>
Impact of adopting IFRS 9 on January 1, 2018 (Note 3)	-	-	-	(1,978,852)	1,978,852	-
<b>Balance, January 1, 2018</b>	<b>86,675,617</b>	<b>56,592,613</b>	<b>6,849,808</b>	<b>(1,106,082)</b>	<b>(52,347,248)</b>	<b>9,989,091</b>
Loss for the period	-	-	-	-	(1,026,729)	(1,026,729)
Equity investments	-	-	-	248,618	-	248,618
Share-based compensation	-	-	112,933	-	-	112,933
<b>Balance, September 30, 2018</b>	<b>86,675,617</b>	<b>\$ 56,592,613</b>	<b>\$ 6,962,741</b>	<b>\$ (857,464)</b>	<b>\$ (53,373,977)</b>	<b>\$ 9,323,913</b>

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

**RADIUS GOLD INC.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Expressed in Canadian Dollars)

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (167,774)	\$ 1,024,002	\$ (1,026,729)	\$ 814,480
Items not involving cash:				
Amortization	4,474	5,765	13,671	13,562
Gain from mineral property option agreements	(103,518)	-	(103,518)	-
Gain on sale of mineral property interests	-	(1,658,928)	-	(1,658,928)
Gain on property assignment	-	-	-	(606,664)
Write off of mineral property interests	-	-	-	69,187
Impairment of equity investments	-	147,188	-	382,940
Gain on sale of equity investments	-	(24,063)	-	(36,538)
Fair value loss on derivative investments	67,156	-	123,517	-
Share-based compensation	-	-	112,933	-
	(199,662)	(506,036)	(880,126)	(1,021,961)
Changes in non-cash working capital items:				
Receivables	(162,977)	19,354	(143,202)	148,795
Prepaid expenses and deposits	(26,777)	(96,645)	(29,509)	50,758
Due from related parties	-	(11,000)	-	(5,131)
Accounts payable and accrued liabilities	(105,028)	18,012	(115,321)	22,766
Cash used in operating activities	(494,444)	(576,315)	(1,168,158)	(804,773)
<b>INVESTING ACTIVITIES</b>				
Purchase of equity investments	-	(97,409)	(18,064)	(886,230)
Expenditures on mineral property acquisition costs	(13,754)	-	(71,486)	(99,885)
Proceeds from mineral property option agreements	130,620	-	130,620	-
Proceeds from disposal of mineral property	-	186,710	-	186,710
Proceeds from sale of equity investments	5,945	27,463	45,433	41,188
Purchase of property and equipment	-	(22,894)	-	(37,457)
Cash provided by (used for) investing activities	122,811	93,870	86,503	(795,674)
<b>Decrease in cash and cash equivalents</b>	<b>(371,633)</b>	<b>(482,445)</b>	<b>(1,081,655)</b>	<b>(1,600,447)</b>
Cash and cash equivalents, beginning of period	2,607,645	4,012,062	3,317,667	5,130,064
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,236,012</b>	<b>\$ 3,529,617</b>	<b>\$ 2,236,012</b>	<b>\$ 3,529,617</b>

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

# **RADIUS GOLD INC.**

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

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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### **1. CORPORATE INFORMATION**

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

#### **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, except as described in Note 3. 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 financial assets measured at fair value.

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 5.

#### **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, 2018 are as follows:

<b>Name</b>	<b>Place of Incorporation</b>	<b>Interest %</b>	<b>Principal Activity</b>
Minerales Sierra Pacifico S.A.	Guatemala	100%	Exploration company
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, 2018

(Expressed in Canadian Dollars)

### 3. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS

The following outlines the new accounting standards and amendments adopted by the Company effective January 1, 2018:

#### *IFRS 9 Financial Instruments*

On January 1, 2018, the Company adopted IFRS 9 – Financial Instruments (“IFRS 9”), which replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss (“ECL”) impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business models under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. The change did not result in a change in carrying value of any of our financial instruments on transition date. The adoption of the ECL impairment model did not have an impact on the Company’s condensed interim consolidated financial statements. IFRS 9 does not require restatement of comparative periods. Accordingly, the Company has reflected the retrospective impact of the adoption of IFRS 9 due to the change in accounting policy for equity investments as an adjustment to opening components of equity as at January 1, 2018.

