



FINANCIAL REVIEW

Fiscal Year Ended December 31, 2013



(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Expressed in Canadian Dollars)



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

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

Report of Independent Registered Public Accounting Firm

To the shareholders of Radius Gold Inc.

We have audited the accompanying consolidated financial statements of Radius Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Radius Gold Inc. and its subsidiaries as at December 31, 2013 and 2012, and its financial performance and cash flows for each of the years in the three-year period ended December 31, 2013, in accordance with International Financial Reporting Standards, as issued by the IASB.

(signed) "BDO CANADA LLP"

Chartered Accountants
Vancouver, British Columbia
April 29, 2014

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at:	December 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	\$ 1,560,788	\$ 994,367
Available-for-sale investments (Note 6)	8,687,428	16,550,166
Advances and other receivables	63,293	40,150
Taxes receivable	11,426	49,203
Due from related parties (Note 14)	33,817	116,947
Prepaid expenses and deposits (Note 14)	143,981	194,078
Total current assets	10,500,733	17,944,911
Non-current assets		
Long-term deposits	134,623	73,623
Property and equipment (Note 7)	153,102	199,606
Exploration and evaluation assets (Notes 8 and 9)	531,369	531,369
Investment in associate (Note 8)	1	493,319
Total non-current assets	819,095	1,297,917
TOTAL ASSETS	\$ 11,319,828	\$ 19,242,828
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	\$ 103,059	\$ 255,301
Total liabilities	103,059	255,301
Shareholders' equity		
Share capital (Note 11)	56,592,613	56,592,613
Other equity reserve	6,636,658	6,636,658
Deficit	(53,137,013)	(44,849,250)
Accumulated other comprehensive income	1,124,511	607,506
Total shareholders' equity	11,216,769	18,987,527
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 11,319,828	\$ 19,242,828

Events after the reporting date – Note 19

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON APRIL 29, 2014 BY:

“Simon Ridgway”, Director
Simon Ridgway

“Ralph Rushton”, Director
Ralph Rushton

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

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2013, 2012 and 2011

(Expressed in Canadian Dollars)

	2013	2012	2011
EXPLORATION EXPENDITURES	\$ 1,039,309	\$ 884,966	\$ 6,390,053
GENERAL AND ADMINISTRATIVE EXPENSES			
Amortization	47,738	53,865	58,334
Communications (Note 14)	8,616	9,834	18,798
Consulting fees (Note 14)	28,000	127,826	114,544
Donations	-	11,973	1,593
Legal and audit fees	99,698	186,062	132,763
Management fees (Note 14)	79,500	141,000	60,000
Office and miscellaneous (Note 14)	75,729	43,182	62,186
Property investigations (Note 14)	101,009	19,685	-
Public relations (Note 14)	34,792	68,301	124,662
Rent and utilities (Note 14)	50,321	58,356	25,714
Repair and maintenance (Note 14)	9,209	29,450	27,802
Salaries and benefits (Note 14)	248,635	264,951	216,435
Share-based compensation (Notes 12 and 14)	-	385,320	306,915
Transfer agent and regulatory fees (Note 14)	18,302	17,192	25,659
Travel and accommodation (Note 14)	42,507	81,621	67,058
	844,056	1,498,618	1,242,463
Loss before other income/(expenses)	(1,883,365)	(2,383,584)	(7,632,516)
OTHER INCOME (EXPENSES)			
Share of post-tax losses of associate (Note 8)	(493,318)	(366,950)	(6,250)
Impairment on shares held in associate (Note 8)	-	(855,632)	-
Gain on distribution (Note 8)	-	-	4,807,443
Plan of arrangement costs (Note 8)	-	-	(289,313)
Foreign currency exchange gain (loss)	4,007	(13,062)	15,134
Gain on sale of properties (Note 9)	-	16,278,410	-
Loss on disposal of property (Note 9)	-	(3,823,118)	-
Gain (loss) on disposal of property and equipment	-	(41,780)	2,886
Gain on sale of marketable securities	81,217	46,065	-
Impairment on available-for-sale investment (Notes 6 and 18)	(5,934,443)	(20,148)	(465,925)
Gain from mineral property option agreements	98,590	101,564	157,088
Investment income	22,141	8,883	61,397
Write off of exploration and evaluation costs (Note 9)	(171,815)	-	-
Write off of receivables (Note 9)	(10,777)	(1,291)	-
Income (loss) before income taxes	(8,287,763)	8,929,357	(3,350,056)
Deferred income tax recovery (Note 13)	-	-	716,754
Net income (loss) for the year	\$ (8,287,763)	\$ 8,929,357	\$ (2,633,302)
Other comprehensive income			
Fair value gains on available-for-sale investments (Note 6)	517,005	97,132	631,891
Total comprehensive income (loss)	\$ (7,770,758)	\$ 9,026,489	\$ (2,001,411)
Basic and diluted earnings (loss) per share (Note 3)	\$(0.10)	\$0.10	\$(0.03)
Weighted average number of common shares outstanding	86,675,617	86,675,617	83,231,679

