FINANCIAL REVIEW

Fiscal Year Ended December 31, 2012

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012
(Expressed in Canadian Dollars)

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Radius Gold Inc.

We have audited the accompanying consolidated financial statements of Radius Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive income (loss), changes in equity, and cash flows for each of the years in the three year period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Radius Gold Inc., and its subsidiaries as at December 31, 2012 and 2011 and its financial performance and its cash flows for each of the years in the three year period ended December 31, 2012, in accordance with International Financial Reporting Standards, as issued by the IASB.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 18 of the consolidated financial statements, which explains that the consolidated financial statements for the year ended December 31, 2011 have been amended for a correction of an error from those on which we originally reported on April 25, 2012.

(signed) "BDO Canada LLP"

Chartered Accountants
April 26, 2013

RADIUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at:	**December 31, 2012**	**December 31, 2011** (Restated – Note 18)
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	$ 994,367	$ 1,763,574
Available-for-sale investments (Note 6)	16,550,166	641,707
Advances and other receivables (Note 14)	40,150	766,939
Taxes receivable	49,203	361,697
Due from related parties (Note 14)	116,947	541,889
Prepaid expenses and deposits (Note 14)	194,078	349,833
Total current assets	17,944,911	4,425,639
Non-current assets		
Long-term deposits	73,623	70,425
Property and equipment (Note 7)	199,606	251,100
Exploration and evaluation assets (Notes 8 and 9)	531,369	4,103,346
Investment in associate (Note 8)	493,319	1,500,647
Total non-current assets	1,297,917	5,925,518
TOTAL ASSETS	**$ 19,242,828**	**$ 10,351,157**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	$ 255,301	$ 775,439
Total liabilities	255,301	775,439
Shareholders' equity		
Share capital (Note 11)	56,592,613	56,592,613
Other equity reserve	6,636,658	6,251,338
Deficit	(44,849,250)	(53,778,607)
Accumulated other comprehensive (loss) income	607,506	510,374
Total shareholders' equity	18,987,527	9,575,718
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 19,242,828**	**$ 10,351,157**

Events after the reporting date – Note 19

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON APRIL 26, 2013 BY:

"Simon Ridgway", Director
Simon Ridgway

"Ralph Rushton", Director
Ralph Rushton

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

RADIUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2012, 2011 and 2010
(Expressed in Canadian Dollars)

	2012	2011	2010
		(Restated - Note 18)	
EXPLORATION EXPENDITURES	$ 884,966	$ 6,390,053	$ 2,838,390
GENERAL AND ADMINISTRATIVE EXPENSES			
Amortization	53,865	58,334	48,000
Communications (Note 14)	9,834	18,798	12,300
Consulting fees (Note 14)	127,826	114,544	30,000
Donations	11,973	1,593	2,000
Legal and audit fees	186,062	132,763	133,896
Management fees (Note 14)	141,000	60,000	60,000
Office and miscellaneous (Note 14)	43,182	62,186	46,344
Public relations (Note 14)	68,301	124,662	103,779
Rent and utilities (Note 14)	58,356	25,714	25,105
Repair and maintenance (Note 14)	29,450	27,802	6,549
Salaries and benefits (Note 14)	264,951	216,435	247,271
Share-based compensation (Notes 12 and 14)	385,320	306,915	1,612,792
Transfer agent and regulatory fees (Note 14)	17,192	25,659	34,936
Travel and accommodation (Note 14)	101,306	67,058	82,043
	1,498,618	1,242,463	2,445,015
Loss before other income/(expenses)	(2,383,584)	(7,632,516)	(5,283,405)
OTHER INCOME (EXPENSES)			
Share of post-tax losses of associate (Note 8)	(366,950)	(6,250)	-
Impairment on shares held in associate (Note 8)	(855,632)	-	-
Gain on distribution (Note 8)	-	4,807,443	-
Plan of arrangement costs (Note 8)	-	(289,313)	-
Foreign currency exchange gain (loss)	(13,062)	15,134	10,106
Gain on sale of properties (Note 9)	16,278,410	-	-
Loss on disposal of property (Note 9)	(3,823,118)	-	-
Gain (loss) on disposal of property and equipment	(41,780)	2,886	4,365
Gain on sale of marketable securities	46,065	-	1,213
Impairment on available-for-sale investment (Notes 6 and 18)	(20,148)	(465,925)	-
Gain from mineral property option agreements	101,564	157,088	247,447
Investment income	8,883	61,397	34,275
Write off of accounts payable and accrued liabilities	-	-	52,500
Write off of prepaid expenses and deposits	-	-	(3,208)
Write off of receivables (Note 9)	(1,291)	-	-
Income (loss) before income taxes	8,929,357	(3,350,056)	(4,936,707)
Deferred income tax recovery (Note 13)	-	716,754	358,533
Net income (loss) for the year	**$ 8,929,357**	**$ (2,633,302)**	**$ (4,578,174)**
Other comprehensive income (loss)			
Fair value gains (losses) on available-for-sale investments (Note 6)	97,132	631,891	(373,790)
Total comprehensive income (loss)	**$ 9,026,489**	**$ (2,001,411)**	**$ (4,951,964)**
Basic and diluted earnings (loss) per share (Note 3)	$0.10	$(0.03)	$(0.07)
Weighted average number of common shares outstanding	86,675,617	83,231,679	61,530,309

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

RADIUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2012, 2011 and 2010
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, January 1, 2010	53,548,488	$ 42,587,194	$ 4,332,232	$ 252,273	$ (40,499,827)	$ 6,671,872
Loss for the year	-	-	-	-	(4,578,174)	(4,578,174)
Shares issued for private placements	24,406,143	9,816,211	-	-	-	9,816,211
Shares issued for finders' fees	953,549	415,404	-	-	-	415,404
Shares issued for property acquisition	222,509	111,300	-	-	-	111,300
Options exercised	460,000	187,100	-	-	-	187,100
Warrants exercised	136,850	68,650	-	-	-	68,650
Transfer of other equity reserve on exercise of options	-	137,282	(137,282)	-	-	-
Transfer of other equity reserve on exercise of warrants	-	243	(243)	-	-	-
Share issuance costs	-	(692,175)	159,128	-	-	(533,047)
Available-for-sale investments	-	-	-	(373,790)	-	(373,790)
Share-based compensation	-	-	1,612,792	-	-	1,612,792
Balance, December 31, 2010	79,727,539	52,631,209	5,966,627	(121,517)	(45,078,001)	13,398,318
Loss for the year	-	-	-	-	(2,633,302)	(2,633,302)
Shares issued for private placements	6,100,000	3,660,000	-	-	-	3,660,000
Shares issued for finders' fees	199,250	119,550	-	-	-	119,550
Shares issued for property acquisition	159,512	119,700	-	-	-	119,700
Options exercised	105,000	37,250	-	-	-	37,250
Warrants exercised	384,316	195,448	-	-	-	195,448
Transfer of other equity reserve on exercise of options	-	33,213	(33,213)	-	-	-
Transfer of other equity reserve on exercise of warrants	-	22,252	(22,252)	-	-	-
Share issuance costs	-	(226,009)	33,261	-	-	(192,748)
Available-for-sale investments	-	-	-	631,891	-	631,891
Fair value of distributed assets (Note 8)	-	-	-	-	(6,067,304)	(6,067,304)
Share-based compensation	-	-	306,915	-	-	306,915
Balance, December 31, 2011	86,675,617	56,592,613	6,251,338	510,374	(53,778,607)	9,575,718
Income for the year	-	-	-	-	8,929,357	8,929,357
Available-for-sale investments	-	-	-	97,132	-	97,132
Share-based compensation	-	-	385,320	-	-	385,320
Balance, December 31, 2012	**86,675,617**	**$ 56,592,613**	**$ 6,636,658**	**$ 607,506**	**$ (44,849,250)**	**$ 18,987,527**

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

RADIUS GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2012, 2011 and 2010
(Expressed in Canadian Dollars)

	2012	2011	2010
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net income/(loss) for the year	$ 8,929,357	$ (2,633,302)	$ (4,578,174)
Items not involving cash:			
Amortization	53,839	58,334	48,000
Gain from mineral property option agreements	(101,564)	(157,088)	(247,447)
Gain on sale of exploration and evaluation asset (Note 9)	(16,278,410)	-	-
Loss from disposal of exploration and evaluation asset (Note 9)	3,823,118	-	-
Loss (gain) from disposal of property and equipment	41,780	(2,886)	(4,365)
Write off of receivables	1,291	-	-
Write off of prepaid expenses and deposits	-	-	3,208
Write off of accrued liabilities	-	-	(52,500)
Investment income	(8,883)	(61,397)	-
Impairment of available-for-sale investments (Notes 6 and 18)	20,148	465,925	-
Impairment of shares held in associate	855,632	-	-
Gain on sale of marketable securities	(46,065)	-	(1,213)
Gain on distribution	-	(4,807,443)	-
Share of post-tax losses of associate	366,950	6,250	-
Deferred income tax recovery	-	(716,754)	(358,533)
Share-based compensation	385,320	306,915	1,612,792
	(1,957,461)	(7,541,446)	(3,578,232)
Changes in non-cash working capital items:			
Advances and other receivables	295,770	(463,329)	(191,904)
Taxes receivable	312,494	(266,193)	(83,562)
Prepaid expenses and deposits	155,755	(204,685)	(95,527)
Long-term deposits	(3,198)	(46,544)	-
Due from related parties	424,942	(365,381)	(23,560)
Accounts payable and accrued liabilities	(520,138)	227,461	352,047
	(1,291,836)	(8,660,117)	(3,620,738)
FINANCING ACTIVITIES			
Costs of issue of shares	-	(73,198)	(117,643)
Proceeds on issuance of common shares	-	3,892,698	11,098,514
	-	3,819,500	10,980,871
INVESTING ACTIVITIES			
Cash distributed on distribution of Rackla Metal shares	-	(1,000,000)	-
Investment in associate (Note 8)	(215,254)	-	-
Expenditures on exploration and evaluation asset acquisition costs	-	(191,919)	(717,544)
Investment income	8,883	61,397	-
Proceeds from mineral property option agreements	50,782	106,206	120,574
Proceeds from disposal of mineral property (Note 9)	98,750	-	-
Expenses incurred on sale of mineral property rights (Note 9)	(304,746)	-	-
Proceeds from sale of marketable securities and investments (Note 6)	928,365	1,412	539,299
Proceeds from sale of property and equipment	4,078	24,477	28,199
Purchase of property and equipment (Note 7)	(48,229)	(113,599)	(110,938)
	522,629	(1,112,026)	(140,410)
Foreign exchange on opening cash and cash equivalents	-	870	(3,642)
Decrease in cash and cash equivalents	**(769,207)**	**(5,951,773)**	**7,216,081**
Cash and cash equivalents - beginning of year	1,763,574	7,715,347	499,266
Cash and cash equivalents - end of year	**$ 994,367**	**$ 1,763,574**	**$ 7,715,347**

The accompanying notes form an integral part of these 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 located primarily in Central America and up to December 8, 2011, in Canada (Note 8). 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Measurement

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

The 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

The Company has not generated revenue from operations. The Company has an accumulated deficit of $44,849,250. However, the Company has sufficient working capital to meet its obligations for at least twelve months from the end of the reporting year. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries. A 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 December 31, 2012 are as follows:

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

b) Investment in Associate

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of comprehensive income, except that losses in excess of the Company's investment in the associate are not recognized unless there is an obligation to fund those losses.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

c) Available-for-sale Investments

Available-for-sale investments are recorded at fair market value as they are considered available-for-sale.

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

d) Foreign Currency Translation

The functional and presentation currency of the Company and its principal subsidiaries is the Canadian dollar. Transactions entered into in a currency other than the entity's functional currency are translated as follows: unsettled monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

e) Cash and Cash Equivalents

Cash and cash equivalents includes cash at banks and on hand, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change of value.

f) Mineral Exploration and Evaluation Expenditures

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the date of the agreement to issue the shares. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. On transfer to development properties, capitalized exploration and evaluation assets are assessed for impairment.

Options are exercisable entirely at the discretion of the optionee and amounts received from optionees in connection with option agreements are credited against the capitalized acquisition costs classified as exploration and evaluation assets on the balance sheet and amounts received in excess are credited to gain from exploration and evaluation asset option agreements on the statement of operations.

