CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2016. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

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

As at:		**September 30, 2016**		**December 31, 2015**
ASSETS				
Current assets				
Cash and cash equivalents (Note 5)	$	5,609,880	$	151,861
Available-for-sale investments (Note 6)		3,209,873		4,252,417
Receivables (Notes 7 and 13)		882,058		784,764
Due from related parties (Note 13)		21,127		8,224
Prepaid expenses and deposits (Note 13)		36,744		59,653
Total current assets		9,759,682		5,256,919
Non-current assets				
Long-term deposits (Note 13)		123,597		123,597
Property and equipment (Note 8)		57,616		78,166
Mineral property and royalty interests (Note 10)		1,348,165		1,259,506
Investment in associates (Note 9)		1		369,829
Total non-current assets		1,529,379		1,831,098
TOTAL ASSETS	**$**	**11,289,061**	**$**	**7,088,017**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 13)	$	50,840	$	106,407
Total liabilities		50,840		106,407
Shareholders' equity				
Share capital (Note 11)		56,592,613		56,592,613
Other equity reserve		6,636,658		6,636,658
Deficit		(53,418,575)		(56,382,369)
Accumulated other comprehensive income		1,427,525		134,708
Total shareholders' equity		11,238,221		6,981,610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**11,289,061**	**$**	**7,088,017**

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 24, 2016 BY:

"Simon Ridgway", Director
Simon Ridgway

"William Katzin", Director
William Katzin

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

RADIUS GOLD INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Expressed in Canadian Dollars)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Royalty revenue (Note 10)	$ 26,973	$ 267,729	$ 383,683	$ 755,562
Exploration expenditures	215,591	114,923	441,654	456,781
Write-off of mineral property interests	-	-	-	32,022
	215,591	114,923	441,654	488,803
General and administrative expenses				
Amortization	4,779	10,037	20,550	28,555
Legal and audit fees	-	8,879	47,584	163,848
Management fees (Note 13)	10,500	25,500	31,500	76,500
Office and miscellaneous (Note 13)	28,899	41,270	114,350	134,098
Salaries and benefits (Note 13)	40,008	36,162	97,695	116,123
Shareholder communications (Note 13)	2,973	3,536	10,190	28,299
Transfer agent and regulatory fees (Note 13)	2,049	2,106	12,917	29,891
Travel and accommodation (Note 13)	2,853	1,397	8,229	16,208
	92,061	128,887	343,015	593,522
Income (loss) before other income/(expenses)	(280,679)	23,919	(400,986)	(326,763)
Other income (expenses)				
Share of post-tax losses of associates (Note 9)	-	(28,000)	(44,000)	(115,000)
Gain on reclassification as available-for-sale investment (Note 9)	-	-	598,772	-
Gain on loan conversion	-	-	-	180,000
Foreign currency exchange gain (loss)	5,846	8,236	(56,039)	29,415
Gain (loss) on sale of available-for-sale investments	697,610	(48,252)	2,688,336	(29,787)
Impairment on available-for-sale investments	-	(1,243,199)	(141,920)	(1,271,463)
Gain from mineral property option agreements (Note 10)	311,252	-	311,252	60,661
Investment income	4,764	34	8,379	17,275
Recovery of receivables	-	-	-	423,055
Net income (loss) for the period	**$ 738,793**	**$ (1,287,262)**	**$ 2,963,794**	**$ (1,032,607)**
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Fair value gains (losses) on available-for-sale investments (Note 6)	(404,269)	(77,536)	1,292,817	(193,462)
Total comprehensive income (loss)	**$ 334,524**	**$ (1,364,798)**	**$ 4,256,611**	**$ (1,226,069)**
Basic and diluted earnings (loss) per share	$0.01	$(0.02)	$0.03	$(0.01)
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, 2016 and 2015
(Expressed in Canadian Dollars)