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

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2013, 2012 and 2011

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2010	79,727,539	\$ 52,631,209	\$ 5,966,627	\$ (121,517)	\$ (45,078,001)	\$ 13,398,318
Loss for the year	-	-	-	-	(2,633,302)	(2,633,302)
Shares issued for private placements	6,100,000	3,660,000	-	-	-	3,660,000
Shares issued for finders' fees	199,250	119,550	-	-	-	119,550
Shares issued for property acquisition	159,512	119,700	-	-	-	119,700
Options exercised	105,000	37,250	-	-	-	37,250
Warrants exercised	384,316	195,448	-	-	-	195,448
Transfer of other equity reserve on exercise of options	-	33,213	(33,213)	-	-	-
Transfer of other equity reserve on exercise of warrants	-	22,252	(22,252)	-	-	-
Share issuance costs	-	(226,009)	33,261	-	-	(192,748)
Available-for-sale investments	-	-	-	631,891	-	631,891
Fair value of distributed assets	-	-	-	-	(6,067,304)	(6,067,304)
Share-based compensation	-	-	306,915	-	-	306,915
Balance, December 31, 2011	86,675,617	56,592,613	6,251,338	510,374	(53,778,607)	9,575,718
Income for the year	-	-	-	-	8,929,357	8,929,357
Available-for-sale investments	-	-	-	97,132	-	97,132
Share-based compensation	-	-	385,320	-	-	385,320
Balance, December 31, 2012	86,675,617	56,592,613	6,636,658	607,506	(44,849,250)	18,987,527
Loss for the year	-	-	-	-	(8,287,763)	(8,287,763)
Available-for-sale investments	-	-	-	517,005	-	517,005
Balance, December 31, 2013	86,675,617	\$ 56,592,613	\$ 6,636,658	\$ 1,124,511	\$ (53,137,013)	\$ 11,216,769

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

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013, 2012 and 2011

(Expressed in Canadian Dollars)

