FINANCIAL REVIEW

First Quarter Ended March 31, 2013

RADIUS GOLD INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2013

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2013. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

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

As at:	March 31, 2013	December 31, 2012
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents (Note 6)	$ 2,874,177	$ 994,367
Available-for-sale investments (Note 7)	12,338,177	16,550,166
Advances and other receivables	45,758	40,150
Taxes receivable	42,241	49,203
Due from related parties (Note 13)	25,723	116,947
Prepaid expenses and deposits (Note 13)	183,617	194,078
Total current assets	15,509,693	17,944,911
Non-current assets		
Long-term deposits	73,623	73,623
Property and equipment (Note 8)	187,375	199,606
Exploration and evaluation assets (Notes 9 and 10)	703,184	531,369
Investment in associate (Note 9)	427,319	493,319
Total non-current assets	1,391,501	1,297,917
TOTAL ASSETS	**$ 16,901,194**	**$ 19,242,828**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	$ 317,898	$ 255,301
Total liabilities	317,898	255,301
Shareholders' equity		
Share capital (Note 11)	56,592,613	56,592,613
Other equity reserve	6,636,658	6,636,658
Deficit	(45,366,569)	(44,849,250)
Accumulated other comprehensive (loss) income	(1,279,406)	607,506
Total shareholders' equity	16,583,296	18,987,527
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 16,901,194**	**$ 19,242,828**

Event after the reporting date – Note 17

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON MAY 28, 2013 BY:

"Simon Ridgway", Director
Simon Ridgway

"Ralph Rushton", Director
Ralph Rushton

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

RADIUS GOLD INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(Expressed in Canadian Dollars)

	Three months ended March 31, 2013	2012
EXPLORATION EXPENDITURES (Note 13)	$ 323,171	$ 151,386
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization	12,231	12,567
Communications (Note 13)	2,322	1,606
Consulting fees (Note 13)	25,000	25,074
Donations	-	11,660
Legal and audit fees	2,700	62,780
Management fees (Note 13)	18,000	15,000
Office and miscellaneous (Note 13)	34,649	14,207
Public relations (Note 13)	26,333	26,780
Property investigations (Note 13)	39,114	-
Rent and utilities	11,507	16,467
Repair and maintenance	1,417	2,128
Salaries and benefits (Note 13)	76,300	76,335
Transfer agent and regulatory fees (Note 13)	10,912	8,960
Travel and accommodation (Note 13)	22,092	27,172
	282,577	300,736
Loss before other income/(expenses)	(605,748)	(452,122)
OTHER INCOME (EXPENSES)		
Share of post-tax losses of associate (Note 9)	(66,000)	(24,850)
Foreign currency exchange gain (loss)	5,575	(2,062)
Gain on sale of marketable securities	77,664	-
Impairment on available-for-sale investments (Note 7)	(30,222)	-
Gain from mineral property option agreements (Note 10)	98,590	101,564
Investment income	2,822	3,287
Net loss for the period	**$ (517,319)**	**$ (374,183)**
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains (losses) on available-for-sale investments	(1,886,912)	89,770
Total comprehensive loss	**$ (2,404,231)**	**$ (284,413)**
Basic and diluted loss per share	$(0.01)	$(0.00)
Weighted average number of common shares outstanding	86,675,617	86,675,617

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

RADIUS GOLD INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
For the three months ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

	Number of common shares	**Share capital**	**Other equity reserve**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance, December 31, 2011	86,675,617	$ 56,592,613	$ 6,251,338	$ 510,374	$(53,778,607)	$ 9,575,718
Loss for the period	-	-	-	-	(374,183)	(374,183)
Available-for-sale investments	-	-	-	89,770	-	89,770
Balance, March 31, 2012	**86,675,617**	**56,592,613**	**6,251,338**	**600,144**	**(54,152,790)**	**9,291,305**
Income for the period					9,303,540	9,303,540
Available-for-sale investments	-	-	-	7,362	-	7,362
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
Loss for the period	-	-	-	-	(517,319)	(517,319)
Available-for-sale investments	-	-	-	(1,886,912)	-	(1,886,912)
Balance, March 31, 2013	**86,675,617**	**$ 56,592,613**	**$ 6,636,658**	**$ (1,279,406)**	**$(45,366,569)**	**$ 16,583,296**

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

RADIUS GOLD INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Expressed in Canadian Dollars)