	Number of common shares		Share capital		Other equity reserve		Accumulated other comprehensive income		Deficit		Total
Balance, December 31, 2014	86,675,617	$	56,592,613	$	6,636,658	$	201,108	$	(54,506,920)	$	8,923,459
Loss for the period	-		-		-		-		(1,032,607)		(1,032,607)
Available-for-sale investments	-		-		-		(193,462)		-		(193,462)
Balance, September 30, 2015	86,675,617		56,592,613		6,636,658		7,646		(55,539,527)		7,697,390
Loss for the period	-		-		-		-		(842,842)		(842,842)
Available-for-sale investments	-		-		-		127,062		-		127,062
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**

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, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net income (loss) for the period	$ 738,793	$ (1,287,262)	$ 2,963,794	$ (1,032,607)
Items not involving cash:				
Amortization	4,779	10,037	20,550	28,555
Gain from mineral property option agreements	(311,252)	-	(311,252)	(60,661)
Write off of mineral property interests	-	-	-	32,022
Impairment of available-for-sale investments	-	1,243,199	141,920	1,271,463
Loss (gain) on sale of available-for-sale investments	(697,610)	48,252	(2,688,336)	29,787
Gain on loan conversion	-	-	-	(180,000)
Gain on reclassification as available-for-sale investment	-	-	(598,772)	-
Share of post-tax losses of associates	-	28,000	44,000	115,000
	(265,290)	42,226	(428,096)	203,559
Changes in non-cash working capital items:				
Receivables	(139,937)	(238,043)	(97,294)	(736,643)
Prepaid expenses and deposits	32,982	(10,264)	22,909	19,996
Long-term deposits	-	11,158	-	11,158
Due from related parties	(11,127)	28,612	(12,903)	(3,800)
Accounts payable and accrued liabilities	7,994	(59,898)	(55,566)	41,172
Cash used in operating activities	(375,378)	(226,209)	(570,950)	(464,558)
INVESTING ACTIVITIES				
Proceeds from loan repayment and interest payment	-	-	-	521,742
Purchase of available-for-sale investments	(357,750)	-	(472,959)	(366,200)
Investment in associates	-	(4,085)	-	(4,085)
Expenditures on exploration and evaluation asset acquisition costs	(92,935)	-	(112,407)	(1,283,326)
Proceeds from mineral property option agreements	75,000	-	75,000	60,661
Proceeds from sale of available-for-sale investments	1,127,284	159,649	6,539,335	416,998
Purchase of property and equipment	-	(1,288)	-	(1,288)
Cash provided by (used for) investing activities	751,599	154,276	6,028,969	(655,498)
Increase (decrease) in cash and cash equivalents	**376,221**	**(71,933)**	**5,458,019**	**(1,120,056)**
Cash and cash equivalents, beginning of period	5,233,659	190,249	151,861	1,238,372
Cash and cash equivalents, end of period	**$ 5,609,880**	**$ 118,316**	**$ 5,609,880**	**$ 118,316**

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

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

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

Nature of Operations

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

Basis of Consolidation

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

Details of the Company's principal subsidiaries at September 30, 2016 are as follows:

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

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 16 Leases

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

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”). The Company no longer has the power to exercise significant influence over Medgold Resources Corp (“Medgold”) and therefore an investment in Medgold is now treated as an available-for-sale investment;

b) The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less that its original cost at each reporting period;

c) The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment; and

d) The application of the Company’s accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

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

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

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

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

b) The Company accounts for royalty revenue on an accrual basis which requires forecasting of gold prices and use of preliminary assay and weight results to estimate revenue prior to final settlement.

(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

	B2Gold	Focus	Southern	Medgold	Advantage	Total
Balance, December 31, 2014	$ 5,370,148	$ 191,407	$ -	$ -	$ -	$ 5,561,555
Acquisition of shares	-	366,200	480,000	-	-	846,200
Disposition of shares	(446,784)	-	-	-	-	(446,784)
Impairment adjustment	(1,297,364)	(164,790)	(180,000)	-	-	(1,642,154)
Net change in fair value recorded in other comprehensive income	-	(66,400)	-	-	-	(66,400)
Balance, December 31, 2015	3,626,000	326,417	300,000	-	-	4,252,417
Acquisition of shares	-	172,959	-	300,000	260,000	732,959
Disposition of shares	(3,626,000)	-	(225,000)	-	-	(3,851,000)
Impairment adjustment	-	(141,920)	-	-	-	(141,920)
Reclassification as available-for sale investment	-	-	-	924,600	-	924,600
Net change in fair value recorded in other comprehensive income	-	49,617	517,500	733,200	(7,500)	1,292,817
Balance, September 30, 2016	**$ -**	**$ 407,073**	**$ 592,500**	**$ 1,957,800**	**$ 252,500**	**$ 3,209,873**