	2013	2012	2011
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net income (loss) for the year	\$ (8,287,763)	\$ 8,929,357	\$ (2,633,302)
Items not involving cash:			
Amortization	47,738	53,865	58,334
Gain from mineral property option agreements	(98,590)	(101,564)	(157,088)
Gain on sale of exploration and evaluation asset (Note 9)	-	(16,278,410)	-
Loss from disposal of exploration and evaluation asset (Note 9)	-	3,823,118	-
Loss (gain) from disposal of property and equipment	-	41,780	(2,886)
Write off of exploration and evaluation assets	171,815	-	-
Write off of receivables	10,777	1,291	-
Investment income	(22,141)	(8,883)	(61,397)
Impairment of available-for-sale investments (Notes 6 and 18)	5,934,443	20,148	465,925
Impairment of shares held in associate	-	855,632	-
Gain on sale of marketable securities	(81,217)	(46,065)	-
Gain on distribution	-	-	(4,807,443)
Share of post-tax losses of associate	493,318	366,950	6,250
Deferred income tax recovery	-	-	(716,754)
Share-based compensation	-	385,320	306,915
	(1,831,620)	(1,957,461)	(7,541,446)
Changes in non-cash working capital items:			
Advances and other receivables	(33,920)	295,770	(463,329)
Taxes receivable	37,777	312,494	(266,193)
Prepaid expenses and deposits	(10,903)	155,755	(204,685)
Long-term deposits	-	(3,198)	(46,544)
Due from related parties	83,130	424,942	(365,381)
Accounts payable and accrued liabilities	(152,242)	(520,138)	227,461
	(1,907,778)	(1,291,836)	(8,660,117)
FINANCING ACTIVITIES			
Costs of issue of shares	-	-	(73,198)
Proceeds on issuance of common shares	-	-	3,892,698
	-	-	3,819,500
INVESTING ACTIVITIES			
Cash distributed on distribution of Rackla Metal shares	-	-	(1,000,000)
Investment in associate (Note 8)	-	(215,254)	-
Expenditures on exploration and evaluation asset acquisition costs	(171,815)	-	(191,919)
Investment income	22,141	8,883	61,397
Proceeds from mineral property option agreements	49,295	50,782	106,206
Proceeds from disposal of mineral property (Note 9)	-	98,750	-
Expenses incurred on sale of mineral property rights (Note 9)	-	(304,746)	-
Proceeds from sale of marketable securities and investments (Note 6)	2,575,812	928,365	1,412
Proceeds from sale of property and equipment	-	4,078	24,477
Purchase of property and equipment (Note 7)	(1,234)	(48,229)	(113,599)
	2,474,199	522,629	(1,112,026)
Foreign exchange on opening cash and cash equivalents	-	-	870
Increase/(decrease) in cash and cash equivalents	566,421	(769,207)	(5,951,773)
Cash and cash equivalents - beginning of year	994,367	1,763,574	7,715,347
Cash and cash equivalents - end of year	\$ 1,560,788	\$ 994,367	\$ 1,763,574

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

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

The Company is domiciled in Vancouver, Canada and is engaged in acquisition and exploration of mineral properties 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of Measurement

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

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

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

Nature of Operations

At December 31, 2013, the Company had no revenue producing operations and had accumulated losses of \$53,137,013 since inception. However, the Company has sufficient cash resources and a working capital surplus of \$10.4 million to meet its obligations for at least the next twelve months from the end of the reporting year. 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.

These financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

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

Details of the Company's principal subsidiaries at December 31, 2013 are as follows:

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

b) Investment in Associates

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

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

c) Foreign Currency Translation

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

d) Cash and Cash Equivalents

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

e) Mineral Exploration and Evaluation Expenditures

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, at the earlier of the date the counterparty's performance is complete or the share issuance date. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. On transfer to development properties, capitalized exploration and evaluation assets are assessed for impairment.

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

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

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

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals would be when the actual environmental disturbance occurs.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

f) Property, Equipment and Amortization

Recognition and Measurement

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

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

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

Subsequent Costs

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

Major Maintenance and Repairs

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

Gains and Losses

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

Amortization

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

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

g) Earnings / Loss per Share

Basic income/(loss) per share is calculated by dividing the net income/(loss) available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of an entity.

For the years ended December 31, 2013, 2012 and 2011, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 4,915,000 (2012: 14,945,001; 2011: 15,945,737) were not included in the computation of earnings/(loss) per share, because their effect was anti-dilutive (2012: were out of the money; 2011: their effect was anti-dilutive). As such, basic and diluted earnings and losses per share are the same for the periods presented.

h) Income Taxes

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

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

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

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

i) Share Capital

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

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

j) Share-based Payments

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

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

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

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

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

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

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

k) Provisions

Rehabilitation Provision

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

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

The company has determined that there are no rehabilitation provisions as at December 31, 2013 and 2012.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

k) Provisions – (cont'd)

Other Provisions

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

l) Impairment of Non-Financial Assets

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

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

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

m) Financial Instruments

Financial Assets

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

Loans and Receivables

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

m) Financial Instruments – (cont'd)

Available-For-Sale Investments

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

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

Impairment of Financial Assets

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

Financial Liabilities

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

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

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

Cash and cash equivalent	Loans and receivables
Investments in publicly-listed companies	Available-for-sale financial assets
Advances and other receivables	Loans and receivables
Amounts due from related parties	Loans and receivables
Deposits	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

n) Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2013, the Company adopted the following new and revised International Financial Reporting Standards (“IFRS”) that were issued by the International Accounting Standards Board (“IASB”).