The Company’s financial instruments are accounted for as follows under IFRS 9 as compared to the Company’s previous policy in accordance with IAS 39:

			<b>January 1, 2018</b>	
			<b>IAS 39</b>	<b>IFRS 9</b>
<b>Financial Asset</b>				
Cash and cash equivalents	Fair value through profit or loss ("FVTPL")			FVTPL
Equity investments	Fair value through other comprehensive income ("FVOCI")			FVOCI
Derivative investments	FVTPL			FVTPL
Receivables	Amortized cost			Amortized cost
Due from related parties	Amortized cost			Amortized cost
Deposits	Amortized cost			Amortized cost
<b>Financial Liability</b>				
Accounts payable and accrued liabilities	Amortized cost			Amortized cost
Due to related parties	Amortized cost			Amortized cost

For equity investments not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company elected to designate its equity investments as financial assets at FVOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be recycled into income (loss) upon disposition. As a result of this change, the Company reclassified \$1,978,852 of impairment losses recognized in prior years on equity investments which continue to be held by the Company as at January 1, 2018 from opening deficit to accumulated other comprehensive income on January 1, 2018. As a result of adopting IFRS 9, the net change in fair value of the equity investments, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to net income in the Statements of Income and Comprehensive Income.

## **RADIUS GOLD INC.**

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

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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#### **3. ADOPTION OF NEW ACCOUNTING STANDARDS AND AMENDMENTS – (cont'd)**

##### *IFRS 9 Financial Instruments – (cont'd)*

The adoption of IFRS 9 has not had a significant impact on the Company's policies related to financial assets of cash and cash equivalents, derivative investments, receivables, due from related parties, and deposits and financial liabilities.

##### *IFRS 15 Revenue from Contracts with Customers*

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 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. The adoption of IFRS 15 did not have an impact on the Company's condensed interim consolidated financial statements.

##### *Other Amendments/Interpretations*

The Company has adopted amendments/interpretations to IFRIC 22 – Foreign Currency Transactions and Advance Consideration and IFRS 2 – Share Based Payment Transactions which did not have an impact on the Company's condensed interim consolidated financial statements.

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

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

##### *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, 2018

(Expressed in Canadian Dollars)

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#### **5. 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 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;
- c) 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

- d) 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 is 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.

#### **6. 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.

# RADIUS GOLD INC.

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

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

### 7. EQUITY INVESTMENTS

**Number of common shares held as at:**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
CROPS Inc. (formerly Focus Ventures Ltd.) (“CROPS”)	2,564,027	2,564,027
Fortuna Silver Mines Inc. (“Fortuna”)	239,385	239,385
GrowMax Resources Corp. (“GrowMax”)	1,150,000	1,200,000
Medgold Resources Corp. (“Medgold”)	10,126,500	10,040,000
Southern Silver Exploration Corp. (“Southern Silver”)	1,259,500	1,407,000
Metalla Royalty and Streaming Ltd. (formerly ValGold Resources Ltd.) (“Metalla”)	166,700	166,700
Volcanic Gold Mines Inc. (“Volcanic”)	3,222,883	3,222,883
Warrior Gold Inc. (formerly War Eagle Mining Company Inc. and Champagne Resources Limited) (“Warrior”)	233,781	233,781

	<b>Advantage</b>	<b>CROPS</b>	<b>Fortuna</b>	<b>GrowMax</b>	<b>Medgold</b>
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
Acquisition of shares	-	-	-	-	18,064
Disposition of shares	-	-	-	(7,036)	-
Net change in fair value recorded in other comprehensive income	-	(166,662)	(220,235)	13,286	1,312,221
<b>Balance, September 30, 2018</b>	<b>\$ -</b>	<b>\$ 89,741</b>	<b>\$ 1,350,131</b>	<b>\$ 132,250</b>	<b>\$ 2,936,685</b>