	Three months ended March 31, 2013	2012
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	$ (517,319)	$ (374,183)
Items not involving cash:		
Amortization	12,231	12,567
Gain from mineral property option agreements	(98,590)	(101,564)
Impairment of available-for-sale investments	30,222	-
Gain on disposal of investments	(77,664)	-
Share of post-tax losses of associate	66,000	24,850
	(585,120)	(438,330)
Changes in non-cash working capital items:		
Advances and other receivables	(5,608)	100,001
Taxes receivable	6,962	314,369
Prepaid expenses and deposits	10,461	176,966
Due from related parties	91,224	336,313
Accounts payable and accrued liabilities	62,597	(488,723)
	(419,484)	596
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset acquisition costs	(171,815)	-
Gain from mineral property option agreements	49,295	50,782
Proceeds from sale of marketable securities and investments	2,421,814	-
Purchase of property and equipment	-	(26,095)
	2,299,294	24,687
Increase in cash and cash equivalents	1,879,810	25,283
Cash and cash equivalents, beginning of period	994,367	1,763,574
Cash and cash equivalents, end of period	**$ 2,874,177**	**$ 1,788,857**

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

1. CORPORATE INFORMATION

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

The Company is domiciled in Vancouver, Canada and is engaged in acquisition and exploration of mineral properties located primarily in Central America. The address of the Company's head office is #650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective January 1, 2013. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Measurement

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Nature of Operations

The Company has not generated revenue from operations. The Company has an accumulated deficit of $45,366,569. However, the Company has sufficient working capital to meet its obligations for at least twelve months from the end of the reporting period. 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.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION – (cont'd)

Basis of Consolidation

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

Details of the Company's principal subsidiaries at March 31, 2013 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

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 require the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The statement of comprehensive loss in these condensed interim consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's financial statements for the current or prior periods presented:

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 previous IFRS, consolidation was 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.*

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 previous IFRS, entities had 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*.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS – (cont'd)

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.

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 previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

IFRIC 20 Production Stripping Costs

IFRIC 20 Stripping Costs requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 19 *Post-Employment Benefits*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) Where the Company holds 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 condensed interim consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

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

(Expressed in Canadian Dollars)

6. CASH AND CASH EQUIVALENTS

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

7. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair value. As of March 31, 2013, available-for-sale investments consisted of 3,883,394 common shares of B2Gold Corp. ("B2Gold"), 1,007,406 common shares of Focus Ventures Ltd. ("Focus"), 34,589 common shares of Fortuna Silver Mines Inc. ("Fortuna"), and 7,175,700 warrants of Rackla Metals Inc. ("Rackla"), all of which are public companies. The Company originally received 4,815,894 B2Gold shares on August 10, 2012, pursuant to the disposal of a mineral property. 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 period ended March 31, 2013, the Company sold 677,500 shares in B2Gold for proceeds of $2,344,150.

As at March 31, 2013, the recorded amount for the available-for-sale investments was $12,338,177 (December 31, 2012: $16,550,166). An unrealized loss of $1,886,912 was recorded in other comprehensive income during the three month period ended March 31, 2013 (2012: unrealized gain of $89,770).

During the period ended March 31, 2013, the Company determined that the decline in value of Focus shares was other than temporary and accordingly recorded an impairment of $30,222. Total impairment provisions on Focus shares as at March 31, 2013 is $486,073

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

	B2Gold	Focus	Fortuna	Rackla[(1)(2)]	Total
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
Acquisition of shares	-	-	49,295	-	49,295
Disposition of investments	(2,344,150)	-	-	-	(2,344,150)
Impairment adjustment (Note 7)	-	(30,222)	-	-	(30,222)
Net change in fair value recorded in other comprehensive income	(1,892,945)	-	6,033	-	(1,886,912)
Balance, March 31, 2013	**$ 11,999,688**	**$ 151,111**	**$ 151,500**	**$ 35,878**	**$ 12,338,177**

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

(2) The Company also holds 7,175,701 free trading common shares of Rackla but they are recorded as an investment in associate (Note 9).