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 only item in accumulated other comprehensive income relates to fair value adjustments on available-for-sale investments. The statement of comprehensive income/loss in these consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

IFRS 7 Financial Statements: Disclosures

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

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. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

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. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

o) Standards, Amendments and Interpretations Not Yet Effective

The following new standards have been issued by the IASB but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

IAS 24 Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRIC 21 Levies

The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“Obligating Event”). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss 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.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – (cont'd)

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

- a) Where the Company holds less than 20% of the voting rights in an investment but the Company has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Rackla Metals Inc;
- b) The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period;
- c) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects; and
- d) 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.
- b) Option pricing models require the input of highly subjective assumptions, including the expected price volatility and options expected life. 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

5. CASH AND CASH EQUIVALENTS

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

6. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair value. As of December 31, 2013, available-for-sale investments consisted of 3,883,394 common shares of B2Gold Corp. ("B2Gold") and 1,007,406 common shares of Focus Ventures Ltd. ("Focus"), both 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 year ended December 31, 2013, the Company sold 677,500 shares in B2Gold for proceeds of \$2,421,814. Subsequent to December 31, 2013, the Company sold an additional 1,057,000 B2Gold shares B2Gold for proceeds of \$3,350,858. During the year ended December 31, 2013, the Company sold its holding of 34,589 common shares of Fortuna Silver Mines Inc. ("Fortuna") for proceeds of \$153,998.

As at December 31, 2013, the recorded amount for the available-for-sale investments was \$8,687,428 (December 31, 2012: \$16,550,166). An unrealized gain, net of tax, of \$517,005 was recorded in other comprehensive income/loss during the year ended December 31, 2013 (2012: \$97,132; 2011: \$631,891, net of tax of \$79,000).

During the year ended December 31, 2013, the Company determined that the decline in value of the Focus shares was prolonged and, accordingly, recorded an impairment of \$70,518. Total impairment provisions on Focus shares as at December 31, 2013 is \$556,591. During the year ended December 31, 2013, the Company determined that the decline in value of B2Gold shares was both significant and prolonged and, accordingly, recorded an impairment of \$5,863,925. Total impairment provisions on B2Gold shares as at December 31, 2013 is \$5,863,925.

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

	B2Gold	Focus	Fortuna	Rackla ⁽¹⁾⁽²⁾	Cordoba ⁽³⁾	Solomon Resources Limited	Portfolio Investments	Total
Balance, December 31, 2010	\$ -	\$ 523,851	\$ 37,346	\$ -	\$ 300,000	\$ 132,000	\$ 1,412	\$ 994,609
Acquisition of shares	-	-	29,794	-	-	22,500	-	52,294
Transferred on distribution of assets (Note 8)	-	-	-	-	(600,000)	(48,750)	-	(648,750)
Disposition of shares	-	-	-	-	-	-	(1,412)	(1,412)
Impairment adjustment	-	(465,925)	-	-	-	-	-	(465,925)
Net change in fair value recorded in other comprehensive income	-	143,555	14,301	358,785	300,000	(105,750)	-	710,891
Balance, December 31, 2011	-	201,481	81,441	358,785	-	-	-	641,707
Acquisition of shares	16,662,993	-	50,782	-	-	-	-	16,713,775
Disposition of shares	(882,300)	-	-	-	-	-	-	(882,300)
Impairment adjustment	-	(20,148)	-	-	-	-	-	(20,148)
Net change in fair value recorded in other comprehensive income	456,090	-	(36,051)	(322,907)	-	-	-	97,132
Balance, December 31, 2012	16,236,783	181,333	96,172	35,878	-	-	-	16,550,166
Acquisition of shares	-	-	49,295	-	-	-	-	49,295
Disposition of shares	(2,344,150)	-	(150,445)	-	-	-	-	(2,494,595)
Impairment adjustment (Note 6)	(5,863,925)	(70,518)	-	-	-	-	-	(5,934,443)
Net change in fair value recorded in other comprehensive income	437,091	110,814	4,978	(35,878)	-	-	-	517,005
Balance, December 31, 2013	\$ 8,465,799	\$ 221,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,687,428