	<b>Southern Silver</b>	<b>Metalla</b>	<b>Volcanic</b>	<b>Warrior</b>	<b>Total</b>
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
Acquisition of shares	-	-	-	-	18,064
Disposition of shares	(11,800)	-	-	-	(18,836)
Net change in fair value recorded in other comprehensive income	(321,341)	55,025	(418,975)	(31,298)	222,021
<b>Balance, September 30, 2018</b>	<b>\$ 201,519</b>	<b>\$ 125,025</b>	<b>\$ 306,174</b>	<b>\$ 18,702</b>	<b>\$ 5,160,227</b>

## **RADIUS GOLD INC.**

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

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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#### **7. EQUITY 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 of the Company's equity investment companies are publicly listed as of September 30, 2018.

During the period ended September 30, 2018:

- i) Champagne Resources Limited ("Champagne") completed a merger with War Eagle, a publicly listed company, whereby the 625,000 common shares of Champagne held by the Company were converted to 233,781 common shares of War Eagle. War Eagle then subsequently changed its name to Warrior Gold Inc.;
- ii) 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; and
- iii) Metalla Royalty and Streaming Ltd ("Metalla"), a publicly listed company, acquired ValGold Resources Ltd. ("ValGold") whereby the 1,000,000 common shares of ValGold held by the Company were converted to 166,700 common shares of Metalla.

As at September 30, 2018, the fair value based on published market prices of the equity investments that are publicly listed was \$5,160,227 (December 31, 2017: \$4,888,978).

During the period ended September 30, 2018, the Company completed the following transactions:

- i) Purchased in the open market 86,500 common shares of Medgold at a cost of \$18,064;
- ii) Sold in the open market 147,500 common shares of Southern Silver for net proceeds of \$39,488 and recorded a gain of \$27,688 on the sale in other comprehensive income; and
- iii) Sold in the open market 50,000 common shares of GrowMax for net proceeds of \$5,945 and recorded a loss of \$1,091 on the sale in other comprehensive income.

The Company also held 3,973,275 free trading common shares of Rackla with a fair value of \$456,927 as of September 30, 2018 but they are recorded as an investment in associate (Note 11).

## RADIUS GOLD INC.

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

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

#### 8. DERIVATIVE INVESTMENTS

Number of share purchase warrants held as at:		
	September 30, 2018	December 31, 2017
CROPS	685,675	685,675
Metalla	166,700	166,700
Volcanic	1,125,000	1,542,000
Warrior	116,890	116,890

	CROPS	Metalla	Volcanic	Warrior	Total
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of warrants	30,717	58,301	107,712	7,522	204,252
Balance, December 31, 2017	30,717	58,301	107,712	7,522	204,252
Net change in fair value recorded in net income	(28,769)	(656)	(87,663)	(6,429)	(123,517)
<b>Balance, September 30, 2018</b>	<b>\$ 1,948</b>	<b>\$ 57,645</b>	<b>\$ 20,049</b>	<b>\$ 1,093</b>	<b>\$ 80,735</b>

During the period ended September 30, 2018, the following share purchase warrant activity occurred:

- Upon Champagne's merger with Warrior, the 312,500 share purchase warrants of Champagne held by the Company were converted to 116,890 share purchase warrants of Warrior with an exercise price of \$0.40 per share and expiry date of August 9, 2019;
- Upon CROPS completing a share consolidation, the 2,742,700 share purchase warrants of CROPS held by the Company were converted to 685,675 share purchase warrants with an exercise price of \$0.40 per share and expiry date of March 22, 2022;
- Upon Metalla's acquisition of ValGold, the 1,000,000 share purchase warrants of ValGold held by the Company were converted to 166,700 share purchase warrants of Metalla; and
- A total of 417,000 Volcanic share purchase warrants with an exercise price of \$0.25 expired unexercised.