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Trucks	Computer equipment	Furniture and equipment	Geophysical equipment	Field equipment	Total
Cost							
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
Balance, March 31, 2013	**$ 59,004**	**$ 215,638**	**$ 248,085**	**$ 62,656**	**$ 83,594**	**$ 2,480**	**$ 671,457**
Accumulated amortization							
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
Charge for period	1,200	2,489	4,859	2,013	1,593	77	12,231
Balance, March 31, 2013	**$ 27,167**	**$ 177,914**	**$ 192,400**	**$ 31,752**	**$ 53,325**	**$ 1,524**	**$ 484,082**
Carrying amounts							
At December 31, 2012	$ 33,037	$ 40,213	$ 60,544	$ 32,917	$ 31,862	$ 1,033	$ 199,606
At March 31, 2013	**$ 31,837**	**$ 37,724**	**$ 55,685**	**$ 30,904**	**$ 30,269**	**$ 956**	**$ 187,375**

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATE

Rackla was incorporated pursuant to a plan of arrangement (the "Arrangement") with the Company completed on December 8, 2011.

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. The Arrangement 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 assets distributed to Rackla. Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements.

On the date the Arrangement was completed, 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. In 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 March 31, 2013. Given the decline in the underlying quote market price of the shares held in Rackla, an impairment charge of $855,632 was recorded in 2012.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2012 to March 31, 2013:

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
Less: share of losses in associate		(66,000)
Balance, March 31, 2013	**$**	**427,319**

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 Rackla are as follows:

		March 31, 2013		**December 31, 2012**
Total assets	$	5,333,606	$	5,691,377
Total liabilities		113,653		133,734
Net loss		337,690		1,856,402
Unrecognized share of losses arising during the period	$	271,690	$	1,856,402

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS

Acquisition costs	Guatemala	Nicaragua	Mexico	Total
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
Cash	-	-	171,815	171,815
Balance, March 31, 2013	**$ 531,369**	**$ -**	**$ 171,815**	**$ 703,184**

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

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2012. Significant exploration and evaluation asset transactions that have occurred in the three month period ended March 31, 2013 are as follows:

Mexico

i) Santa Brigida Property

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);
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.

During the period ended March 31, 2013, a total of $171,815 in acquisition costs have been recorded for the Santa Brigida property.

ii) Tlacolula Property

During the period ended March 31, 2013, the Company received from Fortuna the fourth scheduled option payment consisting of US$50,000 (CDN$49,295) cash and US$50,000 (CDN$49,295) cash equivalent in Fortuna shares. The US$50,000 cash equivalent resulted in the receipt of 11,415 Fortuna shares. A total of $98,590 was recorded as a gain from mineral property option agreements.

The Company and Fortuna have two common directors.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES

a) Common Shares

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

There was no share capital activity during the three month periods ended March 31, 2013 and 2012.

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2012 to March 31, 2013:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2011	10,240,737	$0.59
Forfeited /expired	(905,736)	$0.49
Balance, December 31, 2012	9,335,001	$0.43
Balance, March 31, 2013	**9,335,001**	**$0.43**

As at March 31, 2013, 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.

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 an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

(Expressed in Canadian Dollars)

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 three month period ended March 31, 2013:

				During the period				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
May 06, 2008	May 05, 2013	$0.26	575,000	-	-	-	575,000	575,000
Jan 08, 2010	Jan 07, 2020	$0.29	1,570,000	-	-	-	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	820,000	-	-	-	820,000	820,000
Jul 27, 2011	Jul 26, 2021	$0.81	290,000	-	-	-	290,000	290,000
Dec 13, 2012	Dec 12, 2022	$0.20	2,255,000	-	-	-	2,255,000	2,255,000
			5,610,000	**-**	**-**	**-**	**5,610,000**	**5,610,000**
		Weighted average exercise price	$0.34	-	-	-	$0.34	$0.34

b) Fair Value of Options Issued During the Period

There were no options granted during the period ended March 31, 2013.

The weighted average remaining contractual life of the options outstanding at March 31, 2013 is 7.46 years.

Options Issued to Employees

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

Options Issued to Non-Employees

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

The 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.

(Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS – (cont'd)

c) Expenses Arising from Share-based Payment Transactions

There were no expenses arising from share-based payment transactions recognized during the three month periods ended March 31, 2013 and 2012 as part of share-based compensation expense.

As of March 31, 2013 there was no amount (December 31, 2012: $Nil) of total unrecognized compensation cost related to unvested share-based compensation awards.

d) Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized during the three month periods ended March 31, 2013 and 2012 as part of exploration and evaluation asset acquisition costs.

13. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the three month period ended March 31, 2013 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
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
Medgold Resources Corp. ("Emerick") (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

In addition to related party transactions disclosed elsewhere in the condensed interim consolidated financial statements (Notes 9 and 10), the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the periods ended March 31, 2013 and 2012:

	Three months ended March 31, 2013	Three months ended March 31, 2012
Expenses:		
Salaries and benefits	$ 4,080	$ 2,976
Mineral property costs:		
Salaries and benefits	22,246	15,079
	$ 26,326	**$ 18,055**

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS – (cont'd)

During the period ended March 31, 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, $114,957 in general and administrative expenses consisting of $2,322 in communications, $9,696 in office and miscellaneous, $2,234 in public relations, $15,721 in property investigation, $74,309 in salary and benefits, $500 in transfer agent and regulatory fees and $10,175 in travel and accommodation costs. Salary and benefits costs include those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. Effective July 1, 2012, Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company. There were no transactions with Gold Group during the comparative period.

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

Prepaid expenses and deposits include an amount of $60,000 (December 31, 2012: $60,000) 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 $25,723 (December 31, 2012: $116,947) 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 $79,471 (December 31, 2012: $85,380) payable to Gold Group for shared administrative costs.

Key management compensation

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

	Three months ended March 31, 2013	2012
Management fees	$ 18,000	$ 15,000
Salaries, benefits and fees	36,500	23,418
	$ 54,500	**$ 38,418**

There were no share-based payments to key management personnel or directors not specified as key management personnel during the periods ended March 31, 2013 and 2012.

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to 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:

Period ended March 31, 2013

	Canada	Guatemala	Nicaragua	Mexico	Other	Consolidated
Exploration expenditures	$ -	$ 147,712	$ 115,328	$ 60,131	$ -	$ 323,171
Investment income	2,822	-	-	-	-	2,822
Amortization	8,884	3,222	125	-	-	12,231
Profit/(loss) before income taxes	(86,402)	(237,305)	(118,059)	(39,398)	(36,155)	(517,319)
Capital expenditures*	-	-	-	171,815	-	171,815

Period ended March 31, 2012

	Canada	Guatemala	Nicaragua	Mexico	Other	Consolidated
Exploration expenditures	$ -	$ 149,381	$ 2,005	$ -	$ -	$ 151,386
Investment income	3,287	-	-	-	-	3,287
Amortization	9,815	1,702	1,050	-	-	12,567
Profit/(loss) before income taxes	(311,081)	(143,873)	2,686	-	78,085	(374,183)
Capital expenditures*	-	26,095	-	-	-	26,095

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

As at March 31, 2013

	Canada	Guatemala	Nicaragua	Mexico	Other	Consolidated
Total current assets	$ 15,020,173	$ 92,297	$ 10,905	$ 38,368	$ 347,950	$ 15,509,693
Total non-current assets	639,044	574,336	6,306	171,815	-	1,391,501
Total assets	**$ 15,659,217**	**$ 666,633**	**$ 17,211**	**$ 210,183**	**$ 347,950**	**$ 16,901,194**
Total liabilities	**$ 306,386**	**$ 1,597**	**$ 74**	**$ 9,841**	**$ -**	**$ 317,898**

As at December 31, 2012

	Canada	Guatemala	Nicaragua	Mexico	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**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

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

General Objectives, Policies and Processes

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

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

a) Market Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at March 31, 2013, cash totalling $135,168 (December 31, 2012: $191,445) was held in US dollars, $639 (December 31, 2012: $741) in Nicaragua cordobas, $5,543 (December 31, 2012: $4,706) in Guatemala quetzals, $3,203 (December 31, 2012: $5,476) in Mexican pesos and $738 (December 31, 2012: $715) in Peruvian soles. Based on the above net exposures at March 31, 2013, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $14,500 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 Management with decisions on sale taken at Board level. A 10% decrease in fair value of the shares would approximately result in a $1,234,000 decrease in equity.

15. 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 March 31, 2013, the Company had working capital of $15.2 million (December 31, 2012: $17.7 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 and cash equivalents, 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.

16. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash and cash equivalents, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the period ended March 31, 2013. The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor 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

17. EVENT AFTER THE REPORTING DATE

Subsequent to March 31, 2013, the following events which have not been disclosed elsewhere in these consolidated financial statements have occurred:

- 575,000 stock options with an exercise price of $0.26 per share expired.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date these financial statements were authorized for issue.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
First Quarter Report – March 31, 2013

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2013. The following information, prepared as of May 28, 2013, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for three months ended March 31, 2013 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2012 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2013 financial statements have not been reviewed by the Company's auditors.