Where the Company has entered into option agreements to acquire interests in exploration and evaluation assets that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as exploration and evaluation costs when the payments are made or received and the share issuances are recorded as exploration and evaluation costs using the fair market value of the Company's common shares at the earlier of the date the counterparty's performance is complete or the issuance date.

The Company is in the process of exploring and developing its exploration and evaluation assets and has not yet determined the amount of reserves available. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the asset or from the sale of the asset. Amounts shown for exploration and evaluation assets represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

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

g) Property, Equipment and Amortization

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land, which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in profit or loss as they are incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

Amortization

Amortization is recognized in profit or loss and property and equipment is amortized over their estimated useful lives using the following methods:

Leasehold improvements	7 – 8 years straight-line
Trucks	4 – 8 years straight-line
Computer equipment	25% - 50% declining balance
Field equipment	30% declining balance
Furniture and equipment	20% declining balance
Geophysical equipment	20% declining balance

Additions to equipment are amortized at one-half rate during the year of acquisition.

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

h) Earnings / Loss per Share

Basic income/(loss) per share is calculated by dividing the net income/(loss) available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted earnings and losses per share are the same for the periods presented.

For the years ended December 31, 2012, 2011 and 2010, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 14,945,001 (2011: 15,945,737; 2010: 14,294,696) were not included in the computation of earnings/(loss) per share, because they were out of the money (2011 and 2010: their effect was anti-dilutive).

i) Income Taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for those taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's commons shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit"), and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The fair value of the units components sold is measured using the residual value approach.

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

k) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in other equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

l) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

The company has determined that there are no rehabilitation provisions as at December 31, 2012 and December 31, 2011.

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

l) Provisions – (cont'd)

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

m) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

n) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transactions costs. Gains or losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company's loans and receivables comprise advances and other receivables, amounts due from related parties, deposits and cash and cash equivalents in the consolidated statement of financial position.

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

n) Financial Instruments – (cont'd)

Available-For-Sale Investments

Non-derivative financial assets not included in the other categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment of Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense, in this context, includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within forty-five days of recognition.

The Company has made the following designations of its financial instruments:

Cash	Loans and receivables
Available-for-sale investments	Available-for-sale financial assets
Advances and other receivables	Loans and receivables
Amounts due from related parties	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

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

o) Standards, Amendments and Interpretations Not Yet Effective

The following new standards and interpretations have been issued by the IASB but are 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. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.* The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

No additional new standards, amendments and interpretations have been early adopted in these consolidated financial statements and there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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 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 less than 20% of the voting rights in an investment but the Company 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;

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 application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   If, after exploration and evaluation expenditure 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.

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

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

5. CASH AND CASH EQUIVALENTS

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

6. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair value. As of December 31, 2012, available-for-sale investments consisted of 4,560,894 common shares of B2Gold Corp. ("B2Gold"), 1,007,406 common shares of Focus Ventures Ltd. ("Focus"), 23,174 common shares of Fortuna Silver Mines Inc. ("Fortuna"), and 7,175,700 warrants of Rackla Metals Inc. ("Rackla"), all of which are public companies. Focus, Foturna, and Rackla have common directors or officers with the Company. The Company originally received 4,815,894 B2Gold shares on August 10, 2012, pursuant to the disposal of a mineral property (note 9). The Company is entitled to sell a maximum of 10% of the original number of B2Gold shares within any 30-day period without encumbrance. If the Company wishes to exceed this limitation, there may be a delay of up to 15 days before the selling of the shares can be completed. During the year ended December 31, 2012, the Company sold shares in B2Gold for proceeds of $928,365. Subsequent to December 31, 2012, the Company sold an additional 677,500 shares in B2Gold for proceeds of approximately $2.6 million.

As at December 31, 2012, the recorded amount for the available-for-sale investments was $16,550,166 (December 31, 2011: $641,707). An unrealized gain (net of tax) of $97,132 was recorded in other comprehensive income during year ended December 31, 2012 (2011: gain of $631,891, net of tax of $79,000; 2010: loss of $373,790, net of tax of $28,215).

For the year ended December 31, 2012, the Company determined that the decline in value of Focus shares was other than temporary and accordingly recorded an impairment of $20,148 For the year ended December 31, 2011, the Company determined that the decline in value of Focus shares was other than temporary and accordingly recorded an impairment of $465,925 (Note 18). There were no impairment provisions on the available-for-sale financial assets in 2010.

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

	B2Gold	Focus	Fortuna	Rackla[(1)(2)]	Cordoba[(3)]	Solomon Resources Limited	Portfolio Invest-ments	Total
Balance, January 1, 2010	$ -	$1,037,628	$ -	$ -	$ 11,000	$ 130,000	$ 537,022	$ 1,715,650
Acquisition of shares	-	-	20,574	-	180,000	16,000	-	216,574
Disposition of investments	-	-	-	-	-	-	(535,610)	(535,610)
Net change in fair value recorded in other comprehensive income	-	(513,777)	16,772	-	109,000	(14,000)	-	(402,005)
Balance, December 31, 2010	-	523,851	37,346	-	300,000	132,000	1,412	994,609
Acquisition of shares	-	-	29,794	-	-	22,500	-	52,294
Transferred on distribution of assets	-	-	-	-	(600,000)	(48,750)	-	(648,750)
Disposition of investments	-	-	-	-	-	-	(1,412)	(1,412)
Impairment adjustment (Note 18)	-	(465,925)	-	-	-	-	-	(465,925)
Net change in fair value recorded in other comprehensive income	-	143,555	14,301	358,785	300,000	(105,750)	-	710,891
Balance, December 31, 2011	-	201,481	81,441	358,785	-	-	-	641,707
Acquisition of shares	16,662,993	-	50,782	-	-	-	-	16,713,775
Disposition of shares	(882,300)							(882,300)
Impairment adjustment	-	(20,148)	-	-	-	-	-	(20,148)
Net change in fair value recorded in other comprehensive income	456,090	-	(36,051)	(322,907)	-	-	-	97,132
Balance, December 31 2012	**$16,236,783**	**$ 181,333**	**$ 96,172**	**$ 35,878**	**$ -**	**$ -**	**$ -**	**$16,550,166**

(1) Rackla warrants trade on the TSX-V.

(2) The Company also holds 9,866,376 free trading common shares of Rackla but they are recorded as an investment in associate (Note 8).

(3) Cordoba Minerals Corp. (formerly Wesgold Minerals Inc.)

7. PROPERTY AND EQUIPMENT

	Leasehold improvements	Trucks	Computer equipment	Furniture and equipment	Geophysical equipment	Field equipment	Total
Cost							
Balance, December 31, 2010	$ 21,328	$ 259,918	$ 191,418	$ 43,452	$ 91,494	$ 2,480	$ 610,090
Additions	30,565	23,504	51,433	9,415	-	-	114,917
Disposals	-	(24,477)	-	-	(7,900)	-	(32,377)
Balance, December 31, 2011	51,893	258,945	242,851	52,867	83,594	2,480	692,630
Additions	7,111	26,095	5,234	9,789	-	-	48,229
Disposals	-	(69,402)	-	-	-	-	(69,402)
Balance, December 31, 2012	**$ 59,004**	**$ 215,638**	**$ 248,085**	**$ 62,656**	**$ 83,594**	**$ 2,480**	**$ 671,457**
Accumulated amortization							
Balance, December 31, 2010	$ 17,246	$ 187,968	$ 136,714	$ 16,908	$ 31,174	$ 372	$ 390,382
Charge for period	4,401	9,663	26,364	6,109	12,592	632	59,761
Disposals	-	(8,613)	-	-	-	-	(8,613)
Balance, December 31, 2011	21,647	189,018	163,078	23,017	43,766	1,004	441,530
Charge for period	4,320	9,951	24,463	6,722	7,966	443	53,865
Disposals	-	(23,544)	-	-	-	-	(23,544)
Balance, December 31, 2012	**$ 25,967**	**$ 175,425**	**$ 187,541**	**$ 29,739**	**$ 51,732**	**$ 1,447**	**$ 471,851**
Carrying amounts							
At December 31, 2011	$ 30,246	$ 69,927	$ 79,773	$ 29,850	$ 39,828	$ 1,476	$ 251,100
At December 31, 2012	**$ 33,037**	**$ 40,213**	**$ 60,544**	**$ 32,917**	**$ 31,862**	**$ 1,033**	**$ 199,606**

8. INVESTMENT IN ASSOCIATE

Spin-out transaction

Rackla Metals Inc. ("Rackla") was incorporated pursuant to a plan of arrangement (the "Arrangement") with the Company completed on December 8, 2011. As part of the Arrangement, the Company's interest in the Scarlet property, Sixty Mile Area properties, Ten Mile Creek property, Rivier property, and other staked Yukon properties (collectively, the "Projects") were transferred to Rackla, together with $1.0 million in cash, and available-for-sale investments consisting of 750,000 common shares of Solomon Resources Limited ("Solomon") and 600,000 common shares of Cordoba Minerals Corp., formerly called Wesgold Minerals Inc. ("Cordoba").

Under the Arrangement, each shareholder of the Company received one common share and one full share purchase warrant in Rackla for every three common shares of the Company held by the shareholder, thereby splitting the Company's exploration and evaluation assets in Canada from non-Canadian exploration and evaluation assets remaining with the Company. Each share purchase warrant entitles the holder to purchase one common share of Rackla at $0.30 until June 8, 2013. On December 8, 2011, the Company received the requisite shareholder approval for the Arrangement which resulted in the Company retaining 7,175,701 common shares and 7,175,700 share purchase warrants of Rackla, representing 19.9% of Rackla's outstanding common shares and share purchase warrants in exchange for the assets distributed to Rackla. Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements. The major assets distributed to Rackla on December 8, 2011, which gave rise to a gain on distribution of $4,807,443 are as follows:

		December 8, 2011
Cash and cash equivalents	$	1,000,000
Available for sale investments		648,750
Evaluation and exploration cost and expenditures		4,527,717
Net assets distributed to Rackla	**$**	**6,176,467**

The fair market value of Evaluation and Exploration cost and expenditures was comprised of $850,000 in acquisitions costs one would need to pay on the Evaluation and Exploration asset to maintain its rights if owned and a multiple of 0.5 times of the $7.3 million in exploration costs incurred to date on the properties, or $3,677,717.

In accordance with IFRIC 17 "Distribution of Non-Cash Assets to Owners", a gain was recognized during the year ended December 31, 2011 on the difference between the fair value and the carrying value of the net assets distributed to Rackla, calculated as follows:

		December 8, 2011
Fair value of common shares on distribution	$	7,574,201
Net assets distributed to Rackla		(6,176,467)
Gain on distribution of assets to Rackla		1,397,734
Plus: recovered expended exploration expenditures		3,409,709
Gain on distribution of assets to Rackla	**$**	**4,807,443**

The fair value of the common shares distributed was based on the share price of Rackla on December 9, 2011, its first day of trading, of $0.21 multiplied by the total number of the 36,067,626 shares in issue. The distribution of the 80.1% of the common shares amounting to $6,067,304 was recorded through deficit.

The gain on distribution of assets is not re-measured on changes in share price of Rackla. A total of $289,313 was expensed during the year ended December 31, 2011 in connection with this plan of arrangement.

8. INVESTMENT IN ASSOCIATE – (cont'd)

On the same date of distribution, the Company lost control in Rackla and recorded its retained interest in Rackla at fair value, being 19.9% of the fair value of Rackla's common shares on distribution. See table below showing the continuity of the Company's interest in Rackla for the years ended December 31, 2012 and 2011.

Initial fair value of investment in associate on December 8, 2011	$	1,506,897
Less: share of losses in associate		(6,250)
Balance, December 31, 2011		1,500,647
Increase in investment		215,254
Impairment on shares held in associate		(855,632)
Less: share of losses in associate		(366,950)
Balance, December 31, 2012	**$**	**493,319**

During the year ended December 31, 2012, the Company participated in a private placement of Rackla whereby 2,690,675 units at $0.08 per unit were acquired by the Company for a total cost of $215,254. Each unit consisted of one common share and one-half warrant. Each whole warrant entitles the Company to purchase one additional common share of Rackla at $0.10, expiring October 10, 2014. With the acquisition of the 2,690,675 common shares, the Company has a 19.5% interest in Rackla as of December 31, 2012. Given the decline in the underlying quote market price of the shares held in Rackla, an impairment charge of $855,632 was recorded as at December 31, 2012.