The fair value of the derivative investments was determined using the Black-Scholes option pricing model with the following inputs:

	Volatility factor	Risk-free interest rate	Expected life (years)	Expected dividend yield
CROPS	77%	2.28%	3.48	0%
Metalla	100%	2.08%	1.01	0%
Volcanic	89%	2.28%	3.44	0%
Warrior	135%	2.08%	0.86	0%

The share purchase warrants for CROPS, Metalla, Volcanic, and Warrior are not tradable on an exchange.

**RADIUS GOLD INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**9. RECEIVABLES**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Royalty revenue receivable	\$ 784,180	\$ 784,180
Provision for impairment	(784,180)	(784,180)
Royalty revenue receivable, net	-	-
Sales taxes	56,048	70,945
Exploration expenditure recoveries	158,755	-
Other receivables	7,151	7,807
	<b>\$ 221,954</b>	<b>\$ 78,752</b>

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, 2018 as the Company has allowed the property owner, Kappes, Cassidy & Associates (“KCA”), to defer payment of the balance while KCA commences legal proceedings against the Guatemalan government to overturn the suspension of operations of its mine-site and seek compensation from the Guatemalan authorities, from which the Company would benefit as well.

**10. PROPERTY AND EQUIPMENT**

	<b>Leasehold improvements</b>	<b>Trucks</b>	<b>Computer equipment</b>	<b>Furniture and equipment</b>	<b>Geophysical equipment</b>	<b>Field equipment</b>	<b>Total</b>
<b>Cost</b>							
Balance, December 31, 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
<b>Balance, September 30, 2018</b>	<b>\$ 62,762</b>	<b>\$ 253,095</b>	<b>\$ 252,068</b>	<b>\$ 62,656</b>	<b>\$ 84,882</b>	<b>\$ 2,480</b>	<b>\$ 717,943</b>
<b>Accumulated amortization</b>							
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
Charge for period	4,725	3,425	2,218	1,312	1,817	174	13,671
<b>Balance, September 30, 2018</b>	<b>\$ 59,692</b>	<b>\$ 223,239</b>	<b>\$ 244,429</b>	<b>\$ 55,208</b>	<b>\$ 75,516</b>	<b>\$ 2,480</b>	<b>\$ 660,561</b>
<b>Carrying amounts</b>							
At December 31, 2017	\$ 7,795	\$ 33,284	\$ 9,857	\$ 8,760	\$ 11,183	\$ 174	\$ 71,053
<b>At September 30, 2018</b>	<b>\$ 3,070</b>	<b>\$ 29,859</b>	<b>\$ 7,639</b>	<b>\$ 7,448</b>	<b>\$ 9,366</b>	<b>\$ -</b>	<b>\$ 57,382</b>

## RADIUS GOLD INC.

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

For the nine months ended September 30, 2018

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#### 11. INVESTMENT IN ASSOCIATE

##### Rackla

As at September 30, 2018, the Company held 3,973,275 (December 31, 2017: 3,973,275) common shares of Rackla, representing 19.6% of Rackla's outstanding common shares.

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

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2017 to September 30, 2018:

Balance, December 31, 2016	\$	1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2017		1
<b>Balance, September 30, 2018</b>	<b>\$</b>	<b>1</b>

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 as of September 30, 2018 is \$588,882.

The financial statement balances of Rackla are as follows:

	September 30, 2018	December 31, 2017
Total current assets	\$ 126,033	\$ 250,862
Total assets	\$ 189,806	\$ 316,474
Total liabilities	\$ 139,038	\$ 225,230
Net loss	\$ 109,076 <sup>(1)</sup>	\$ 130,627 <sup>(2)</sup>

<sup>(1)</sup> Net loss for nine month period ended September 30, 2018.

<sup>(2)</sup> Net loss for the year ended December 31, 2017.

At September 30, 2018, the fair value of the 3,973,275 common shares of Rackla was \$456,927 (December 31, 2017: \$456,927).