Available-for-sale investments are recorded at fair value. As of September 30, 2016, available-for-sale investments consisted of 5,088,406 (December 31, 2015: 2,838,406) common shares of Focus Ventures Ltd. (“Focus”), 1,500,000 (December 31, 2015: 6,000,000) common shares of Southern Silver Exploration Corp. (“Southern Silver”), 10,040,000 (December 31, 2015: Nil) common shares of Medgold, and 250,000 (December 31, 2015: Nil) common shares of Advantage Lithium Corp. (“Advantage”), all of which are public companies.

As at September 30, 2016, the fair value based on published market prices of the available-for-sale investments was $3,209,873 (December 31, 2015: $4,252,417). An unrealized gain of $1,292,817 was recorded in other comprehensive income during the period ended September 30, 2016 (2015: unrealized loss of $193,462), of which an unrealized gain of $49,617 related to Focus shares (2015: unrealized loss of $103,462), an unrealized gain of $517,500 related to Southern Silver shares (2015: unrealized loss of $90,000), an unrealized gain of $733,200 related to Medgold shares (2015: $Nil), and an unrealized loss of $7,500 related to Advantage shares (2015: $Nil).

During the period ended September 30, 2016, the Company’s holding of 8,040,000 Medgold shares was reclassified from an investment in associate to an available-for-sale investment (Note 9). The fair value of the 8,040,000 Medgold shares at the time of reclassification was $924,600. During the period ended September 30, 2016 and after the reclassification, the Company acquired an additional 2,000,000 shares of Medgold upon the exercise of 2,000,000 share purchase warrants at a cost of $300,000, bringing the total amount of Medgold shares held as of September 30, 2016 to 10,040,000.

During the period ended September 30, 2016, the Company acquired 2,250,000 common shares of Focus of which 770,000 shares were acquired by way of a private placement for a cost of $50,050, another 770,000 shares acquired upon the exercise of 770,000 share purchase warrants at a cost of $57,750, and 710,000 shares acquired on the open market at a cost of $65,159.

(Expressed in Canadian Dollars)

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

During the period ended September 30, 2016, the Company received 250,000 common shares of Advantage with a fair value of $300,000 at the time of receipt, pursuant to a mineral property option agreement entered into during the current period (Note 10).

Subsequent to the period ended September 30, 2016, the Company acquired 500,000 common shares of GrowMax Resources Corp in the open market at a cost of $70,355.

During the period ended September 30, 2016, the Company sold its remaining 2,590,000 shares of B2Gold for net proceeds of $5,724,827 and recorded a gain on sale of available-for-sale investments of $2,098,827 and sold 4,500,000 shares of Southern Silver for net proceeds of $814,508 and recorded a gain of $589,508.

During the period ended September 30, 2016, an impairment charge of $141,920 was charged against the Focus shares due the fair value of the shares being less than the adjusted cost base as at the end of the first quarter.

As of September 30, 2016, the Company also holds 2,973,275 free trading common shares of Rackla with a fair value of $416,259 (December 31, 2015: $163,530) but they are recorded as an investment in associate (Note 9).