Included in the initial fair value of investment in associate is a premium of approximately $280,000 which is the excess of the value of the investment above the fair value of the Company's share of net assets distributed to Rackla. Rackla is a company incorporated in Canada, pursuing opportunities related to exploration of mineral resource properties principally in the Yukon Territory, Canada, with a year end of December 31, 2012.

The amounts relating to associates are as follows:

		December 31, 2012		**December 31, 2011**
Total assets	$	5,691,377	$	6,136,475
Total liabilities		133,734		60,726
Net loss		1,856,402		31,396
Unrecognized share of losses arising during the year	$	1,489,452	$	25,146

9. EXPLORATION AND EVALUATION ASSETS

Acquisition costs	Guatemala	Nicaragua	Canada	Total
Balance, December 31, 2010	$ 4,020,864	$ 82,482	$ 806,389	$ 4,909,735
Shares	-	-	119,700	119,700
Cash	-	-	266,919	266,919
Acquisition costs recovered	-	-	(75,000)	(75,000)
Distribution of exploration and evaluation assets on spin-out transaction	-	-	(1,118,008)	(1,118,008)
Balance, December 31, 2011	4,020,864	82,482	-	4,103,346
Disposal of mineral properties	(3,489,495)	(82,482)	-	(3,571,977)
Balance, December 31, 2012	**$ 531,369**	**$ -**	**$ -**	**$ 531,369**

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 reviewed title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Nicaragua

i) Sale to B2Gold Corp

Based on a previous option agreement with the Company, B2Gold earned in 2012 a 60% interest in the Company's Trebol and Pavon gold properties in Nicaragua by expending a total of US$4 million on exploration, resulting in a 60% - 40% B2Gold – the Company joint venture. On April 5, 2012 the Company and B2Gold entered into a binding letter agreement pursuant to which B2Gold agreed, among other things, to acquire a 100% interest in the Trebol and Pavon properties. On August 10, 2012 the sale was completed with the Company receiving consideration of 4,815,894 common shares of B2Gold, with a fair value of $16,662,993 at the time of issuance. In addition, B2Gold has agreed to make contingent payments to the Company of US$10 per ounce of gold on 40% of any proven and probable mineral reserves outlined at the Trebol property in excess of 500,000 ounces (on a 100% basis).

In connection with the sale, B2Gold and the Company terminated all other aspects of the existing option and joint venture arrangements entered into between the parties in December 2009 in respect of the Trebol, Pavon and San Jose exploration properties.

The Company has recorded gain on the sale to B2Gold of $16,278,410, net of costs, as follows:

Proceeds of disposition	$ 16,662,993
Less:	
Carrying value of mineral property	(82,482)
Transaction costs	(302,101)
Net gain on disposal of mineral property	**$ 16,278,410**

9. EXPLORATION AND EVALUATION ASSETS – (cont'd)

Nicaragua – (cont'd)

ii) Joint Venture Properties

As of the completion of the property sale described above, B2Gold and the Company entered into a joint venture agreement with respect to each of the Company's San Jose and B2Gold's La Magnolia properties in Nicaragua to jointly explore the properties with B2Gold and the Company owning 60% and 40% respectively, of the rights and obligations of each joint venture.

Guatemala

i) Sale of Tambor Property

In June 2008, the Company signed a binding Letter of Intent with Kappes, Cassiday & Associates ("KCA") whereby KCA could earn a 51% interest in the Tambor Project by incurring exploration expenditures on the property totaling US$6,500,000 over 4 years, or by putting the property into commercial production within 4 years. Once KCA earned its 51% interest, a joint venture was to be formed between KCA and the Company.

In August 2012, the Company sold its remaining interest in its subsidiary, Exploraciones Mineras de Guatemala S.A., which holds the Tambor gold project to KCA, giving KCA a 100% interest in the project. In consideration, KCA agreed to repay approximately US$400,000 owing to the Company (US$100,000 paid upon signing and approximately US$300,000 to be paid once KCA has commenced shipment of gold produced from the property). Also upon commercial production, KCA will make quarterly payments to the Company based on the then price of gold and the number of ounces produced from the property.
A loss on the disposal of the property totaling $3,823,118, net of costs, has been charged to the consolidated statement of comprehensive loss as follows:

Proceeds of disposition	$	98,750
Less:		
Carrying value of mineral property		(3,489,495)
Transaction costs		(2,645)
Write-off of amount receivable		(429,728)
Net loss on disposal of mineral property	**$**	**(3,823,118)**

Due to the uncertainty of receiving future production payments from KCA, the Company wrote-off a receivable balance of $429,728 and has not recognized a contingent gain on potential royalty payments. Future payments from KCA, whether as a royalty or repayment of the outstanding receivable balance, will be recorded as revenue at such time they are virtually certain to be received, which was the position as at December 31, 2012. As of December 31, 2012, future payments from KCA remain uncertain.

ii) Southeast Guatemala Ag-Au Epithermal Fields (formerly called Banderas)

The Company's 100% owned land holdings in southeast Guatemala as at December 31, 2012 consist of 34 concessions (three exploitation applications, 30 exploration applications, and one reconnaissance application) filed with the Guatemala Ministry of Energy and Mines (MEM) covering a total of 230,599 hectares. The three exploitation applications were filed in order to convert one previously granted exploration licence to exploitation; until the exploitation licences are granted, the granted exploration licence remains in place.

9. EXPLORATION AND EVALUATION ASSETS – (cont'd)

Guatemala – (cont'd)

iii) Geothermal Permits

In 2010, the Company submitted applications for provisional use permits for a number of geothermal systems in Guatemala. As of December 31, 2012 a provisional use permit has been granted on 15,300 hectares and all other applications have expired.

iv) Regional Exploration

During 2012, 2011 and 2010, the Company conducted property investigation work on other potential properties.

Mexico

i) Tlacolula Property

The Company owns a 100% interest in the Tlacolula Property which consists of one granted exploration concession covering 12,642 hectares.

By an agreement signed in September 2009 and amended in December 2012, the Company granted to Fortuna the option to earn a 60% interest in the Tlacolula Property by spending US$2 million on exploration of the Property and making staged payments totaling US$250,000 cash and US$250,000 in common stock no later than January 31, 2015 and according to the following schedule:

a) US$20,000 cash and US$20,000 cash equivalent in shares upon regulatory approval (received);
b) US$30,000 cash and US$30,000 cash equivalent in shares by the first year anniversary (received);
c) US$50,000 cash and US$50,000 cash equivalent in shares by the second year anniversary (received);
d) US$50,000 cash and US$50,000 cash equivalent in shares by the third year anniversary (received subsequent to December 31, 2012);
e) incurring US$2 million on exploration of the Property within 12 months of receipt of a drill permit, such work to include at 1,500 metres of drilling; and
f) US$100,000 cash and US$100,000 cash equivalent in shares within 90 days of completion of the 1,500 metres of drilling.

The Company and Fortuna have two common directors.

ii) Santa Brigida Property

Subsequent to year end, in February 2013, the Company was granted by a private exploration company (the "Optionor") the option to acquire a 100% interest in the Santa Brigida property which consists of eight contiguous concessions covering 10,802 hectares located approximately 80 km ENE of the City of Guanajuato in Mexico. In order to exercise the option, the Company must complete the following:

a) Pay US$160,000 to the Optionor to cover outstanding underlying property payments (paid subsequent to December 31, 2012);
b) Complete a 3,000 metre drill program ("Drill Program") on the property within 12 months of the issuance of a drill permit; and
c) Within 90 days of completing the Drill Program, pay US$700,000 to the Optionor.

If the Company exercises the option, it will own a 100% interest in the property, subject to a 2.5% Net Smelter Return ("NSR") royalty to the Optionor and a 2.0% NSR royalty to the underlying property owner.

Canada (Properties distributed to Rackla- Note 8)

Pursuant to the Arrangement, on December 8, 2011, the Company assigned to Rackla all of its rights and obligations relating to its previously held Yukon and Alaska properties. Total exploration and evaluation asset acquisition costs were reduced by $1,118,008 and have been recorded as a distribution to Rackla.

10. COMMITMENT

The Company has entered into operating lease agreements for its office premises. The Company also sub leases rental space to other companies related by common directors and officers on a month to month basis which are netted against rental expense; however, there are no commitments from these companies and thus the amounts presented below are the gross commitments. The annual commitments under the leases are as follows:

2013	$	294,481
2014		298,506
2015		300,998
2016		225,690
2017		190,608
2018		190,608
2019		190,608
	$	**1,691,499**

11. SHARE CAPITAL AND RESERVES

a) Common Shares

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

Fiscal 2012

There was no share capital activity during the year ended December 31, 2012.

Fiscal 2011

During the year ended December 31, 2011, as part of option payments relating to portions of the Sixty Mile Property, the Company issued 34,246 shares on May 11, 2011 and 100,266 shares on August 16, 2011. The Company issued 25,000 shares on July 27, 2011 as part of the option payments due on the Rivier Property.

On July 4, 2011, the Company closed a private placement of 6,100,000 units at $0.60 per unit for gross proceeds of $3,660,000. The proceeds on the sale of units are allocated all to share capital and none to warrants, based on a residual method approach to assigning proceeds to warrants. The Company paid $52,350 cash, 199,250 units and 286,499 warrants as finders' fees in connection with the financing. Each private placement unit consists of one common share and one-half of a share purchase warrant. The 99,624 warrants issued as part of the finders' fee units and the additional 286,499 warrants issued as finders' fees entitle the holder to purchase an additional common share exercisable for one year at a price of $0.75. The fair value of the 286,499 finders' fee warrants was $33,261 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finder's fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.24%, dividend yield of 0%, volatility of 79% and expected life of one year.

During the year ended December 31, 2011, 105,000 stock options were exercised for gross proceeds of $37,250. The Company reallocated the fair value of these options previously recorded in the amount of $33,213 from other equity reserve to capital stock.

During the year ended December 31, 2011, 384,316 share purchase warrants were exercised for gross proceeds of $195,448. The Company reallocated the fair value of those share purchase warrants previously recorded in the amount of $22,252 from other equity reserve to capital stock.

11. SHARE CAPITAL AND RESERVES – (cont'd)

a) Common Shares – (cont'd)

Fiscal 2010

During the year ended December 31, 2010, as part of option payments relating to portions of the Sixty Mile Property, the Company issued 50,633 shares on March 16, 2010, 79,309 shares on August 26, 2010 and 67,567 shares on September 10, 2010. The Company issued 25,000 shares on September 8, 2010 as part of the option payments due on the Rivier Property.

On December 3, 2010, the Company closed a private placement of 5,800,000 flow-through common shares at $0.65 per share for gross proceeds of $3,770,000. The Company issued 194,422 common shares and 259,230 share purchase warrants and paid $42,125 cash as finders' fees in connection with the financing. All warrants issued entitle the holder to purchase an additional common share exercisable for one and a half years at a price of $0.70. The fair value of the warrants issued for finders' fees was $109,515 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finder's fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.62%, dividend yield of 0%, volatility of 87% and expected life of one and a half years.

On June 17, 2010, the Company closed a private placement of 13,000,000 units at $0.35 per unit for gross proceeds of $4,550,000. The proceeds on the sale of units are all allocated to share capital and none to warrants. The Company paid $15,857 cash, 525,766 units and 571,071 warrants as finders' fees in connection with the financing. Each private placement unit consists of one common share and one-half of a share purchase warrant. The warrants issued as part of the private placement unit entitle the holder to purchase an additional common share exercisable for two years at a price of $0.50. The 571,071 warrants issued as finders' fees entitle the holder to purchase an additional common share exercisable for one year at a price of $0.55. The fair value of the 571,071 finders' fee warrants was $30,919 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finder's fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.76%, dividend yield of 0%, volatility of 84% and expected life of one year.

On May 27, 2010, the Company closed a private placement of 5,606,143 flow-through common shares at $0.45 per share for gross proceeds of $2,522,764. The Company issued 233,361 common shares and 233,361 share purchase warrants as finders' fees in connection with the financing. All warrants issued entitle the holder to purchase an additional common share exercisable for one year at a price of $0.50. The fair value of the warrants issued for finders' fees was $18,694 and was recorded as share issuance costs and an offset to other equity reserve. The fair value of each finder's fee warrant has been estimated as of the date of the issuance using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.60%, dividend yield of 0%, volatility of 87% and expected life of one year.