## RADIUS GOLD INC.

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

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## 12. MINERAL PROPERTY AND ROYALTY INTERESTS

Acquisition costs	Peru	United States	Guatemala	Mexico	Total
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
Additions - cash	-	57,732	-	13,754	71,486
Acquisition costs recovered	-	-	-	(27,102)	(27,102)
<b>Balance, September 30, 2018</b>	<b>\$ 1,259,505</b>	<b>\$ 195,020</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 1,454,526</b>

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

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2017. Significant exploration and evaluation asset transactions that have occurred since January 1, 2018 are as follows:

### Coyote Property - USA

During the period ended September 30, 2018, the Company was granted a lease and option agreement with Geologic Services Inc. ("Geologic") on the Coyote gold property which consists of 128 unpatented mineral claims located in Elko County, Nevada. Pursuant to this agreement, the Company paid \$25,657 to Geologic as reimbursement for the staking costs of 70 of these claims.

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 \$32,075 (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.

### Amalia Project - Mexico

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.

During the 2017 fiscal year, following the signing of the option agreement, the Company staked an additional 10,000 hectares surrounding the Amalia Project at a cost of \$13,348.

During the period ended September 30, 2018, the Company entered into an option agreement with Pan American Silver Corp. ("Pan American") whereby Pan American can earn up to an initial 65% interest in the Amalia Project by making cash payments to the Company totaling US\$1.5 million, of which \$130,620 (US\$100,000) has been received, and expending US\$2.0 million on exploration over four years. Pan American may earn an additional 10% by advancing the property to a preliminary feasibility stage. Of the \$130,620 option payment received, \$27,102 was recorded as an acquisition cost recovery against the property's carrying cost and the balance of \$103,518 recorded as a gain from mineral property agreements.

## RADIUS GOLD INC.

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

For the nine months ended September 30, 2018

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

##### Tarros Project - Mexico

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. During the period ended September 30, 2018, the Company terminated the option agreement prior to the due date of the next required cash option payment.

#### 13. 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, 2018 and 2017.

#### 14. 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, 2018:

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	-	-	(1,235,000)	10,000	10,000
May 26, 2010	May 25, 2020	\$0.36	100,000	-	-	(100,000)	-	-
Sep 24, 2010	Sep 23, 2020	\$0.69	100,000	-	-	(100,000)	-	-
Dec 13, 2012	Dec 12, 2022	\$0.20	1,885,000	-	-	(300,000)	1,585,000	1,585,000
Oct 19, 2016	Oct 18, 2026	\$0.15	1,740,000	-	-	(200,000)	1,540,000	1,540,000
May 22, 2018	May 21, 2028	\$0.15	-	1,515,000	-	-	1,515,000	1,515,000
			<b>5,070,000</b>	<b>1,515,000</b>	<b>-</b>	<b>(1,935,000)</b>	<b>4,650,000</b>	<b>4,650,000</b>
		<b>Weighted average exercise price</b>	<b>\$0.22</b>	<b>\$0.15</b>	<b>-</b>	<b>\$0.29</b>	<b>\$0.17</b>	<b>\$0.17</b>

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

The weighted average fair value at grant date of options granted during the period ended September 30, 2018 was \$0.07 per option.

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

The weighted average remaining contractual life of the options outstanding at September 30, 2018 is 7.25 years (December 31, 2017: 5.46 years).

## RADIUS GOLD INC.

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

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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

##### b) Fair Value of Options Issued During the Period – (cont'd)

###### *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 period ended September 30, 2018 included:

<b>Grant date</b>	<b>Expiry date</b>	<b>Share price at grant date</b>	<b>Exercise price</b>	<b>Risk-free interest rate</b>	<b>Expected life</b>	<b>Volatility factor</b>	<b>Dividend yield</b>
May 22, 2018	May 21, 2028	\$0.095	\$0.15	2.48%	10 years	87%	0%

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

##### c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized during the period ended September 30, 2018 as part of share-based compensation expense were \$112,933 (2017: \$Nil).

As of September 30, 2018 there was no amount (December 31, 2017: \$Nil) of total unrecognized compensation cost related to unvested share-based compensation awards.