(1) The Company's holding of 7,175,700 tradable Rackla Metals Inc. ("Rackla") warrants expired during the year ended December 31, 2013.

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

7. 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
Additions	-	-	1,234	-	-	-	1,234
Balance, December 31, 2013	\$ 59,004	\$ 215,638	\$ 249,319	\$ 62,656	\$ 83,594	\$ 2,480	\$ 672,691
Accumulated amortization							
Balance, December 31, 2011	\$ 21,647	\$ 189,018	\$ 163,078	\$ 23,017	\$ 43,766	\$ 1,004	\$ 441,530
Charge for year	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 year	4,800	10,157	19,163	6,936	6,372	310	47,738
Balance, December 31, 2013	\$ 30,767	\$ 185,582	\$ 206,704	\$ 36,675	\$ 58,104	\$ 1,757	\$ 519,589
Net carrying amounts							
At December 31, 2012	\$ 33,037	\$ 40,213	\$ 60,544	\$ 32,917	\$ 31,862	\$ 1,033	\$ 199,606
At December 31, 2013	\$ 28,237	\$ 30,056	\$ 42,615	\$ 25,981	\$ 25,490	\$ 723	\$ 153,102

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

8. INVESTMENT IN ASSOCIATE

Spin-out transaction

Rackla was incorporated pursuant to a plan of arrangement (the “Arrangement”) with the Company completed on December 8, 2011. As part of the Arrangement, a 100% interest in the Company’s Yukon properties were transferred to Rackla, together with \$1.0 million in cash, and available-for-sale investments consisting of 750,000 common shares of Solomon Resources Limited (“Solomon”) and 600,000 common shares of Cordoba.

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. The major assets distributed to Rackla on December 8, 2011, which gave rise to a gain on distribution of \$4,807,443 are as follows:

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

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

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

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

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

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

8. INVESTMENT IN ASSOCIATE – (cont'd)

On the date the Arrangement was completed, the Company relinquished control of 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 December 31, 2013. Given the decline in the underlying quoted 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 December 8, 2011 to December 31, 2013:

Initial fair value of investment in associate on December 8, 2011	\$	1,506,897
Less: share of losses in associate		(6,250)
Balance, December 31, 2011		1,500,647
Increase in investment		215,254
Impairment on shares held in associate		(855,632)
Less: share of losses in associate		(366,950)
Balance, December 31, 2012		493,319
Less: share of losses in associate		(493,318)
Balance, December 31, 2013	\$	1

Since the Company's share of losses in Rackla exceeds its interest, the Company has discontinued recognizing its share of further losses. The cumulative unrecognized share of losses for the associate is \$361,182.

The financial statement balances of Rackla are as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
Total assets	\$ 1,221,037	\$ 5,691,377	\$ 6,136,475
Total liabilities	36,543	133,734	60,726
Net loss	4,373,259	1,856,402	31,396

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

9. 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
Acquisition costs - cash	-	-	171,815	171,815
Write-off of acquisition costs	-	-	(171,815)	(171,815)
Balance, December 31, 2013	\$ 531,369	\$ -	\$ -	\$ 531,369

Mexico

i) Tlacolula Property

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

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

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

The Company and Fortuna have two common directors.

ii) Santa Brigida Property

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 had to complete the following:

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

During the year ended December 31, 2013, a total of \$171,815 in acquisition costs had been recorded for the Santa Brigida property. During the year ended December 31, 2013, management decided to terminate the Company's option on the property and as a result, wrote-off the acquisition costs of \$171,815.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

Guatemala

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

The Company's 100% owned land holdings in southeast Guatemala as at December 31, 2013 consist of 34 concessions (three exploitation applications, 30 exploration applications, and one reconnaissance application) filed with the Guatemala Ministry of Energy and Mines covering a total of 230,489 hectares. The three exploitation applications were filed in order to convert one previously granted exploration licence to exploitation; until the exploitation licences are granted, the granted exploration licence remains in place.

ii) Sale of Tambor Project

In June 2008, the Company granted to Kappes, Cassidy & Associates ("KCA") the option to earn a 51% interest in the Tambor gold project.