During the year ended December 31, 2010, 460,000 stock options were exercised for gross proceeds of $187,100. The Company reallocated the fair value of these options previously recorded in the amount of $137,282 from other equity reserve to capital stock.

During the year ended December 31, 2010, 136,850 share purchase warrants were exercised for gross proceeds of $68,650. The Company reallocated the fair value of these share purchase warrants previously recorded in the amount of $243 from other equity reserve to capital stock.

11. SHARE CAPITAL AND RESERVES – (cont'd)

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2010 to December 31, 2012:

	Number of warrants	Weighted average exercise price
Balance, January 1, 2010	-	$ -
Issued	7,826,546	$0.51
Exercised [(1)]	(136,850)	$0.50
Balance, December 31, 2010	7,689,696	$0.51
Forfeited / expired	(500,766)	$0.55
Issued	3,436,123	$0.75
Exercised [(2)]	(384,316)	$0.51
Balance, December 31, 2011	10,240,737	$0.59
Forfeited / expired	(905,736)	$0.49
Balance, December 31, 2012	**9,335,001**	**$0.43**

(1) The average share price was $0.71 at the time the warrants were exercised.
(2) The average share price was $0.72 at the time the warrants were exercised.

As at December 31, 2012, the following share purchase warrants were outstanding:

Expiry date	Number of warrants	Original exercise price	Adjusted exercise price[(1)]
June 16, 2013 [(2)]	6,285,001	$0.50	$0.37
July 3, 2013 [(2)]	3,050,000	$0.75	$0.55
	9,335,001		

(1) On February 6, 2012, the exercise prices for outstanding warrants were reduced to 73% of their original exercise price as a result of the Spin-Out.

(2) On May 31, 2012, the Company extended the expiry dates of 6,285,001 outstanding warrants exercisable at $0.37 per share by one year to June 16, 2013, and 3,050,000 outstanding warrants exercisable at $0.55 per share by one year to July 3, 2013.

11. SHARE CAPITAL AND RESERVES – (cont'd)

c) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Other equity reserve', 'Deficit' and 'Accumulated Other Comprehensive Loss/Income'.

Other equity reserve is used to recognize the value of stock option grants and share purchase warrants prior to exercise.

Deficit is used to record the Company's change in deficit from earnings from period to period.

Accumulated other comprehensive loss/income comprises of available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

12. SHARE-BASED PAYMENTS

a) Option Plan Details

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

The following is a summary of changes in options for the year ended December 31, 2012:

				During the year				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
Apr 17, 2007	Apr 16, 2012	$0.52	565,000	-	-	(565,000)	-	-
Sep 06, 2007	Sep 05, 2012	$0.56	850,000	-	-	(850,000)	-	-
May 06, 2008	May 05, 2013	$0.26	575,000	-	-	-	575,000	575,000
Jan 08, 2010	Jan 07, 2020	$0.29	1,595,000	-	-	(25,000)	1,570,000	1,570,000
May 26, 2010	May 25, 2020	$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	$0.69	1,570,000	-	-	(750,000)	820,000	820,000
Nov 18, 2010	Nov 17, 2020	$0.69	75,000	-	-	(75,000)	-	-
Jul 04, 2011	Jul 03, 2021	$0.60	55,000	-	-	(55,000)	-	-
Jul 27, 2011	Jul 26, 2021	$0.81	320,000	-	-	(30,000)	290,000	290,000
Dec 13, 2012	Dec 12, 2022	$0.20	-	2,255,000	-	-	2,255,000	2,255,000
			5,705,000	**2,255,000**	**-**	**(2,350,000)**	**5,610,000**	**5,610,000**
		Weighted average exercise price	$0.50	$0.20	-	$0.60	$0.34	$0.34

12. SHARE-BASED PAYMENTS – (cont'd)

a) Option Plan Details – (cont'd)

The following is a summary of changes in options for the year ended December 31, 2011:

				During the year				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
Feb 22, 2006	Feb 21, 2011	$0.70	1,110,000	-	-	(1,110,000)	-	-
Apr 17, 2007	Apr 16, 2012	$0.52	595,000	-	-	(30,000)	565,000	565,000
Sep 06, 2007	Sep 5, 2012	$0.56	850,000	-	-	-	850,000	850,000
May 06, 2008	May 5, 2013	$0.26	615,000	-	(40,000)	-	575,000	575,000
Jan 08, 2010	Jan 7, 2020	$0.29	1,640,000	-	(45,000)	-	1,595,000	1,595,000
May 26, 2010	May 25, 2020	$0.36	100,000	-	-	-	100,000	100,000
Sep 24, 2010	Sep 23, 2020	$0.69	1,620,000	-	(20,000)	(30,000)	1,570,000	1,570,000
Nov 18, 2010	Nov 17, 2020	$0.69	75,000	-	-	-	75,000	75,000
Jul 04, 2011	Jul 3, 2021	$0.60	-	55,000	-	-	55,000	55,000
Jul 27, 2011	Jul 26, 2021	$0.81	-	320,000	-	-	320,000	320,000
			6,605,000	**375,000**	**(105,000)**	**(1,170,000)**	**5,705,000**	**5,705,000**
Weighted average exercise price			$0.52	$0.78	$0.35	$0.70	$0.50	$0.50

The following is a summary of changes in options for the year ended December 31, 2010:

				During the year					
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited**	**Closing balance**	**Vested and exercisable**	**Unvested**
Feb 22, 2006	Feb 21, 2011	$0.70	1,870,000	-	-	(760,000)	1,110,000	1,110,000	-
Apr 17, 2007	Apr 16, 2012	$0.52	835,000	-	(240,000)	-	595,000	595,000	-
Jun 01, 2007	May 31, 2012	$0.62	50,000	-	-	(50,000)	-	-	-
Sep 06, 2007	Sep 5, 2012	$0.56	850,000	-	-	-	850,000	850,000	-
May 06, 2008	May 5, 2013	$0.26	665,000	-	(50,000)	-	615,000	615,000	-
Jan 08, 2010	Jan 7, 2020	$0.29	-	1,810,000	(170,000)	-	1,640,000	1,590,000	50,000
May 26, 2010	May 25, 2020	$0.36	-	100,000	-	-	100,000	50,000	50,000
Sep 24, 2010	Sep 23, 2020	$0.69	-	1,620,000	-	-	1,620,000	1,488,750	131,250
Nov 18, 2010	Nov 17, 2020	$0.69	-	75,000	-	-	75,000	75,000	-
			4,270,000	**3,605,000**	**(460,000)**	**(810,000)**	**6,605,000**	**6,373,750**	**231,250**
Weighted average exercise price			$0.57	$0.48	$0.41	$0.70	$0.52	$0.51	$0.53

There were no options exercised during the year ended December 31, 2012. The average share price at the time the options were exercised during the year ended December 31, 2011 was $0.80 (2010: was $0.76).

12. SHARE-BASED PAYMENTS – (cont'd)

b) Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2012 was $0.17 per option (2011: $0.67; 2010: $0.46).

The weighted average remaining contractual life of the options outstanding at December 31, 2012 is 7.71 years.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the years ended December 31, 2012, 2011 and 2010 included:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
12/13/12	12/12/22	$0.20	$0.20	1.80%	10 years	89%	0%
07/27/11	07/26/21	$0.81	$0.81	2.88%	10 years	90%	0%
07/04/11	07/03/21	$0.55	$0.60	3.08%	10 years	89%	0%
11/18/10	11/17/20	$0.59	$0.69	3.12%	10 years	89%	0%
09/24/10	09/23/20	$0.74	$0.69	2.86%	10 years	90%	0%
05/26/10	05/25/20	$0.36	$0.36	3.25%	10 years	89%	0%
01/08/10	01/07/20	$0.35	$0.29	3.59%	10 years	89%	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 year as part of share-based compensation expense were $385,320 (2011: $306,915; 2010: $1,612,792).

As of December 31, 2012 and 2011 there was no amount (2010: $56,697) of total unrecognized compensation cost related to unvested share-based compensation awards.

d) Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized during the year as part of exploration and evaluation asset acquisition costs were $Nil (2011: $119,700; 2010: $111,300).

13. INCOME TAXES

Taxation in the Company and its subsidiaries' operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	December 31, 2012	December 31, 2011 (Restated)	December 31, 2010
Income (loss) before income taxes	$ 8,929,357	$ (3,350,056)	$ (4,936,707)
Tax charge/(recovery) based on the statutory rate of 25% (2011: 26.5%; 2010: 28.5%)	2,232,000	(888,000)	(1,407,000)
Non-deductible expenses	190,000	(1,095,000)	551,000
Different tax rates in other jurisdictions	(3,172,000)	298,000	98,000
Non-taxable portion of capital gains	150,000	(555,000)	(21,000)
Expiry of loss carry forward	-	-	503,000
Flow-through shares renunciation	-	449,000	97,000
Spin out impact	-	1,250,000	-
Initial recognition exemption and other	197,000	(67,000)	(24,000)
Changes in unrecognized deferred tax assets	403,000	(108,000)	(155,000)
Total income tax expense / (recovery)	**$ -**	**$ (716,000)**	**$ (358,000)**

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15% and the British Columbia provincial tax stayed at 10%.

The tax rate of 0.0% represents the federal statutory rate applicable for the 2012 taxation year for the Cayman Islands, 30.0% for Mexico, 5.0% for Guatemala and 30.0% for Nicaragua.

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	December 31, 2012	December 31, 2011 (Restated)
Loss carry forwards	$ 907,000	$ 640,000
Property and equipment	105,000	82,000
Mineral Properties	571,000	565,000
Other deductible temporary differences	130,000	23,000
Unrecognized tax assets	(1,713,000)	(1,310,000)
	$ -	**$ -**

As at December 31, 2012, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years.

Non-capital Canadian tax losses expiring as follows:

Year of expiry	Taxable losses
2026	$ 108,000
2027	$ 1,009,000
2028	$ 653,000
2030	$ 831,000
2032	$ 1,027,000
Total	**$ 3,628,000**

14. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the year ended December 31, 2012 consist of directors, officers and companies with common directors as follows:

Related Party	Nature of Transactions
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Rackla Metals Inc. ("Rackla") (Associate)	Shared general and administrative expenses
Fortuna Silver Mines Inc. ("Fortuna")	Shared general and administrative expenses
Focus Ventures Ltd. ("Focus")	Shared general and administrative expenses
Iron Creek Capital Corp. ("Iron Creek")	Shared general and administrative expenses
Emerick Resources Corp. ("Emerick")	Shared general and administrative expenses
Western Pacific Resources Corp. ("Western Pacific")	Shared general and administrative expenses
Cordoba Minerals Corp. ("Cordoba")	Shared general and administrative expenses
Voyager Gold Corp. ("Voyager")	Shared general and administrative expenses

In addition to related party transactions disclosed elsewhere in the consolidated financial statements (Note 8 and 9), the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the year ended December 31, 2012:

		2012		2011		2010
Expenses:						
Consulting	$	-	$	10,000	$	30,000
Salaries and benefits		34,488		23,014		22,630
Mineral property costs:						
Salaries and benefits		76,979		62,650		48,829
Geological consulting fees		-		-		3,170
	$	**111,467**	**$**	**95,664**	**$**	**104,629**

Effective July 1, 2012, 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 year ended December 31, 2012, the Company reimbursed Gold Group, $63,532 in general and administrative expenses consisting of $5,690 in communications, $12,987 in office and miscellaneous, $4,048 in public relations, $11,151 in repairs and maintenance, $10,707 in salary and benefits, and $18,949 in travel and accommodation. There were no transactions with Gold Group for the years ended December 31, 2011 and 2010.

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

Advances and other receivables include $Nil (December 31, 2011: $75,329) due from directors and officers of the Company. These were funds advanced for Company expenses and any balance owed will be repaid in the normal course of business.

Prepaid expenses and deposits include an amount of $60,000 (December 31, 2011: $Nil) paid to Gold Group as a deposit on the shared office and administrative services agreement that became effective July 1, 2012.

Due from related parties of $116,947 (December 31, 2011: $541,889) are amounts due from companies which have a common director with the Company and arose from shared administrative costs. These amounts are unsecured, non-interest bearing and are due on demand.