7. RECEIVABLES

	September 30, 2016	December 31, 2015
Royalty revenue	$ 718,150	$ 743,682
Sales taxes	46,151	35,465
Other receivables	117,757	5,617
	$ 882,058	**$ 784,764**

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Trucks	Computer equipment	Furniture and equipment	Geophysical equipment	Field equipment	Total
Cost							
Balance, December 31, 2014	$ 62,762	$ 215,638	$ 252,068	$ 62,656	$ 83,594	$ 2,480	$ 679,198
Additions	-	-	-	-	1,288	-	1,288
Balance, December 31, 2015	62,762	215,638	252,068	62,656	84,882	2,480	680,486
Balance, September 30, 2016	**$ 62,762**	**$ 215,638**	**$ 252,068**	**$ 62,656**	**$ 84,882**	**$ 2,480**	**$ 680,486**
Accumulated amortization							
Balance, December 31, 2014	$ 36,067	$ 196,237	$ 222,378	$ 45,069	$ 63,202	$ 1,974	$ 564,927
Charge for period	6,300	12,443	9,707	4,584	4,207	152	37,393
Balance, December 31, 2015	42,367	208,680	232,085	49,653	67,409	2,126	602,320
Charge for period	4,725	6,957	4,393	1,775	2,621	79	20,550
Balance, September 30, 2016	**$ 47,092**	**$ 215,637**	**$ 236,478**	**$ 51,428**	**$ 70,030**	**$ 2,205**	**$ 622,870**
Carrying amounts							
At December 31, 2015	$ 20,395	$ 6,958	$ 19,983	$ 13,003	$ 17,473	$ 354	$ 78,166
At September 30, 2016	**$ 15,670**	**$ 1**	**$ 15,590**	**$ 11,228**	**$ 14,852**	**$ 275**	**$ 57,616**

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATES

Medgold

As at September 30, 2016, the Company held 10,040,000 (December 31, 2015: 8,040,000) common shares of Medgold, representing 14.80% of Medgold's outstanding common shares.

Medgold previously met the definition of an associate and was equity accounted for in the condensed interim consolidated financial statements. During the period ended September 30, 2016, Medgold no longer met the definition of an associate and therefore the Company's investment in Medgold was reclassified as an available-for-sale investment. Upon discontinuing the use of the equity method, an investment, if a financial asset, is to be measured at fair value and the difference between the fair value and the carrying value of the investment recognized in profit or loss. The fair value of the investment in Medgold as at the time of reclassification was $924,600 and its carrying cost was $325,828. As a result, a gain of $598,772 was recognized in the condensed interim consolidated statement of operations for the period ended September 30, 2016.

The following table shows the continuity of the Company's interest in Medgold for the period from January 1, 2015 to September 30, 2016:

Balance, December 31, 2014	$	473,000
Increase in investment		4,085
Less: share of losses in associate		(193,000)
Gain on dilution		85,743
Balance, December 31, 2015		369,828
Less: share of losses in associate		(44,000)
Reclassification as available-for-sale investment		(325,828)
Balance, September 30, 2016	**$**	**-**

The financial statement balances of Medgold are as follows:

		December 31, 2015
Total current assets	$	254,480
Total assets		1,089,109
Total liabilities		548,625
Net loss[(1)]		1,182,037

[(1)] Net loss for the year ended December 31, 2015.

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATES – (cont'd)

Rackla

On October 1, 2015, Rackla completed a consolidation of its issued shares outstanding on a one new for five old basis. As a result, the Company's holding of 9,866,376 common shares in Rackla as of that date was reduced to 1,973,275. During the year ended December 31, 2015, the Company acquired an additional 1,000,000 post-consolidation common shares and 1,000,000 share purchase warrants of Rackla by way of a private placement at a cost of $50,000. Each share purchase warrant entitles the Company to purchase an additional post-consolidation common share of Rackla until October 18, 2017 at a price of $0.05. The Rackla share purchase warrants are not tradable on an exchange.

As at September 30, 2016, the Company's holding of 2,973,275 (December 31, 2015: 2,973,275) post-consolidation common shares of Rackla, represented 19.7% of Rackla's outstanding common shares.

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

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2015 to September 30, 2016:

Balance, December 31, 2014	$	1
Increase in investment		50,000
Less: share of losses in associate		(50,000)
Balance, December 31, 2015		1
Balance, September 30, 2016	**$**	**1**

Prior to the year ended December 31, 2015 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 year ended December 31, 2015, with the additional 1,000,000 common shares being purchased at a cost of $50,000, the Company recognized losses in Rackla totaling $50,000 and once again reduced the carrying amount to a nominal $1. The cumulative unrecognized share of losses for the associate is $567,482.