## RADIUS GOLD INC.

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

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#### 15. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2018 and 2017 with related parties who consisted of directors, officers and the following companies with common directors:

<b>Related Party</b>	<b>Nature of Transactions</b>
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Medgold	Investment and shared personnel expenses
Fortuna	Investment
CROPS	Investment
Volcanic	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, 2018 and 2017:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General and administrative expenses:				
Salaries and benefits	\$ 6,240	\$ 5,600	\$ 18,240	\$ 14,400
Exploration expenditures:				
Geological fees	-	17,501	-	47,040
Salaries and benefits	-	1,829	-	7,087
	<b>\$ 6,240</b>	<b>\$ 24,930</b>	<b>\$ 18,240</b>	<b>\$ 68,527</b>

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, 2018 and 2017, the Company reimbursed Gold Group the following:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General and administrative expenses:				
Office and miscellaneous	\$ 8,682	\$ 11,564	\$ 28,449	\$ 32,850
Shareholder communications	-	206	1,210	1,520
Salaries and benefits	27,116	24,386	84,057	75,290
Transfer agent and regulatory fees	1,466	1,439	3,452	3,961
Travel and accommodation	1,885	1,655	5,343	8,882
	<b>\$ 39,149</b>	<b>\$ 39,250</b>	<b>\$ 122,511</b>	<b>\$ 122,503</b>
Exploration expenditures	<b>\$ 745</b>	<b>\$ -</b>	<b>\$ 2,663</b>	<b>\$ -</b>

Gold Group salary and benefits costs for the periods ended September 30, 2018 and 2017 include those for the Chief Financial Officer and Corporate Secretary.

During the period ended September 30, 2018, the Company was reimbursed \$12,079 (2017: \$68,510) from Medgold, a company which has a common director with the Company, for shared exploration personnel costs.

Prepaid expenses and deposits include an amount of \$11,267 (December 31, 2017: \$1,142) paid to Gold Group for shared office and administrative services.

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

## RADIUS GOLD INC.

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

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

Accounts payable and accrued liabilities include \$27,755 (December 31, 2017: \$44,471) payable to Gold Group for shared administrative costs.

During the period ended September 30, 2018, the following transactions also occurred:

- i) The Company acquired 86,500 common shares of Medgold on the open market for a cost of \$18,064 (Note 7).

During the period ended September 30, 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.
- ii) The Company acquired 685,675 common shares of CROPS by way of private placement at a cost of \$137,135.
- iii) 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.
- iv) The Company 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.

#### 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,	
	2018	2017	2018	2017
Management fees	\$ 10,500	\$ 15,000	\$ 31,500	\$ 45,000
Geological fees	15,000	10,500	45,000	31,500
Salaries, benefits and fees*	7,792	6,875	22,001	23,375
Share-based payments (value of stock option grants)	-	-	22,691	-
	<b>\$ 33,292</b>	<b>\$ 32,375</b>	<b>\$ 121,192</b>	<b>\$ 99,875</b>

\*Included in reimbursements to Gold Group

Key management compensation includes management and geological fees paid to Mill Street, a company controlled by the Chief Executive Officer of the Company.

Total value of stock option grants to directors not included in the above table during the period ended September 30, 2018 was \$31,809 (2017: \$Nil).

**RADIUS GOLD INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**16. SEGMENTED INFORMATION**

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

<b>Period ended September 30, 2018</b>	<b>Canada</b>	<b>USA</b>	<b>Guatemala</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
Exploration expenditures	\$ -	\$ 502,216	\$ 34,642	\$ 54,081	\$ 54,400	\$ 645,339
Gain from mineral property option agreements	-	-	-	103,518	-	103,518
Investment income	11,618	-	-	-	-	11,618
Amortization	10,245	-	-	3,426	-	13,671
Net income (loss)	(314,175)	(562,690)	52,993	(140,316)	(62,541)	(1,026,729)
Capital expenditures*	-	57,732	-	-	-	57,732

<b>Period ended September 30, 2017</b>	<b>Canada</b>	<b>USA</b>	<b>Guatemala</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
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 equity 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	(33,728)	814,480
Capital expenditures*	-	86,537	-	50,805	-	137,342