Accounts payable and accrued liabilities include $85,380 payable to Gold Group for shared administrative costs (December 31, 2011: $70,917 payable to the former Corporate Secretary of the Company for general administrative and Yukon camp maintenance and exploration expense reimbursements and $5,600 to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees).

14. RELATED PARTY TRANSACTIONS – (cont'd)

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:

	2012	2011	2010
Management fees	$ 141,000	$ 60,000	$ 60,000
Salaries, benefits and fees	105,429	71,141	86,422
Share-based payments	92,271	-	439,837
	$ 338,700	**$ 131,141**	**$ 586,259**

Total share-based payments to directors not specified as key management personnel during the year ended December 31, 2012 was $81,165 (2011: $105,128; 2010: $308,667).

15. 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 precious metals exploration. 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 are located in Canada, Guatemala, Nicaragua, Caymans and Mexico. Details of identifiable assets by geographic segments are as follows:

Year ended December 31, 2012

	Canada	Guatemala	Nicaragua	Other	Consolidated
Exploration expenditures	$ -	$ 794,388	$ 17,406	$ 73,172	$ 884,966
Interest income	8,883	-	-	-	8,883
Amortization	41,125	10,964	1,776	-	53,865
Profit/(loss) before income taxes	(2,779,050)	(4,442,082)	(450,324)	16,600,813	8,929,357
Capital expenditures*	19,670	28,559	-	-	48,229

Year ended December 31, 2011

	Canada	Guatemala	Nicaragua	Other	Consolidated
Exploration expenditures	$ 4,954,479	$ 1,387,041	$ 29,899	$ 18,634	$ 6,390,053
Exploration and evaluation assets Distributed (Note 8)	1,118,008	-	-	-	1,118,008
Interest income	61,397	-	-	-	61,397
Amortization	44,119	5,304	6,803	2,108	58,334
Loss before income taxes	(1,491,668)	(1,423,545)	(33,034)	(401,809)	(3,350,056)
Capital expenditures*	471,788	29,748	-	-	501,536

15. SEGMENTED INFORMATION – (cont'd)

Year ended December 31, 2010

	Canada	Guatemala	Nicaragua	Other	Consolidated
Exploration expenditures	$ 2,016,987	$ 753,900	$ 55,992	$ 11,511	$ 2,838,390
Interest income	34,275	-	-	-	34,275
Amortization	30,562	4,950	10,002	2,486	48,000
Profit/(loss) before income taxes	(4,195,847)	(757,195)	(92,242)	108,577	(4,936,707)
Capital expenditures*	917,785	1,596	991	-	920,372

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

As at December 31, 2012

	Canada	Guatemala	Nicaragua	Other	Consolidated
Total current assets	$ 17,505,772	$ 82,082	$ 9,441	$ 347,616	$ 17,944,911
Total non-current assets	713,276	578,152	6,489	-	1,297,917
Total assets	**$ 18,219,048**	**$ 660,234**	**$ 15,930**	**$ 347,616**	**$ 19,242,828**
Total liabilities	**$ 223,111**	**$ 20,272**	**$ 660**	**$ 11,258**	**$ 255,301**

As at December 31, 2011

	Canada	Guatemala	Nicaragua	Other	Consolidated
Total current assets	$ 3,692,139	$ 347,633	$ 13,876	$ 371,991	$ 4,425,639
Total non-current assets	1,616,331	4,172,136	137,051	-	5,925,518
Total assets	**$ 5,308,470**	**$ 4,519,769**	**$ 150,927**	**$ 371,991**	**$ 10,351,157**
Total liabilities	**$ 759,362**	**$ 163**	**$ 11,405**	**$ 4,509**	**$ 775,439**

16. 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 December 31, 2012, cash totalling $191,445 (December 31, 2011: $255,717) was held in US dollars, $741 (December 31, 2011: $2,441) in Nicaragua Cordoba, $4,706 (December 31, 2011: $8,091) in Guatemala Quetzal, $5,476 (December 31, 2011: $21,859) in Mexican Pesos and $715 (December 31, 2011: $696) in Peruvian Sols. Based on the above net exposures at December 31, 2012, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $20,300 increase or decrease in the Company's after tax net earnings, respectively.

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.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in B2Gold, Focus, Rackla and Fortuna are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would approximately result in a $1,655,000 decrease in equity.

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

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 advances and other receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents or available-for-sale investments that are invested in asset based commercial paper. For advances and other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2012, the Company had working capital of $17.7 million (December 31, 2011: $3.6 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.

The Statement of Financial Position carrying amounts for cash, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

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, Fortuna, and Rackla are based on quoted prices and are therefore considered to be Level 1.

17. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2012. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to 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 its subsidiaries are subject to externally imposed capital requirements and do 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.

18. CORRECTION OF ERROR IN PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

During the third quarter of 2012, the Company discovered an error in its previously reported consolidated financial statements as at and for the year ended December 31, 2011. The Company is required to separately disclose the impact of correction of errors, if any, in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Company has classified its marketable securities as available-for-sale financial instruments. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. During the third quarter of 2012, the Company re-assessed and determined that its investment in the shares of Focus, a public company with common directors and officers, suffered an impairment as at December 31, 2011.

As a result of this determination, and in accordance with IAS 39, the Company has reclassified the loss previously recognized in other comprehensive income from accumulated other comprehensive income to accumulated deficit. As at and for the year ended December 31, 2011, this reclassification adjustment resulted in a $465,925 increase in other comprehensive income, a $465,925 increase in loss on impairment of available-for-sale investments, a $465,925 increase in accumulated other comprehensive income, and a $465,925 increase in accumulated deficit. For the year ended December 31, 2011, the reclassification adjustment did not have an impact on operating, financing, or investing cash flow activities and there was no change in loss per share.

	For the year ended December 31, 2011	
	As previously reported	**As restated**
Consolidated statement of financial position:		
Accumulated other comprehensive (loss) income	$ 44,449	$ 510,374
Deficit	(53,312,682)	(53,778,607)
Consolidated statement of comprehensive income (loss):		
Impairment on available-for-sale investments	$ -	$ (465,925)
Income (loss) before income taxes	(2,884,131)	(3,350,056)
Net income (loss) for the year	(2,167,377)	(2,633,302)
Fair value gains on available-for-sale investments	165,966	631,891
Total comprehensive loss	(2,001,411)	(2,001,411)
Basic and diluted earnings (loss) per share	$(0.03)	$(0.03)

19. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2012, the Company sold 677,500 shares of its available-for-sale investment in B2Gold for proceeds of approximately $2.6 million.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year End Report – December 31, 2012

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2012. The following information, prepared as of April 26, 2013, should be read in conjunction with the December 31, 2012 consolidated financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "will", "may", "should", "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance.

Forward-looking statements are statements that are not historical facts, and include but are not limited to:

a) Estimates and their underlying assumptions;
b) Statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model, future operations, the impact of regulatory initiatives on the Company's operations, and market opportunities;
c) General industry and macroeconomic growth rates;
d) Expectations related to possible joint or strategic ventures; and
e) Statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project, and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

Business of the Company

The Company has been exploring for gold in Latin America for over a decade and has assembled interests in a portfolio of promising gold and silver projects throughout that region. In Nicaragua, following the sale of its Trebol and El Pavon projects to B2Gold ("B2Gold"), the Company is exploring two gold projects under joint venture with B2Gold. In Guatemala, the Company is continuing its regional exploration work of stream sediment sampling and prospecting, as well as planning for the next phase of drilling on the El Zapote, Pyramid Hill, M28, and Holly prospects. In Mexico, the Company has optioned an epithermal Ag-Au property, and is proceeding with a geophysical exploration program. With the Company's strong treasury of over 3.8 million common shares of B2Gold and the current depressed state of the resource equity markets, the Company is conducting an extensive review of precious metal exploration projects and/or distressed junior companies that may be available for acquisition or joint venture.

Spin-Out Transaction

Effective December 8, 2011, the Company completed the spin-out ("Spin-Out") to Rackla Metals Inc. ("Rackla") of its properties in the Yukon and Alaska, including those in the Rackla Belt and Sixty Mile placer gold district, to create two strategically positioned companies, one focused on Latin America and the other focused on the Yukon.

As a result of the Spin-Out, the Company's shareholders were issued one common share and one warrant in Rackla for every three Radius shares held, and the Company held a 19.9% ownership interest in Rackla. Each Rackla warrant entitles the holder to purchase one common share of Rackla at $0.30 for a period of 18 months. The Company retained ownership of its Latin American properties and royalty interests, and Rackla holds all of the property interests located in northern Canada and Alaska. In October 2012, the Company purchased 2,690,675 private placement units of Rackla in order to maintain its 19% interest in Rackla.

The current status of the Company's properties is described below:

Guatemala

Southeast Guatemala Ag-Au Epithermal Fields

The extensive epithermal fields in Tertiary volcanic and sedimentary rocks in southeastern Guatemala hosts both Escobal, Tahoe Resources Inc.'s intermediate-sulphidation Ag-Au-Pb-Zn deposit and Cerro Blanco, Goldcorp Inc.'s hot-spring epithermal Au-Ag deposit. The epithermal field is a product of Tertiary to Quaternary-aged extension tectonics and volcanism related to the Jocotan, Motagua, and Polochic continental wrench faults and their associated structures. The Company's 100% owned land holdings in southeast Guatemala consist of reconnaissance, exploration, and exploitation license applications filed with the Guatemala Ministry of Energy and Mines (MEM), and together cover an area of approximately 230,599 hectares.

Pyramid Hill, M28, and Holly Prospects

In April 2010, the Company commenced a reactivation of its exploration efforts at these prospects (these collectively have been previously referred to as the Holly-Banderas property). The Company discovered and

drilled these gold-silver occurrences between 2002 and 2004 when gold and silver spot prices were close to their record lows. However, the recent discovery of the world-class Escobal deposit some 70 km west of these prospects underscores the potential of the district and has led the Company's technical team to review the geology and the results obtained by the previous work.

The Pyramid Hill prospect is a northwest-trending, subvertical brittle fault with associated mineralized cataclastic breccias and veins. The extent of mineralization has been mapped to over 2 km in strike length. Less than 500 m northeast of Pyramid Hill, the M28 zone consists of a series of stacked southwest dipping hydrothermal quartz veins offset by late normal block faulting. Drilling highlights from previous early work programs on these zones include 2.2m of 6.9 ppm Au and 261 ppm Ag in hole BDD-014 at Pyramid Hill, and 4.3m of 6.0 ppm Au and 72 ppm Ag in hole BDD-04 at M28 (for full drill results from these drill campaigns (see Radius Gold news release dated April 13, 2004).

The Holly zone is spatially associated with the east-west trending Jocotan continental wrench fault, approximately 9 km west-northwest of the Pyramid Hill prospect. Previous drilling returned results of up to 14.2 m of 4.14 ppm Au and 150 ppm Ag in hole HDD-001, and 9m of 1.84 ppm Au and 45 ppm Ag in hole HDD-007 (see Radius Explorations Ltd. news release from December 17, 2002). Mineralization occurs in association with epithermal quartz and quartz-hematite veins within the Jocotan fault conglomerates and basinal sediments as well as in the metamorphic phyllites to the north of the fault, although only the former have been drill tested.

Recent prospecting at the Holly zone has led to the discovery of hydrothermal quartz veins (El Pino and La Peña occurrences) hosted in the metamorphic rocks to the north of the Jocotan fault, bearing grades of up to 58 ppm Au and 1937 ppm Ag over 5.1 m in surface trenching (see Radius news release of May 16, 2011). The metamorphic rocks north of the Jocotan fault were not previously believed to be a likely host for epithermal mineralization, and this discovery opens up the area to significant further exploration.

Previous drilling on the Pyramid Hill, M28, and Holly prospects only tested the epithermal systems to relatively shallow depths, generally less than 150 m below surface. In contrast, the metal-productive depths of most low-sulphidation epithermal systems is generally thought to be 200 to 600 m below the hydrothermal system's water table, indicating that the present drilling does not adequately test the mineralization system. Upon review, and with the present gold and silver prices in mind, management feels that these prospects warrant significant deeper drilling to comprehensively test the potential metal-productive zones of these prospects.