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.

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 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 dated 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 news release dated 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 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. 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. In the first quarter of 2012, B2Gold had exercised the option and earned a 60% interest in the properties. In August 2012, the Company sold the Trebol and Pavon properties to B2Gold in consideration of 4,815,894 common shares of B2Gold with a fair value at that time of $16,662,993. 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 which may in the future be outlined at Trebol (on a 100% basis). Future royalty payments from B2Gold will be recorded as revenue at such time they are virtually certain to be received.

Also in August 2012, B2Gold and the Company 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.

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 has 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 is 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).

Mexico

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 during the current period.

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 and Pozos vein systems, near the town of Mineral de Pozos, in flat-lying agricultural lands. Both vein systems are discontinuously exposed at surface over 1 km in strike length along a regional lineament, and both have been largely mined out where exposed. The vein systems disappear under recent soil and caliche cover and have seen very limited exploration where not exposed. The Company believes there is excellent potential for the extension of the mineralized systems along strike. A geophysical resistivity & induced polarization survey is currently underway on the property to explore the strike extent of the Santa Brigida and Pozos systems under the recent 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.

Quarterly Information

The following table provides information for the eight fiscal quarters ended March 31, 2013:

Quarter ended	**Mar. 31, 2013 ($)**	**Dec. 31, 2012 ($)**	**Sep. 30, 2012 ($)**	**June 30, 2012 ($)**	**Mar. 31, 2012 ($)**	**Dec. 31, 2011 ($)**	**Sep. 30, 2011 ($)**	**June 30, 2011 ($)**
Exploration expenditures	323,171	258,225	229,108	246,247	151,386	612,477	3,259,697	1,919,772
Total investment income	2,822	576	1,971	3,049	3,287	8,872	18,891	16,367
Net income (loss) before income taxes	(517,319)	(1,938,538)	11,899,804	(657,726)	(374,183)	3,228,981	(3,734,162)	(2,056,941)
Basic and diluted income (loss) per share	(0.01)	(0.03)	0.14	(0.01)	(0.00)	0.04	(0.04)	(0.02)

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 Metals Inc. ("Rackla"). For the quarter ended December 31, 2012, 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. Since December 31, 2011, exploration expenditures have been significantly reduced as the Company no longer held any Yukon properties, and until late in 2012, the Company had been awaiting a drill permit for its properties in Guatemala.

Results of Operations

The quarter ended March 31, 2013 had a net loss of $517,319 compared to a net loss of $374,183 for the quarter ended March 31, 2012, an increase of $143,136. Exploration expenditures in the current quarter totalled $323,171 compared to $151,386 in the comparative quarter, an increase of $171,785. The higher exploration expenditures are mostly due to the Company incurring its portion of joint venture expenditures on the San Jose property in Nicaragua and the addition of the Santa Brigida property in Mexico. Overall costs for both the current and comparative quarters were offset by the Tlacolula Property option payments received by the Company which resulted in a gain of $98,590 in the current quarter and $101,564 in the comparative quarter. The current quarter also recorded a gain of $77,664 on the sale of B2Gold shares which was partially offset with an impairment charge of $30,222 against the value of shares held in Focus. There were no such gains or losses recorded in the comparative quarter.

General and administrative expenses for the quarter ended March 31, 2013 were $282,577 compared to $300,736 for the quarter ended March 31, 2012, a decrease of $18,159. The most significant cost decrease was $60,080 in legal and audit fees which was mostly due to the spin-out of assets to Rackla in late 2011 and conversion to IFRS. Notable cost increases were $39,114 in property investigations and $20,442 in office and administration.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the period ended March 31, 2013 is as follows:

Guatemala – At total of $147,712 was incurred on exploration, property investigation, and administrative related costs, of which $18,337 was incurred on the Southeast Guatemala Ag-Au Epithermal Fields property.

Nicaragua - $115,328 was incurred on exploration and administrative related costs, of which $113,167 was the Company's 40% share of joint venture costs incurred on the San Jose property.

Mexico - The Company received option payments on its Tlacolula Property from Fortuna in the form of cash and shares with a combined value of $98,590. A total of $57,632 was incurred on exploration, property investigation, and miscellaneous administrative costs of which $41,242 was incurred on the Santa Brigida property. Acquisition costs totalling $171,815 were also recorded with respect to the Santa Brigida property.