The financial statement balances of Rackla are as follows:

		September 30, 2016		**December 31, 2015**
Total current assets	$	40,188	$	83,887
Total assets		185,884		231,419
Total liabilities		89,620		41,760
Net loss		95,270 [(1)]		161,835 [(2)]

[(1)] Net loss for nine month period ended September 30, 2016.
[(2)] Net loss for the year ended December 31, 2015.

At September 30, 2016, the fair value of the 2,973,275 common shares of Rackla was $416,259 (December 31, 2015: $163,530).

(Expressed in Canadian Dollars)

10. MINERAL PROPERTY AND ROYALTY INTERESTS

Acquisition costs	Peru	Guatemala	United States	Mexico	Total
Balance, December 31, 2014	$ -	$ 531,369	$ 32,022	$ -	$ 563,391
Additions - cash	1,259,505	-	-	23,821	1,283,326
Write-off acquisition costs	-	(531,368)	(32,022)	(23,821)	(587,211)
Balance, December 31, 2015	1,259,505	1	-	-	1,259,506
Additions - cash	-	-	88,659	23,748	112,407
Acquisition costs recovered	-	-	-	(23,748)	(23,748)
Balance, September 30, 2016	**$ 1,259,505**	**$ 1**	**$ 88,659**	**$ -**	**$ 1,348,165**

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

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

Lithium Brine Projects - Mexico

During the period ended September 30, 2016, the Company submitted applications for mineral concessions totalling 37,000 hectares covering four lithium brine projects in northern Mexico at a cost of $23,748.

In September 2016, the Company entered into an option agreement with Advantage whereby Advantage has 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 $260,000 upon stock exchange approval of the option agreement. Of these payments received, $23,748 was recorded as a recovery of acquisition costs and the remaining amount of $311,252 recorded as a gain from mineral property option agreements.

Advantage has an option (the "First Option") to earn a 55% interest in the projects by issuing 750,000 shares (the "Option Shares") and spending $1,500,000 on exploration (the "Expenditures") according to the following schedule:

i) 250,000 Option Shares on or before the first anniversary of the approval date;
ii) 250,000 Option Shares on or before the second anniversary of the approval date;
iii) 250,000 Option Shares on or before the third anniversary of the approval date;
iv) A minimum of $500,000 in Expenditures within 12 months of the approval date;
v) A cumulative minimum of $1,000,000 in Expenditures within 24 months of the approval date; and
vi) A cumulative minimum of $1,000,000 in Expenditures within 36 months of the approval date.

Upon Advantage issuing the Option Shares and completing the Expenditures as set forth above, Advantage shall be deemed to have exercised the First Option and will have earned a 55% interest in each of the projects. Immediately thereafter, Advantage shall elect to either: a) form a 55:45 joint venture with the Company on industry standard terms, for further exploration and development of the projects; or b) receive an option (the "Second Option") to acquire a further 15% interest in one or more of the projects.

If Advantage is granted a Second Option on one or more of the projects, it may exercise each such Second Option by completing a National Instrument 43-101 compliant preliminary feasibility study ("PFS") on such project within 24 months following the date of the election by Advantage to be granted such Second Option. Upon exercising a Second Option, Advantage and the Company will form a 70:30 joint venture on industry standard terms providing for the ongoing exploration and development of such project.

Advantage has the right for a period of 60 days after the exercise of the Second Option on any project to purchase the Company's 30% interest in the project at a price based on an independent valuation. Advantage will be the operator of the projects during the option periods.

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

Spring Peak Property – Nevada, USA

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

- cash payments to Kinetic totalling US$430,000 over the first five years following the issuance of a drill permit for the property, and then US$250,000 in each subsequent year until the option is exercised or terminated; and
- a total of US$725,000 in permitting and exploration work on the property, over three years following the issuance of the drill permit.