El Zapote Prospects

The El Zapote Zone is located approximately 1 km southwest of the Pyramid Hill zone (see Radius news release dated February 3, 2011), and consists of a northwest-trending stockwork zone exposed along a ridge and a southwest-facing cliff. The stockwork zone consists of centimetre-scale epithermal quartz-chalcedony veins and veinlets hosted in felsic volcanic and volcaniclastic rocks. The general orientation, nature of the mineralization, and spatial proximity suggests it is part of the same epithermal ore system as Pyramid Hill and M28 zones.

The Company's early stage exploration results at Zapote are very positive: Anomalous gold and silver mineralization has been detected in rock and soil samples over more than 600m strike length, and reconnaissance soil sampling indicates that the zone may extend for up to 3 km in total. 250 samples, a mix of outcrop and float, were collected across a 500 m x 300 m area trending northwest along the exposed southwest facing cliff. The samples returned gold values ranging from trace to 6.06 ppm Au, and averaged 0.94 ppm Au. Of the samples taken, 55% graded > 0.5 ppm Au, including 25% samples grading > 1 ppm Au.

Future Work

The Company is designing the next phase program of drilling at El Zapote, which is fully permitted for drilling and offers the possibility for a near-surface, broad mineralized stockwork breccia zone. Exploratory drill holes have been planned to test its orientation, thickness, and grade distribution under the surface showings. Deeper drilling programs at Pyramid Hill, M28, and Holly are also being considered to test for high grade mineralization systems at depth, such as that discovered by Tahoe Resources Inc. at their Escobal deposit, 70 km west of the Property.

As well, the Company's Guatemalan team is continuing its regional work through stream sediment sampling, prospecting, and mapping.

Tambor

In August 2012, the Company sold its remaining interest in its subsidiary Exploraciones Mineras de Guatemala S.A. that holds the Tambor gold project to Kappes, Cassiday & Associates ("KCA"), giving KCA a 100% interest in the project. In consideration, KCA will repay to the Company approximately US$400,000 owing to the Company (US$100,000 paid upon signing, and approximately US$300,000 once KCA has commenced shipment of gold produced from the property). Also upon commercial production, KCA will make quarterly payments to the Company based on the then price of gold and the number of ounces produced from the property.

As a result of the disposal of the Tambor property, a loss on the disposal of the property totaling $3,823,118 has been charged to operations for the year ended December 31, 2012 as follows:

Proceeds of disposition (US$100,000)	$	98,750
Less:		
Carrying value of mineral property		(3,489,495)
Transaction costs		(2,645)
Write-off of amount receivable		(429,728)
Net loss on disposal of mineral property	**$**	**(3,823,118)**

Due to the uncertainty of receiving future production payments from KCA, the Company wrote-off a receivable balance of $429,728 and has not recognized a contingent gain on potential royalty payments. The payment of US$100,000 from KCA upon signing of the agreement was recorded as proceeds from the disposition during the current period. Future payments from KCA, whether as a royalty or repayment of the outstanding receivable balance, will be recorded as revenue at such time they are virtually certain to be received.

Geothermal Licences

The Company has revisited its hot spring database for Guatemala and in June 2010 submitted applications for Provisional Use Permits for a number of active geothermal systems that may have potential as geothermal resources for power generation. To date, a Provisional Use Permit has been granted on 15,300 hectares. The Company is seeking a joint venture partner to further develop these geothermal systems.

Nicaragua

The Company began exploring in Nicaragua in 2003. In addition to discovering a number of exploration projects with potential to host gold resources, specifically the Trebol, Pavon and San Jose (formerly called San Pedro) exploration properties, the Company's technical team also compiled an extensive regional exploration data base covering much of the Central American country.

Transactions with B2Gold

In June 2009, the Company granted to B2Gold an option (the "Option") to acquire an interest in the Company's entire Nicaragua mineral property portfolio. B2Gold had the right to acquire a 60% interest in the Trebol, Pavon and San Jose properties by spending a total of US$4 million on exploration on any one or more of the properties within 4 years from the date of the agreement. In addition, B2Gold had the right to review the conceptual gold resource outlined by Meridian Gold on the Pavon vein system, and had the right to decide to put the property into production within a time frame of 3 years.

In the first quarter of 2012, B2Gold had exercised the option and earned a 60% interest in the properties. On April 6, 2012, the Company and B2Gold entered into a letter of intent pursuant to which B2Gold agreed to acquire a 100% interest in the Trebol and Pavon properties in consideration of $20 million, payable in common shares of B2Gold at a price per share equal to the volume weighted average price of B2Gold's common shares on the Toronto Stock Exchange for the ten trading days immediately preceding the date of the letter agreement. In addition, B2Gold agreed to make contingent payments to the Company of US$10 per ounce of gold on 40% of any proven and probable mineral reserves in excess of 500,000 ounces outlined at Trebol (on a 100% basis).

The property sale (the "B2Gold Sale") was completed in August 2012, and in consideration therefore, the Company was issued 4,815,894 common shares of B2Gold with a fair value at that time of $16,662,993. A separate agreement was also signed covering the future contingent payments on the Trebol property.

As well, B2Gold and the Company have entered into joint venture agreements on 60% - 40% basis with respect to the Company's San Jose and B2Gold's La Magnolia properties in Nicaragua which the companies are jointly exploring.

As a result of the B2Gold Sale, a gain on the transaction totaling $16,278,410 has been charged to operations for the year ended December 31, 2012 as follows:

Proceeds of disposition	$	16,662,993
Less:		
Carrying value of mineral property		(82,482)
Transaction costs		(302,101)
Net gain on disposal of mineral property	**$**	**16,278,410**

Future royalty payments from B2Gold will be recorded as revenue at such time they are virtually certain to be received.

Joint Venture Exploration

In February 2013, B2Gold reported on its current exploration work conducted during the fourth quarter of 2012 at the San Jose property. B2Gold have been trenching various anomalies and veins as follow up to work done by the Company in 2007/2008 and to identify new targets.

Trenches 9 through 18 were cut along the PM-1 vein zone where the Company drilled in 2008. The results define zones of strong mineralization over significant widths. For example, Trench 11 cut 27.3 m of 1.65 g/t Au and Trench 14, 25 meters southeast, cut 20.1 m of 2.31 g/t Au. The area with the wide intervals corresponds well with the Company's drilling (hole SP-DH-007) which intersected 35 m of 1.88 g/t Au from 13.7 m to 46.6 m just below Trench 9 (5.5 m of 2.3 g/t Au). Highlights include:

Trench No.	Interval (m)	Au (g/t)
TR-SJ-009	5.5	2.3
TR-SJ-010	3.0	1.87
TR-SJ-011	27.3	1.65
including	17.0	2.4
TR-SJ-012	5.9	1.4
TR-SJ-013	22.0	0.77
including	12.9	1.19
TR-SJ-014	20.1	2.31
including	12.0	3.38
TR-SJ-015	16.0	0.96
including	6.4	1.49

Trenches 5, 6, and 8 were cut along the PM - 2 vein zone. Trenching indicates that the southeast portion of the PM - 2 structure is essentially barren. To the northwest, the grades improve. Trench 8 contained 2 samples of roughly 2 g/t Au and the Company's Trench PM2 - B2 had 1.35 m of 6.89 g/t Au. Several float samples in this area returned grades as high as 18.63 g/t Au. More work will need to be done to follow up here but for now most of the effort is being focused on the PM - 1 area.

A new 80m long trench has been cut just to the southeast of the PM-1 zone, near a historic Company trench (TR-PM1-B7) that returned 4.0 m at 9.43 g/t Au. B2Gold are investigating this area for bulk tonnage potential to see if the known veins coalesce, hopefully accompanied by anomalous gold grades and a well-developed stockwork. Trenching beyond the southeast end of the PM-1 zone, on what appears to be an offshoot structure, yielded no significant values.

The trenching is now stepping out at 50 m intervals to the northwest in order to track the continuity of the zone. The Company's historic trenching in the area returned some high grade values; for example the Company's Trench PM1 - A8 which cut 2.53 m at 12.88 g/t Au. This trench lies over 200 m northwest along strike from B2Gold's Trench 15 (16.0 m at 0.96 g/t Au). It is important to point out that this trench ended in high grade mineralization (last two samples at 14 & 23 grams).

<u>Mexico</u>

Tlacolula

The Company discovered silver mineralization in 2005 following a regional stream geochemical survey in various areas of the state of Oaxaca. An initial trenching program on the Tlacolula property defined a broad low grade silver/gold anomaly associated with opaline silica, indicating a high level system. In late 2009, the Company optioned the Tlacolula silver project to Fortuna Silver Mines Inc. (TSX-FVI) ("Fortuna") and the option agreement was amended in December 2012. The 12,642 hectare property is located 14 km east-southeast of the city of Oaxaca and 30 km northeast of Fortuna's 100%-owned San Jose silver-gold mine.

Fortuna can earn a 60% interest in the Tlacolula project by spending US$2-million on exploration, which includes a commitment to drill 1,500m, within 12 months of issuance of a drill permit for the project. Fortuna must also pay to the Company US$100,000 cash and US$100,000 worth of Fortuna shares within 90 days of completion of the 1,500m drill program. To date, the Company has received US$150,000 cash and 34,589 shares of Fortuna, of which US$50,000 cash and 11, 415 shares were received subsequent to December 31, 2012.

Santa Brigida

In February 2013, the Company was granted an option to acquire a 100% interest in the Santa Brigida project, a 10,800 hectare property which hosts a low-sulphidation, epithermal silver-gold vein system located approximately 80 km ENE of the city of Guanajuato in Mexico.

Artisanal-scale mining of surface outcrop is known to have occurred in the area from pre-colonial times. Reliable historical reports indicate that more modern small-scale underground mining operations produced, from the late 1800s up to 1926, over 40 Moz of silver and 400 koz of gold from 1.05 Mt at weighted-average grades of 1,300 g/t Ag and 13 g/t Au.

Mineralization is associated with two principal vein swarms, the Pozos system and the Santa Brígida system, each striking generally NW with steep SW dips. Historic production focused on discrete high-grade ore shoots within hydrothermal quartz veins and surrounding altered wall-rock. Historical production records indicate that individual operations mined mineralized shoots ranging from 5 kt to 300 kt in size, with average grades ranging from 200 g/t Ag to 2,500 g/t Ag, and 2 g/t Au to 40 g/t Au. The richest shoot documented produced 300 kt grading 2,500 g/t Ag and 15 g/t Au.

The property is underlain by folded Jurassic to Cretaceous-aged sedimentary rocks including carbonaceous shales, shales, arenites, and greywackes, which are discordantly overlain by Cretaceous limestones and Tertiary volcanic rocks. Most of the district is covered by recent soils and caliche, and known areas of mineralization are all hosted by the Jurassic-Cretaceous sedimentary sequences where these outcrop.

The Company's initial exploration efforts will be concentrated on the Santa Brígida vein system, near the town of Mineral de Pozos, in flat-lying agricultural and cattle grazing lands. The veins are exposed in discontinuous outcrop over 1 km in strike length, along a regional topographic lineament likely related to faulting, and which is parallel and potentially genetically related to the mineralized system. The Company believes there is excellent potential for the extension of the Santa Brígida vein system in both directions. A geophysical resistivity & induced polarization survey is currently underway on the property to explore the strike extent of the Santa Brigida system under the alluvial cover; any positive anomalies discovered have the potential to be drilled later in 2013.

Qualified Person: David Clark, M.Sc., P.Geo., a member of the Association of Professional Engineers and Geoscientists of British Columbia, is the Company's Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this MD&A. The technical information disclosed above regarding the San Jose Property was provided to the Company by B2Gold in the form of internal reports. Mr. Clark has verified that the technical information disclosed herein is an accurate summary of the information provided to the Company by B2Gold, but was unable to independently verify the data, analytical methods, quality assurance or quality control procedures in place at B2Gold.