Further details regarding exploration expenditures for the periods ended March 31, 2013 and 2012 are provided in the schedules at the end of this document.

Liquidity and Capital Resources

The Company's cash and cash equivalents increased from approximately $0.99 million at December 31, 2012 to $2.87 million at March 31, 2013; however, working capital decreased from $17.69 million at December 31, 2012 to $15.19 million as at March 31, 2013. The increase in cash and cash equivalents was due to the sale of 677,500 B2Gold shares for proceeds of $2.34 million during the current period. The decrease in working capital was primarily due to the current period's unrealized loss of $1.89 million on the remaining 3,883,394 B2Gold shares held by the Company. As at March 31, 2013, these B2Gold shares had a fair value of $12.0 million. 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.

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 during the current period, and 7,175,700 warrants in Rackla, all public companies with common directors or officers. As at March 31, 2013, the carrying amount for all available-for-sale investments was $12.34 million compared to $16.55 million as at December 31, 2012. As at March 31, 2013, the Company also held 9,866,376 common shares in Rackla with a fair value of $0.39 million and carrying amount of $0.49 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 2012 and although these warrants are transferable, they are not traded on the TSX-V as are the other 7,175,700 Rackla warrants held.

The Company intends to use proceeds from the sale of B2Gold shares to fund its exploration programs and general working capital requirements.

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 $45,366,569 since inception, and is expected to incur further losses in the development of its business. 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.

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. Expected lease payments due by period as at March 31, 2013 are as follows:

Less than 1 year	$	221,277
1 – 3 years		599,504
4 – 5 years		416,298
After 5 years		381,216
Total	**$**	**1,618,295**

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 and cash equivalents, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the period ended March 31, 2013. The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor 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 section describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the accompanying financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors 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 March 31, 2013, cash totalling $135,168 (December 31, 2012: $191,445) was held in US dollars, $639 (December 31, 2012: $741) in Nicaragua cordobas, $5,543 (December 31, 2012: $4,706) in Guatemala quetzals, $3,203 (December 31, 2012: $5,476) in Mexican pesos and $738 (December 31, 2012: $715) in Peruvian soles. Based on the above net exposures at March 31, 2013, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $14,500 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 Management with decisions on sale taken at Board level. A 10% decrease in fair value of the shares would approximately result in a $1,234,000 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 and cash equivalents, 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 three month period ended March 31, 2013 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
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
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 periods ended March 31, 2013 and 2012:

		Three months ended March 31,		
		2013		**2012**
Expenses:				
Salaries and benefits	$	4,080	$	2,976
Mineral property costs:				
Salaries and benefits		22,246		15,079
	$	**26,326**	**$**	**18,055**

During the period ended March 31, 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, $114,957 in general and administrative expenses consisting of $2,322 in communications, $9,696 in office and miscellaneous, $2,234 in public relations, $15,721 in property investigation, $74,309 in salary and benefits, $500 in transfer agent and regulatory fees and $10,175 in travel and accommodation costs. Salary and benefits costs include those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. Effective July 1, 2012, Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company. There were no transactions with Gold Group during the comparative period.

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

Prepaid expenses and deposits as of March 31, 2013 include an amount of $60,000 (December 31, 2012: $60,000) 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 March 31, 2013 include $17,520 (December 31, 2012: $17,520) due from Medgold, $4,538 (December 31, 2012: $25,394) due from Focus, $3,665 (December 31, 2012: $3,665) due from Western Pacific, $Nil (December 31, 2012: $35,294) due from Fortuna, $Nil (December 31, 2012: $17,539) due from Rackla, and $Nil (December 31, 2012: $17,535) due from Cordoba. 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 March 31, 2013 includes $79,471 (December 31, 2012: $85,380) payable to Gold Group for shared administrative costs.

Key management compensation

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

		Three months ended March 31,		
		2013		**2012**
Management fees	$	18,000	$	15,000
Salaries, benefits and fees		36,500		23,418
	$	**54,500**	**$**	**38,418**

There were no share-based payments to key management personnel or directors not specified as key management personnel during the periods ended March 31, 2013 and 2012.

Other Data

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

Share Position, Outstanding Warrants and Options

As at May 28, 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 Rackla spin-out transaction.