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

A loss on the disposal of the property totaling \$3,823,118, net of costs, has been charged to the consolidated statement of comprehensive income/loss for the year ended December 31, 2012 as follows:

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

Due to the uncertainty of receiving future production payments from KCA, the Company wrote-off a receivable balance of \$10,777 (2012: \$429,728; 2011: \$Nil) and has not recognized a contingent gain on potential royalty payments. Future payments from KCA, whether as a royalty or repayment of the outstanding receivable balance, will be recorded as revenue at such time they are virtually certain to be received, which was the position as at December 31, 2013. As of December 31, 2013, future payments from KCA remain uncertain.

iii) Geothermal Permits

In 2010, the Company submitted applications for provisional use permits for a number of geothermal systems in Guatemala. As of December 31, 2013 all applications have expired.

iv) Regional Exploration

During 2013, 2012 and 2011, the Company conducted property investigation work on other prospective properties.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

Nicaragua

i) Sale to B2Gold

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

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

During the year ended December 31, 2012, the Company recorded a gain on the sale to B2Gold of \$16,278,410, net of costs, as follows:

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

ii) Joint Venture Properties

As of the completion of the property sale described above, B2Gold and the Company entered into a joint venture agreement with respect to each of the Company's San Jose and B2Gold's La Magnolia properties in Nicaragua to jointly explore the properties with B2Gold and the Company owning 60% and 40%, respectively, of the rights and obligations of each joint venture. As of December 31, 2013, there have been no expenditures accrued or paid by the Company relating to this joint venture.

Canada (Properties distributed to Rackla- Note 8)

Pursuant to the Arrangement, on December 8, 2011, the Company assigned to Rackla all of its rights and obligations relating to its previously held Yukon and Alaska properties. During the year ended December 31, 2012, total exploration and evaluation asset acquisition costs were reduced by \$1,118,008 and were recorded as a distribution to Rackla.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

10. COMMITMENT

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

2014	\$	298,506
2015		300,998
2016		225,690
2017		190,608
2018		190,608
2019		190,608
	\$	1,397,018

For the year ended December 31, 2013, the Company received a total of \$247,294 (2012: \$235,454; 2011: \$184,675) from those companies it rents space to.

11. SHARE CAPITAL AND RESERVES

a) Common Shares

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

Fiscal 2013 and 2012

There was no share capital activity during the years ended December 31, 2013 and 2012.

Fiscal 2011

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

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

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2011 to December 31, 2013:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2010	7,689,696	\$0.51
Expired	(500,766)	\$0.55
Issued	3,436,123	\$0.75
Exercised ⁽¹⁾	(384,316)	\$0.51
Balance, December 31, 2011	10,240,737	\$0.59
Expired	(905,736)	\$0.49
Balance, December 31, 2012	9,335,001	\$0.43
Expired	(9,335,001)	\$0.43
Balance, December 31, 2013	-	-

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

As at December 31, 2013, no share purchase warrants were outstanding.

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. The value of stock option and share purchase warrants that are forfeited or expire unexercised is not removed from other equity reserve.