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

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

ABC Property – Nevada, USA

During the period ended September 30, 2016, the Company staked 122 contiguous United States federal mining claims covering approximately 992 hectares in Mineral County, Nevada. Acquisition costs totaling $69,187 were recorded during the current period.

Tambor Project - Guatemala

During the period ended September 30, 2016, the Company recognized $383,683 in royalty revenue from the Tambor gold project, and recorded the amount as a receivable from the project owner. During the period ended September 30, 2016, the Company received payments totaling $357,204 towards royalty revenue recognized during the 2015 fiscal year. As at September 30, 2016, the amount receivable for recognized royalty revenue is $718,150 (December 31, 2015: $743,682).

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

(Expressed in Canadian Dollars)

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, 2016 and 2015.

b) Share Purchase Warrants

There was no share purchase warrant activity during the periods ended September 30, 2016 and 2015 and as at September 30, 2016, 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.

There following is a summary of the changes in options for the period ended September 30, 2016:

				During the period				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
Jan 08, 2010	Jan 07, 2020	$0.29	1,570,000	-	-	(325,000)	1,245,000	1,245,000
May 26, 2010	May 25, 2020	$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	$0.69	820,000	-	-	(100,000)	720,000	720,000
Jul 27, 2011	Jul 26, 2021	$0.81	150,000	-	-	-	150,000	150,000
Dec 13, 2012	Dec 12, 2022	$0.20	2,135,000	-	-	(250,000)	1,885,000	1,885,000
			4,775,000	**-**	**-**	**(675,000)**	**4,100,000**	**4,100,000**
		Weighted average exercise price	$0.34	-	-	$0.32	$0.34	$0.34

The weighted average remaining contractual life of the options outstanding at September 30, 2016 is 4.81 years.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2016 and 2015 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
Focus	Investment and shared general and administrative expenses
Medgold	Investment and shared general and administrative expenses
Rackla (Associate)	Investment

In addition to related party transactions disclosed elsewhere in the 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, 2016 and 2015:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Salaries and benefits	$ 12,773	$ 6,647	$ 26,827	$ 19,340
Exploration salaries and benefits	-	-	4,163	909
	$ 12,773	**$ 6,647**	**$ 30,990**	**$ 20,249**

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, 2016 and 2015, the Company reimbursed Gold Group the following:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
General and administrative expenses:				
Office and miscellaneous	$ 11,084	$ 7,428	$ 30,644	$ 28,050
Shareholder communications	-	2,093	1,289	3,019
Salaries and benefits[(1)]	34,551	35,416	87,735	100,125
Transfer agent and regulatory fees	901	840	2,856	2,763
Travel and accommodation	1,938	1,258	7,314	10,953
	$ 48,474	**$ 47,035**	**$ 129,838**	**$ 144,910**
Exploration expenditures	**$ -**	**$ -**	**$ -**	**$ 1,587**

(1) Salary and benefits costs for the periods ended September 30, 2016 and 2015 include those for the Chief Financial Officer and Corporate Secretary.

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

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS – (cont'd)

Receivables include $8,860 (December 31, 2015: $ Nil) owing from Gold Group for shared administrative costs.

Prepaid expenses and deposits include an amount of $7,075 (December 31, 2015: $7,084) paid to Gold Group for shared office and administrative services.

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

The due from related party amount of $21,127 (December 31, 2015: $8,224) is due from Medgold, a company which has a common director with the Company, and arose from shared administrative costs. This amount was unsecured, non-interest bearing and due on demand.

Accounts payable and accrued liabilities include $Nil (December 31, 2015: $8,925) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management and geological fees, and $Nil (December 31, 2015: $21,913) payable to Gold Group for shared administrative costs.

During the period ended September 30, 2016, the Company acquired 2,250,000 common shares of Focus, a publicly listed company with two common directors, of which 770,000 shares were acquired by way of a private placement for a cost of $50,050, another 770,000 shares acquired upon the exercise of 770,000 share purchase warrants at a cost of $57,750, and 710,000 shares acquired on the open market for a cost of $65,159.

During the period ended September 30, 2016, the Company acquired 2,000,000 common shares of Medgold, a publicly listed company with a common director, upon the exercise of 2,000,000 share purchase warrants at a cost of $300,000.