Selected Annual Information

The following table sets forth selected annual financial information of the Company for, and as at, the end of each of the last three financial years ending December 31, 2012, 2011, and 2010:

	2012 ($)	2011 ($)	2010 ($)
Total investment and other income	8,883	61,397	34,275
Exploration expenditures	884,966	6,390,053	2,838,390
Income (loss) before income taxes			
Total	8,929,357	(3,350,056)	(4,936,707)
Basic & fully diluted per share *	0.10	(0.04)	(0.08)
Net income (loss) for the year			
Total	8,929,357	(2,633,302)	(4,578,174)
Basic & fully diluted per share *	0.10	(0.03)	(0.07)
Total assets	19,242,828	10,351,157	14,584,050
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

* Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2012:

Quarter ended	Dec. 31, 2012 ($)	Sep. 30, 2012 ($)	June 30, 2012 ($)	Mar. 31, 2012 ($)	Dec. 31, 2011 ($)	Sep. 30, 2011 ($)	June 30, 2011 ($)	Mar. 31, 2011 ($)
Exploration expenditures	258,225	229,108	246,247	151,386	612,477	3,259,697	1,919,772	598,107
Total investment income	576	1,971	3,049	3,287	8,872	18,891	16,367	17,267
Net income (loss) before income taxes	(1,938,538)	11,899,804	(657,726)	(374,183)	3,228,981	(3,734,162)	(2,056,941)	(787,934)
Basic and diluted income (loss) per share	(0.03)	0.14	(0.01)	(0.00)	0.04	(0.04)	(0.02)	(0.01)

The quarter ended September 30, 2012 resulted in a net income before income taxes of $11,899,804 due to a net gain of $16,278,410 on the B2Gold Sale. This gain was partially offset by a net loss of $3,823,118 on the disposal of the Tambor property in Guatemala. The quarter ended December 31, 2011 recorded a net income before income taxes of $3,228,981 due to a gain of $4,807,443 on distribution of exploration and evaluation assets to Rackla. For the most recently completed quarter, an impairment charge of $855,632 on the shares held in Rackla significantly increased the loss before income taxes for that period. The quarters ended December 31, 2012 and September 30, 2011 recorded significant share-based compensation charges of $385,320, and $253,443 respectively as a result of stock option grants which in turn increased the net losses for those quarters. From the first quarter presented to the end of the quarter ended December 31, 2011, exploration activity trended upward due to Yukon and Guatemala work programs. Since December 31, 2011, exploration expenditures were significantly reduced as the Company no longer holds the Yukon properties, and until late in 2012, the Company had been awaiting a drill permit for its properties in Guatemala.

Results of Operations

Quarter ended December 31, 2012

The quarter ended December 31, 2012 had a net loss before income taxes of $1,938,538 compared to a net income before income taxes of $3,228,981 for the quarter ended December 31, 2011, a negative difference of $5,167,519. The comparative quarter's net income is due to a gain of distribution of assets to Rackla in the amount of $4,807,443. Excluding this gain the comparative quarter would show a net loss before income taxes of $1,578,462, which is only $360,076 less than the current quarter.

Exploration expenditures in the current quarter totalled $258,225 compared to $612,477 in the comparative quarter, a decrease of $354,252. The higher exploration expenditures in the comparative quarter relate mostly to the Company's exploration activities on its formerly held Yukon properties.

General and administrative expenses for the quarter ended December 31, 2012 were $718,859 compared to $246,454 for the quarter ended December 31, 2011, an increase of $472,405. The increase was due in large part to a share-based compensation expense of $385,320 being recorded in the current quarter compared to only $3,356 recorded in the comparative quarter. Excluding this non-cash expense, the current quarter general and administrative expenses were $90,441 higher. Legal and audit fees were $93,454 higher and salaries and benefits were $30,293 higher in the current quarter but those differences were mostly due to adjustments in the comparative quarter that saw some legal and audit fees reclassified as transaction costs for the Spin-Out and a reduction in salaries and benefits costs for that period. Most notable cost decreases in the current quarter were $46,335 in public relations and $17,936 in office and miscellaneous. The higher public relations cost in the comparative quarter was due in large part to the Spin-Out.

Year ended December 31, 2012

The year ended December 31, 2012 recorded a net income before income taxes of $8,929,357 compared to a net loss before income taxes of $3,350,056 for the year ended December 31, 2011, a positive difference of $12,279,413. The current year showed a net income instead of a loss due to a net gain of $16,278,410 from the B2Gold Sale. This gain more than offset a loss of $3,823,118 recorded on the disposal of the Tambor property during the current year. As was the case with the quarterly comparison, the net loss before income taxes for the comparative year was significantly reduced by the gain of $4,807,443 resulting from the distribution of assets to Rackla. Both the current and comparative years recorded impairment charges stemming from the value of shares held in other companies, with the current year having impairment charges of $855,632 relating to the Company's investment in Rackla and $20,148 relating to the shares held in Focus. The impairment charge in the comparative year was $465,925 and was related to the shares held in Focus as well. There were no deferred income tax or recovery or expenses recorded for the current year but the comparative year recorded a deferred income tax recovery of $716,754 relating to flow-through share issuances.

Exploration expenditures for the current year totaled $884,966 compared to $6,390,053 for the comparative year, a decrease of $5,505,087. As in the quarterly comparison, the higher exploration expenditures in the comparative year relate mostly to the Company's drilling programs and other exploration activities on its formerly held Yukon properties. During the current year, exploration expenditures were significantly reduced as the Company had been awaiting a drill permit for its properties in Guatemala. Both the current and comparative years recorded gains of $101,564 and $157,088 respectively from property option payments received with respect to the Tlacolula property in Mexico.

General and administrative expenses for the year ended December 31, 2012 were $1,498,618 compared to $1,242,463 for the year ended December 31, 2011, an increase of $256,155. Unlike the quarterly comparison, both the current and comparative years recorded significant share-based compensation expenses of $385,320 and $306,915 respectively. Notable cost increases in the current year were $81,000 in management fees, $53,299 in legal and audit fees, $48,516 in salaries and benefits, $34,248 in travel and

accommodation, and $32,642 in rent and utilities. Management fees were higher due to a bonus of $72,000 paid to the Chief Executive Officer and an increase in his monthly management fee. Legal and audit fees were higher for the same reasons given in the quarterly comparison. Salaries and benefits and travel and accommodation costs were both impacted with an increase in property investigation during the current year. Rent and utilities costs were higher in the current year because of a new office lease that took effect in the fourth quarter of 2011. A notable cost decrease was $56,361 in public relations which was due to the increased requirements resulting from the Spin-Out in the comparative year.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the year ended December 31, 2012 is as follows:

Guatemala - $794,388 was incurred on exploration and property investigation.

Nicaragua - $17,406 was incurred on miscellaneous exploration and administrative related costs.

Mexico - The Company received option payments on its Tlacolula Property from Fortuna in the form of cash and shares with a combined value of $101,564 and incurred $57,632 on property investigation and miscellaneous administrative costs.

Further details regarding exploration expenditures for the years ended December 31, 2012 and 2011 are provided in the schedules at the end of this document.

Liquidity and Capital Resources

The Company's cash decreased from approximately $1.76 million at December 31, 2011 to $0.99 million at December 31, 2012; however, working capital has significantly increased. As at December 31, 2012 working capital was $17.69 million compared to $3.65 million at December 31, 2011. The increase was due to the receipt of 4,815,894 B2Gold common shares as consideration for the B2Gold Sale. As at December 31, 2012, these shares had a fair value of $16.2 million, and the Company is entitled to sell a maximum of 10% of the original number of B2Gold shares within any 30-day period without encumbrance. If the Company wishes to exceed this limitation, there may be a delay of up to 15 days before the selling of the shares can be completed. During the year ended December 31, 2012, the Company sold 255,000 B2Gold shares for proceeds of $928,365. Subsequent to December 31, 2012, the Company sold an additional 677,500 B2Gold shares for proceeds of approximately $2.6 million.

The Company also currently holds a portfolio of available-for-sale investments consisting of 1,007,406 common shares of Focus Ventures Ltd. ("Focus"), 34,589 common shares of Fortuna, of which 11,415 were received subsequent to December 31, 2012, and 7,175,700 warrants in Rackla, all public companies with common directors or officers. As at December 31, 2012, the carrying amount for all available-for-sale investments was $16.55 million compared to $0.64 million as at December 31, 2011. As at December 31, 2012, the Company also held 9,866,376 common shares in Rackla with a fair value of $0.49 million and carrying amount of $0.87 million but these are recorded as an investment in Rackla which is being accounted for under the equity method for investments with significant influence instead of as available-for-sale investments. The Company also holds 1,345,338 warrants of Rackla by way of a private placement during the current year and although these warrants are transferable, they are not traded on the TSX-V as are the other 7,175,700 Rackla warrants held.

During the prior year ended December 31, 2011, the Company raised gross proceeds totaling $3,660,000 in from a private placement. A summary of the expected use of proceeds and the actual use of the proceeds as of December 31, 2012 is as follows:

	Expected use of proceeds	Actual use of proceeds	Variance
Exploration and general working capital requirements	$ 3,660,000	$ 3,660,000	$ -

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; however, the Company has not yet achieved profitable operations, has accumulated losses of $44,849,250 since inception, and is expected to incur further losses in the development of its business. However, the Company has sufficient capital resources to meet its obligations for at least the next twelve months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activity. Management believes it will be able to raise equity capital as required in the long term, but recognizes the uncertainty attached thereto. The Company continues to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

Capital Management

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2012. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to 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 its subsidiaries are subject to externally imposed capital requirements and do not have exposure to asset-backed commercial paper or similar products.

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 December 31, 2012, cash totalling $191,445 (December 31, 2011: $255,717) was held in US dollars, $741 (December 31, 2011: $2,441) in Nicaragua Cordoba, $4,706 (December 31, 2011: $8,091) in Guatemala Quetzal, $5,476 (December 31, 2011: $21,859) in Mexican Pesos and $715 (December 31, 2011: $696) in Peruvian Sols. Based on the above net exposures at December 31, 2012, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $20,300 increase or decrease in the Company's after tax net earnings, respectively.

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.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in B2Gold, Focus, Rackla and Fortuna are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would approximately result in a $1,655,000 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 advances and other receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents or available-for-sale investments that are invested in asset

based commercial paper. For advances and other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company believes that these sources will be sufficient to cover the known requirements at this time.

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.

The Statement of Financial Position carrying amounts for cash, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

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, Fortuna, and Rackla are based on quoted prices and are therefore considered to be Level 1.

<u>Related Party Transactions</u>

The Company's related parties with transactions during the year ended December 31, 2012 consist of directors, officers and companies with common directors as follows:

Related party	Nature of transactions
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Rackla Metals Inc. ("Rackla") (Associate)	Shared general and administrative expenses
Fortuna Silver Mines Inc. ("Fortuna")	Shared general and administrative expenses
Focus Ventures Ltd. ("Focus")	Shared general and administrative expenses
Iron Creek Capital Corp. ("Iron Creek")	Shared general and administrative expenses
Medgold Resources Corp. ("Medgold") (formerly Emerick Resources Corp.)	Shared general and administrative expenses
Western Pacific Resources Corp. ("Western Pacific")	Shared general and administrative expenses

Cordoba Minerals Corp. (“Cordoba”)	Shared general and administrative expenses
Voyager Gold Corp. (“Voyager”)	Shared general and administrative expenses

The Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the year ended December 31, 2012:

	Three months ended December 31,		**Year ended December 31,**	
	2012	**2011**	**2012**	**2011**
Expenses:				
Consulting	$ -	$ -	$ -	$ 10,000
Salaries and benefits	3,605	5,689	34,488	23,014
Mineral property costs:				
Salaries and benefits	25,494	16,394	76,979	62,650
	$ 29,099	**$ 22,083**	**$ 111,467**	**$ 95,664**

Effective July 1, 2012, 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 year ended December 31, 2012, the Company reimbursed Gold Group, $63,532 in general and administrative expenses consisting of $5,690 in communications, $12,987 in office and miscellaneous, $4,048 in public relations, $11,151 in repairs and maintenance, $10,707 in salary and benefits, and $18,949 in travel and accommodation. There were no transactions with Gold Group for the comparative year.

During the quarter ended December 31, 2012, the Company reimbursed Gold Group, $30,894 in general and administrative expenses consisting of $3,173 in communications, $7,133 in office and miscellaneous, $1,718 in public relations, $1,667 in repairs and maintenance, $4,172 in salary and benefits, and $13,031 in travel and accommodation. There were no transactions with Gold Group for the comparative quarter.

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

As of December 31, 2012, there were no amounts included in advances and other receivables that were due from related parties. Balances as of December 31, 2011 that were repaid during the current year were $71,648 from the Chief Executive Officer of the Company and $3,681 from other directors and officers of the Company. These balances were based on funds advanced for Company expenses with repayment to be made in the normal course of business.