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(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 year ended December 31, 2013:

Grant date	Expiry date	Exercise price	Opening balance	During the year			Closing balance	Vested and exercisable
				Granted	Exercised	Forfeited / expired		
May 06, 2008	May 05, 2013	\$0.26	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	-	-	(120,000)	2,135,000	2,135,000
			5,610,000	-	-	(695,000)	4,915,000	4,915,000
		Weighted average exercise price	\$0.34	-	-	\$0.25	\$0.35	\$0.35

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

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS – (cont'd)

a) Option Plan Details – (cont'd)

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

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

There were no options exercised during the years ended December 31, 2013 and 2012. The average share price at the time the options were exercised during the year ended December 31, 2011 was \$0.80.

b) Fair Value of Options Issued During the Year

There were no options granted during the year ended December 31, 2013. The weighted average fair value at grant date of options granted during the years ended December 31, 2012 and 2011 was \$0.17 per option and \$0.67 per option respectively.

The weighted average remaining contractual life of the options outstanding at December 31, 2013 is 7.51 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.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS – (cont'd)**b) Fair Value of Options Issued During the Year – (cont'd)**

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

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
12/13/12	12/12/22	\$0.20	\$0.20	1.80%	10 years	89%	0%
07/27/11	07/26/21	\$0.81	\$0.81	2.88%	10 years	90%	0%
07/04/11	07/03/21	\$0.55	\$0.60	3.08%	10 years	89%	0%

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.

c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense were \$Nil (2012: \$385,320; 2011: \$306,915).

As of December 31, 2013, 2012, and 2011 there was no amount of total unrecognized compensation cost related to unvested share-based compensation awards.

d) Amounts Capitalized Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions that were capitalized during the year as part of exploration and evaluation asset acquisition costs were \$Nil (2012: \$Nil; 2011: \$119,700).

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

13. INCOME TAXES

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

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

	December 31, 2013	December 31, 2012	December 31, 2011
Income (loss) before income taxes	\$ (8,287,763)	\$ 8,929,357	\$ (3,350,056)
Tax charge/(recovery) based on the statutory rate of 25.75% (2012: 25%; 2011: 26.5%)	(2,134,000)	2,232,000	(888,000)
Non-deductible expenses	277,000	190,000	(1,095,000)
Different tax rates in other jurisdictions	91,000	(3,172,000)	298,000
Non-taxable portion of capital gains	892,000	150,000	(555,000)
Reduction in statutory rate	(82,000)	-	-
Flow-through shares renunciation	-	-	449,000
Spin out impact	-	-	1,250,000
Initial recognition exemption and other	8,000	197,000	(67,000)
Changes in unrecognized deferred tax assets	948,000	403,000	(108,000)
Total income tax expense / (recovery)	\$ -	\$ -	\$ (716,000)

Effective April 1, 2013, the Canadian Federal corporate tax rate remained at 15% and the British Columbia provincial tax rate increased from 10% to 11%.

The tax rate of 0.0% represents the federal statutory rate applicable for the 2013 taxation year for the Cayman Islands, 30.0% for Mexico, 5.0% for Guatemala and 30.0% for Nicaragua.

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

	December 31, 2013	December 31, 2012
Loss carry forwards	\$ 1,066,000	\$ 907,000
Property and equipment	119,000	105,000
Mineral properties	604,000	571,000
Available-for-sale investments	705,000	-
Other deductible temporary differences	167,000	130,000
Unrecognized tax assets	(2,661,000)	(1,713,000)
	\$ -	\$ -

As at December 31, 2013, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years.

Non-capital Canadian tax losses expiring as follows:

Year of expiry	Taxable losses
2026	\$ 108,000
2027	\$ 1,009,000
2028	\$ 653,000
2030	\$ 832,000
2032	\$ 1,091,000
2033	\$ 432,000
Total	\$ 4,125,000

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the year ended December 31, 2013 consist of directors, officers and companies with common directors as follows:

<u>Related Party</u>	<u>Nature of Transactions</u>
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

In addition to related party transactions disclosed elsewhere in the consolidated financial statements (Note 8 and 9), the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the years ended December 31, 2013, 2012, and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses:			
Consulting	\$ -	\$ -	\$ 10,000
Salaries and benefits	15,969	34,488	23,014
Mineral property costs:			
Salaries and benefits	42,354	76,979	62,650
	<u>\$ 58,323</u>	<u>\$ 111,467</u>	<u>\$ 95,664</u>