<u>Key management compensation</u>

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, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Management fees	$ 10,500	$ 25,500	$ 31,500	$ 76,500
Geological fees	15,000	-	45,000	-
Salaries, benefits and fees	9,625	9,625	26,125	25,667
	$ 35,125	**$ 35,125**	**$ 102,165**	**$ 102,167**

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

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

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

Period ended September 30, 2015	**Canada**	**USA**	**Guatemala**	**Mexico**	**Other**	**Consolidated**
Royalty revenue	$ -	$ -	$ 755,562	$ -	$ -	$ 755,562
Exploration expenditures	-	39,351	72,735	283,358	61,337	456,781
Exploration and evaluation assets written off	-	32,022	-	-	-	32,022
Gain (loss) on sale of available-for-sale investments	(29,787)	-	-	-	-	(29,787)
Investment income	17,275	-	-	-	-	17,275
Amortization	16,960	-	11,595	-	-	28,555
Net income (loss)	(917,798)	(39,351)	258,787	(226,979)	107,266	(1,032,607)
Capital expenditures*	-	-	-	23,821	1,259,505	1,283,326

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

As at September 30, 2016	**Canada**	**USA**	**Guatemala**	**Peru**	**Mexico**	**Other**	**Consolidated**
Total current assets	$ 8,884,537	$ -	$ 729,664	$ -	$ 55,671	$ 89,810	$ 9,759,682
Total non-current assets	181,209	88,659	6	1,259,505	-	-	1,529,379
Total assets	**$ 9,065,746**	**$ 88,659**	**$ 729,670**	**$ 1,259,505**	**$ 55,671**	**$ 89,810**	**$ 11,289,061**
Total liabilities	**$ 39,365**	**$ -**	**$ 912**	**$ -**	**$ 3,631**	**$ 6,932**	**$ 50,840**

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

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

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

General Objectives, Policies and Processes

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

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

a) Market Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at September 30, 2016, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 2016				**December 31, 2015**			
	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	$ 47,110	$ 1,402	$ 1,552	$ 601	$ 93,498	$ 1,290	$ 411	$ 1,045
Receivables	718,150	25,720	2,806	-	743,682	27,592	2,261	-
Current liabilities	(4,271)	(3,631)	(912)	(6,932)	(19,141)	(4,718)	(567)	(4,769)
	$ 760,988	**$ 23,491**	**$ 3,446**	**$ (6,331)**	**$ 818,039**	**$ 24,164**	**$ 2,105**	**$ (3,724)**

Based on the above net exposures at September 30, 2016, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a $78,000 (December 31, 2015: $84,000) increase or decrease in profit or loss, respectively.

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

a) Market Risk – (cont'd)

Commodity Price Risk

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

Interest Rate Risk

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

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in Medgold, Focus, Southern Silver, and Advantage 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 $321,000 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, 2016, the Company had working capital of $9.71 million (December 31, 2015: $5.15 million) available to apply against short-term business requirements. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Management considers that due to their short-term nature the carrying amounts of financial assets and financial liabilities, which include cash, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties are assumed to approximate their fair values.

(Expressed in Canadian Dollars)

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

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

	September 30, 2016 Book value	September 30, 2016 Fair value
Financial assets		
Shares held in Rackla and recorded as investment in associate (Note 9)	$ 1	$ 416,259

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale investments for B2Gold, Focus, Southern Silver, and Medgold are based on quoted prices and are therefore considered to be Level 1. The embedded derivative on royalty income receivables is derived from gold prices and therefore considered to be Level 2. There were no transfers between Levels during the current period.

16. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the period ended September 30, 2016. The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company expects its current capital resources to be sufficient to carry out its planned exploration programs and operating costs for the next twelve months.

17. CHANGE IN PRESENTATION

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

18. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2016, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

i) 1,740,000 stock options with an exercise price of $0.15 were granted; and

ii) 620,000 stock options with an exercise price of $0.69 and 150,000 stock options with an exercise price of $0.81 were cancelled.