Prepaid expenses and deposits as of December 31, 2012 include an amount of $60,000 (December 31, 2011: $Nil) paid to Gold Group as a deposit on the shared office and administrative services agreement that became effective July 1, 2012.

Amounts due from related parties as of December 31, 2012 include $35,294 (December 31, 2011: $234,298) due from Fortuna, $17,539 (December 31, 2011: $24,447) due from Rackla, $25,394 (December 31, 2011: $75,736) due from Focus, $17,535 (December 31, 2011: $48,004) due from Cordoba, $17,520 (December 31, 2011: $43,285) due from Medgold, $3,665 (December 31, 2011: $35,521) due from Western Pacific, $Nil (December 31, 2011: $70,630) due from Iron Creek, $Nil (December 31, 2011: $5,196) from Voyager, and $Nil (December 31, 2011: $4,772) from Mill Street, a company controlled by the Chief Executive Officer of the Company. These balances arose from the Company incurring office, administrative and personnel costs which were then shared with the related parties. Effective July 1, 2012, the cost sharing arrangements between the related parties are primarily with Gold Group rather than with the Company.

Accounts payable and accrued liabilities as of December 31, 2012 include $85,380 (December 31, 2011: $Nil) payable to Gold Group for shared administrative costs; $Nil (December 31, 2011: $70,917) payable to

the former Corporate Secretary of the Company for general administrative and Yukon camp maintenance and exploration expense reimbursements and $Nil (December 31, 2011: $5,600) to Mill Street for management fees.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
Management fees	$ 18,000	$ 15,000	$ 141,000	$ 60,000
Salaries, benefits and fees	39,672	17,015	105,429	71,141
Share-based payments	92,271	-	92,271	-
	$ 149,943	**$ 32,015**	**$ 338,700**	**$ 131,141**

Total share-based payments to directors not specified as key management personnel during the year ended December 31, 2012 was $81,165 (2011: $105,128).

Other Data

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

Share Position, Outstanding Warrants and Options

As at April 26, 2013, the Company's outstanding share position is 86,675,617 common shares, and the following share purchase warrants and incentive stock options are outstanding:

WARRANTS

Number of warrants	Original exercise price	Adjusted exercise price*	Expiry date
6,285,001	$0.50	$0.37	June 16, 2013**
3,050,000	$0.75	$0.55	July 3, 2013**
9,335,001			

* On February 6, 2012, the exercise prices for outstanding warrants were reduced to 73% of their original exercise price as a result of the Spin-Out.

** During the current year, the Company extended the expiry dates of 6,285,001 outstanding warrants exercisable at $0.37 per share by one year to June 16, 2013, and 3,050,000 outstanding warrants exercisable at $0.55 per share by one year to July 3, 2013.

STOCK OPTIONS

Number of options	Exercise price	Expiry date
575,000	$0.26	May 5, 2013
1,570,000	$0.29	January 7, 2020
100,000	$0.36	May 25, 2020
820,000	$0.69	September 23, 2020
290,000	$0.81	July 26, 2021
2,255,000	$0.20	December 12, 2022
5,610,000		

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 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 less than 20% of the voting rights in an investment but the Company 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;

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 application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   If, after exploration and evaluation expenditure 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.

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

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

series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Significant Investments Accounted For By the Equity Method

The Company had an initial ownership interest in Rackla of 19.9%, the result of the Spin-Out completed in 2011 and described above under "Business of the Company". Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements. The major assets distributed to Rackla on December 8, 2011, which gave rise to a gain on distribution of $4,807,443 for the year ended December 31, 2011 are as follows:

		December 8, 2011
Cash and cash equivalents	$	1,000,000
Available for sale investments		648,750
Evaluation and exploration cost and expenditures		4,527,717
Net assets distributed to Rackla	$	6,176,467

In accordance with IFRIC 17 "Distribution of Non-Cash Assets to Owners", a gain was recognized on the difference between the fair value and the carrying value of the net assets distributed to Rackla, calculated as follows:

		December 8, 2011
Fair value of common shares on distribution	$	7,574,201
Net assets distributed to Rackla		(6,176,467)
Gain on distribution of assets to Rackla	$	1,397,734
Plus: recovered expended exploration expenditures		3,409,709
Gain on distribution of assets to Rackla	$	4,807,443

The fair value of the common shares distributed was based on the share price of Rackla on December 9, 2011, its first day of trading, of $0.21 multiplied by the total number of the 36,067,626 shares in issue. The distribution of the 80.1% of the common shares amounting to $6,067,304 was recorded through deficit.

The gain on distribution of assets is not re-measured on changes in share price of Rackla. The Company notes that the gain was not realized by the Company. A total of $289,313 was expensed in connection with this plan of arrangement.

On the same date of distribution, the Company relinquished control in Rackla and recorded its retained interest in Rackla at fair value, being 19.9% of the fair value of Rackla's common shares on distribution. See table below showing the continuity of the Company's interest in Rackla for the year ended December 31, 2012.

Initial fair value of investment in associate on December 8, 2011	$	1,506,897
Less: share of losses in associate		(6,250)
Balance, December 31, 2011		1,500,647
Increase in investment		215,254
Impairment on shares held in associate		(855,632)
Less: share of losses in associate		(366,950)
Balance, December 31, 2012	**$**	**493,319**

Included in the initial fair value of investment in associate is a premium of approximately $280,000 which is the excess of the value of the investment above the fair value of the Company's share of net assets distributed to Rackla.

During the year ended December 31, 2012, the Company participated in a private placement of Rackla whereby 2,690,675 units at $0.08 per unit were acquired by the Company for a total cost of $215,254. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the Company to purchase one additional common share of Rackla at $0.10 for two years. With the acquisition of the 2,690,675 common shares, the Company now has a 19.5% interest in Rackla.

For the year ended December 31, 2012, the Company determined that the decline in value of Rackla shares was other than temporary and accordingly recorded an impairment of $855,632.

The amounts relating to the associate are as follows:

	December 31, 2012	December 31, 2011
Total assets	$ 5,691,377	$ 6,136,475
Total liabilities	133,734	60,726
Net loss	1,856,402	31,396
Unrecognized share of losses arising during the year	$ 1,489,452	$ 25,146

Correction of Error in Previously Issued Consolidated Financial Statements

During the third quarter of 2012, the Company discovered an error in its previously reported consolidated financial statements as at and for the year ended December 31, 2011. The Company is required to separately disclose the impact of correction of errors, if any, in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Company has classified its marketable securities as available-for-sale financial instruments. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. During the third quarter of 2012, the Company re-assessed and determined that its investment in the shares of Focus, a public company with common directors and officers, suffered an impairment as at December 31, 2011.

As a result of this determination, and in accordance with IAS 39, the Company has reclassified the loss previously recognized in other comprehensive income from accumulated other comprehensive income to accumulated deficit. As at and for the year ended December 31, 2011, this reclassification adjustment resulted in a $465,925 increase in other comprehensive income, a $465,925 increase in loss on impairment of available-for-sale investments, a $465,925 increase in accumulated other comprehensive income, and a $465,925 increase in accumulated deficit. For the year ended December 31, 2011, the reclassification adjustment did not have an impact on operating, financing, or investing cash flow activities and there was no change in loss per share.

Changes in Accounting Policies

The following new standards and interpretations have been issued by the IASB but are 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. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.* The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

The Company has a 40% interest in a joint venture for one of its mineral properties. If the Company does not satisfactorily complete its contribution requirements to this or potentially other joint ventures, the Company's interest in a joint venture can be diluted to a point where all interest in a joint venture is forfeited.

Joint Venture Funding Risk

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

Financing and Share Price Fluctuation Risks

The Company has no source of operating cash flow and has no assurance that additional funding will be available to it when needed for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues or the value of the Company's available-for-sale investments and corresponding effect on the Company's financial position.

Political, Regulatory and Currency Risks

The Company's mineral properties are located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in Guatemalan quetzals,

Nicaraguan córdobas, Mexican pesos, and US dollars. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the Guatemalan quetzal, Nicaraguan córdoba, Mexican peso, and US dollar could have an adverse impact on the amount of exploration conducted.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company’s properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company’s results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are fairly significant in the Company’s areas of operations. Violence, kidnapping, theft and other criminal activities could disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

RADIUS GOLD INC.
Schedule of Exploration Expenditures
For the year ended December 31, 2012
(Expressed in Canadian Dollars)

	Guatemala		Nicaragua	Mexico		
	General Exploration	Mineral Concessions	General Exploration	General Exploration	Mineral Concessions	**Total**
Camp, food and supplies	$ 32,994	$ 11,068	$ -	$ -	$ -	$ 44,062
Drafting, maps and printing	25	103	919	-	-	1,047
Drilling	-	1,884	-	-	-	1,884
Exploration administration	15,639	4,493	-	742	-	20,874
Foreign Exchange	329	763	-	-	-	1,092
Environment	-	89,066	-	-	-	89,066
Geochemistry	32,008	2,255	-	1,099	-	35,362
Geological consulting	225,733	58,982	-	18,556	-	303,271
Other consulting	-	59	-	-	-	59
Legal and accounting	8,484	2,484	3,891	9,601	-	24,460
Licenses, rights and taxes	5,837	4,414	-	-	15,540	25,791
Materials	2,450	3,800	-	-	-	6,250
Maintenance	8,235	3,286	-	-	-	11,521
Miscellaneous	606	227	2,762	-	-	3,595
Medical expenses	11,992	3,972	-	-	-	15,964
Public relations	8,948	16,083	150	-	-	25,181
Rent and utilities	7,696	14,103	1,235	-	-	23,034
Salaries and wages	69,424	60,229	5,777	-	-	135,430
Shipping	1,268	329	639	-	-	2,236
Telephone and communications	6,521	2,354	1,984	646	-	11,505
Travel and accommodation	52,704	23,541	49	26,988	-	103,282
Balance - end of year	**$ 490,893**	**$ 303,495**	**$ 17,406**	**$ 57,632**	**$ 15,540**	**$ 884,966**

RADIUS GOLD INC.
Schedule of Exploration Expenditures
For the year ended December 31, 2011
(Expressed in Canadian Dollars)

	Guatemala		Nicaragua	Mexico	Yukon/Alaska		
	General Exploration	Mineral Concessions	General Exploration	Mineral Concessions	General Exploration	Mineral Concessions	**Total**
Camp, food and supplies	$ -	$ 52,695	$ 340	$ -	$ -	$ 508,983	$ 562,018
Drafting, maps and printing	-	17,955	-	-	1,390	15,468	34,813
Drilling	-	327,369	-	-	-	1,846,483	2,173,852
Exploration administration	356	15,571	864	-	428	13,564	30,783
Environment	-	29,094	-	-	-	-	29,094
Geochemistry	28	81,857	-	-	1,468	432,061	515,414
Geological consulting	33,519	317,646	5,136	-	7,333	769,614	1,133,248
Other consulting	117,725	77,965	-	-	-	-	195,690
Legal and accounting	1,297	9,636	2,589	8,864	-	-	22,386
Licenses, rights and taxes	-	4,695	2,601	5,022	-	26,287	38,605
Linecutting and trenching	-	2,066	-	-	-	66,780	68,846
Materials	-	20,858	-	-	-	21,390	42,248
Maintenance	-	18,564	355	-	-	-	18,919
Miscellaneous	178	625	271	104	246	2,315	3,739
Medical expenses	4,070	6,043	2,980	-	-	-	13,093
Public relations	-	5,724	628	-	35,000	-	41,352
Rent and utilities	-	21,635	1,218	-	-	-	22,853
Rental equipment	-	756	-	-	-	160,612	161,368
Salaries and wages	9,072	122,705	10,063	2,388	10,553	280,592	435,373
Shipping	-	1,710	498	354	-	4,048	6,610
Telephone and communications	-	11,213	1,714	768	-	13,783	27,478
Travel and accommodation	6,604	67,810	642	1,134	7,897	766,383	850,470
	172,849	1,214,192	29,899	18,634	64,315	4,928,363	6,428,252
Expenditures recovered	-	-	-	-	(13,199)	(25,000)	(38,199)
Balance - end of year	**$ 172,849**	**$ 1,214,192**	**$ 29,899**	**$ 18,634**	**$ 51,116**	**$ 4,903,363**	**$ 6,390,053**