\*Capital expenditures consists of additions of property and equipment and mineral and royalty interests

<b>As at September 30, 2018</b>	<b>Canada</b>	<b>USA</b>	<b>Guatemala</b>	<b>Peru</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
Total current assets	\$ 7,634,450	\$ -	\$ 10,487	\$ -	\$ 100,112	\$ 27,814	\$ 7,772,863
Total non-current assets	150,623	195,020	-	1,259,505	29,859	-	1,635,007
<b>Total assets</b>	<b>\$ 7,785,073</b>	<b>\$ 195,020</b>	<b>\$ 10,487</b>	<b>\$ 1,259,505</b>	<b>\$ 129,971</b>	<b>\$ 27,814</b>	<b>\$ 9,407,870</b>
<b>Total liabilities</b>	<b>\$ 82,010</b>	<b>\$ -</b>	<b>\$ 864</b>	<b>\$ -</b>	<b>\$ 1,083</b>	<b>\$ -</b>	<b>\$ 83,957</b>

<b>As at December 31, 2017</b>	<b>Canada</b>	<b>USA</b>	<b>Guatemala</b>	<b>Peru</b>	<b>Mexico</b>	<b>Other</b>	<b>Consolidated</b>
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
<b>Total assets</b>	<b>\$ 8,504,799</b>	<b>\$ 137,288</b>	<b>\$ 10,874</b>	<b>\$ 1,259,505</b>	<b>\$ 241,153</b>	<b>\$ 34,750</b>	<b>\$ 10,188,369</b>
<b>Total liabilities</b>	<b>\$ 175,116</b>	<b>\$ -</b>	<b>\$ 896</b>	<b>\$ -</b>	<b>\$ 30,867</b>	<b>\$ -</b>	<b>\$ 199,278</b>

## RADIUS GOLD INC.

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

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## 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

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

### General Objectives, Policies and Processes

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

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

#### a) Market Risk

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

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at September 30, 2018, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2018			December 31, 2017			
	US Dollar (CDN equivalent)	Mexican Peso (CDN equivalent)	Guatemala Quetzal (CDN equivalent)	US Dollar (CDN equivalent)	Mexican Peso (CDN equivalent)	Guatemala Quetzal (CDN equivalent)	Nicaragua Cordoba (CDN equivalent)
Cash	\$ 65,296	\$ 3,552	\$ -	\$ 172,803	\$ 3,969	\$ -	\$ 574
Receivables	-	45,089	-	-	59,386	2,899	-
Current liabilities	(36,690)	(1,083)	(864)	(74,910)	(28,409)	(896)	-
	<b>\$ 28,606</b>	<b>\$ 47,558</b>	<b>\$ (864)</b>	<b>\$ 97,893</b>	<b>\$ 34,946</b>	<b>\$ 2,003</b>	<b>\$ 574</b>

Based on the above net exposures at September 30, 2018, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$7,500 (December 31, 2017: \$13,500) increase or decrease in profit or loss, respectively.

## **RADIUS GOLD INC.**

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

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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#### **17. 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 equity 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 Company's equity investments are monitored by the Board with decisions on sale or exercise taken by Management. A 10% decrease in fair value of the shares and warrants would result in an approximate \$760,000 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, equity 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 equity 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 September 30, 2018, the Company had working capital of \$7.69 million (December 31, 2017: \$8.38 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, equity investments, derivative investments, receivables, 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

(Expressed in Canadian Dollars)

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

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

	September 30, 2018	September 30, 2018
	Book value	Fair value
Financial assets		
Shares held in Rackla (Note 11)	\$ 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 equity investments are based on quoted prices and are therefore considered to be Level 1. The derivative instruments are based on inputs other than quoted prices and therefore considered to be Level 3. As of September 30, 2018, 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.

#### 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, equity investments, derivative 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, 2018. 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2018

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**19. EVENTS AFTER THE REPORTING DATE**

Subsequent to September 30, 2018, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

- i) 200,000 stock options with an exercise price of \$0.15 per share and exercisable for ten years were granted.