** 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
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
5,035,000		

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

a) Where the Company holds 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

Rackla was incorporated pursuant to a plan of arrangement (the "Arrangement") with the Company completed on December 8, 2011.

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. The Arrangement 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 assets distributed to Rackla. Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements.

On the date the Arrangement was completed, 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. In 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 March 31, 2013. Given the decline in the underlying quote market price of the shares held in Rackla, an impairment charge of $855,632 was recorded in 2012.

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2012 to March 31, 2013:

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
Less: share of losses in associate		(66,000)
Balance, March 31, 2013	**$**	**427,319**

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 Rackla are as follows:

		March 31, 2013		**December 31, 2012**
Total assets	$	5,333,606	$	5,691,377
Total liabilities		113,653		133,734
Net loss		337,690		1,856,402
Unrecognized share of losses arising during the period	$	271,690	$	1,489,452

Adoption of New and Amended IFRS Pronouncements

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 require the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The statement of comprehensive loss in these condensed interim consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's financial statements for the current or prior periods presented:

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 previous IFRS, consolidation was 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*.

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 previous IFRS, entities had 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*.

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.

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 previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

IFRIC 20 Production Stripping Costs

IFRIC 20 Stripping Costs requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can demonstrate that it is probable future economic benefits will be realized, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 19 *Post-Employment Benefits*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Changes in Accounting Policies

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

IFRS 9 Financial Instruments

IFRS 9 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.

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.
INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the three months ended March 31, 2013
(Expressed in Canadian Dollars)

	Guatemala		**Nicaragua**		**Mexico**		
	General Exploration	Mineral Concessions	General Exploration	Mineral Concessions	General Exploration	Mineral Concessions	**Total**
Camp, food and supplies	$ 11,644	$ 107	$ -	$ -	$ -	$ -	$ 11,751
Drafting, maps and printing	124	-	-	-	-	-	124
Exploration administration	3,714	-	-	-	15,672	-	19,386
Foreign Exchange	62	-	-	-	-	-	62
Geochemistry	3,386	-	-	-	-	-	3,386
Geological consulting	48,004	-	-	6,211	-	38,514	92,729
Legal and accounting	2,795	-	123	-	1,652	-	4,570
Licenses, rights and taxes	-	655	-	6,401	-	-	7,056
Materials	317	-	-	31,070	-	-	31,387
Maintenance	2,383	-	-	-	-	-	2,383
Miscellaneous	-	28	872	4,899	-	-	5,799
Medical expenses	3,270	-	-	-	-	-	3,270
Public relations	2,993	6,395	-	-	-	-	9,388
Rent and utilities	2,967	2,118	220	-	-	-	5,305
Salaries and wages	29,081	8,886	510	64,586	1,513	-	104,576
Shipping	298	-	-	-	-	-	298
Telephone and communications	2,622	-	436	-	52	-	3,110
Travel and accommodation	15,715	148	-	-	-	2,728	18,591
Balance, end of period	$ 129,375	$ 18,337	$ 2,161	$ 113,167	$ 18,889	$ 41,242	$ 323,171

RADIUS GOLD INC.
INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the three months ended March 31, 2012
(Expressed in Canadian Dollars)

	Guatemala		Nicaragua	
	General Exploration	Mineral Concessions	General Exploration	**Total**
Camp, food and supplies	$ 2,786	$ 8,354	$ -	$ 11,140
Drafting, maps and printing	12	61	-	72
Drilling	-	1,902	-	1,902
Exploration administration	193	1,650	82	1,925
Foreign Exchange	-	81	-	81
Environment	-	16,372	-	16,372
Geochemistry	-	2,256	-	2,256
Geological consulting	20,909	21,311	-	42,220
Other consulting	-	59	-	59
Legal and accounting	-	1,815	97	1,912
Licenses, rights and taxes	2,951	2,718	-	5,669
Materials	90	3,641	-	3,731
Maintenance	1,114	2,000	-	3,114
Miscellaneous	-	126	115	242
Medical expenses	105	1,540	-	1,645
Public relations	325	7,560	153	8,038
Rent and utilities	887	4,940	309	6,136
Salaries and wages	1,038	25,199	636	26,873
Shipping	47	88	138	273
Telephone and communications	180	1,312	425	1,917
Travel and accommodation	1,753	14,006	50	15,809
Balance, end of period	$ 32,390	$ 116,991	$ 2,005	$ 151,386