Effective July 1, 2012, the Company reimburses Gold Group, a company controlled by the Chief Executive Officer of the Company, for shared administrative costs and other business related expenses paid by Gold Group on behalf of the Company. During the years ended December 31, 2013 and 2012, the Company reimbursed Gold Group the following:

	<u>2013</u>	<u>2012</u>
General and administrative expenses:		
Communications	\$ 8,552	\$ 5,690
Consulting fees	3,000	-
Office and miscellaneous	37,753	12,987
Property investigations	31,260	-
Public relations	3,963	4,048
Repair and maintenance	-	11,151
Salaries and benefits	246,469	10,707
Transfer agent and regulatory fees	3,110	-
Travel and accommodation	17,304	18,949
	<u>\$ 351,411</u>	<u>\$ 63,532</u>
Exploration expenditures	<u>\$ 59,333</u>	<u>\$ -</u>

There were no transactions with Gold Group for the year ended December 31, 2011.

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS – (cont'd)

Long-term deposits include an amount of \$60,000 (December 31, 2012: Prepaid expenses and deposits: \$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 \$33,817 (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 \$31,369 payable to Gold Group for shared administrative costs (December 31, 2012: \$85,380) and \$7,500 to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees (December 31, 2012: \$Nil).

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:

	2013	2012	2011
Management fees	\$ 79,500	\$ 141,000	\$ 60,000
Salaries, benefits and fees	119,743	105,429	71,141
Share-based payments	-	92,271	-
	<u>\$ 199,243</u>	<u>\$ 338,700</u>	<u>\$ 131,141</u>

Total share-based payments to directors not specified as key management personnel during the year ended December 31, 2013 was \$Nil (2012: \$81,165; 2011: \$105,128).

15. SEGMENTED INFORMATION

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

Year ended December 31, 2013	Canada	Guatemala	Nicaragua	Mexico	Other	Consolidated
Exploration expenditures	\$ -	\$ 478,760	\$ 30,081	\$ 530,468	\$ -	\$ 1,039,309
Exploration and evaluation assets written off	-	-	-	171,815	-	171,815
Investment income	22,141	-	-	-	-	22,141
Amortization	34,298	12,758	682	-	-	47,738
Loss before income taxes	(6,901,127)	(641,786)	(35,519)	(681,204)	(28,127)	(8,287,763)
Capital expenditures*	-	1,234	-	171,815	-	173,049

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

15. SEGMENTED INFORMATION – (cont'd)

Year ended December 31, 2012	Canada	Guatemala	Nicaragua	Other	Consolidated
Exploration expenditures	\$ -	\$ 794,388	\$ 17,406	\$ 73,172	\$ 884,966
Interest income	8,883	-	-	-	8,883
Amortization	41,125	10,964	1,776	-	53,865
Profit/(loss) before income taxes	(2,779,050)	(4,442,082)	(450,324)	16,600,813	8,929,357
Capital expenditures*	19,670	28,559	-	-	48,229

Year ended December 31, 2011	Canada	Guatemala	Nicaragua	Other	Consolidated
Exploration expenditures	\$ 4,954,479	\$ 1,387,041	\$ 29,899	\$ 18,634	\$ 6,390,053
Exploration and evaluation assets Distributed (Note 8)	1,118,008	-	-	-	1,118,008
Interest income	61,397	-	-	-	61,397
Amortization	44,119	5,304	6,803	2,108	58,334
Loss before income taxes	(1,491,668)	(1,423,545)	(33,034)	(401,809)	(3,350,056)
Capital expenditures*	471,788	29,748	-	-	501,536

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

As at December 31, 2013	Canada	Guatemala	Nicaragua	Mexico	Other	Consolidated
Total current assets	\$10,116,791	\$ 53,207	\$ 9,968	\$ 32,223	\$ 288,544	\$ 10,500,733
Total non-current assets	248,029	566,034	5,032	-	-	819,095
Total assets	\$10,364,820	\$ 619,241	\$ 15,000	\$ 32,223	\$ 288,544	\$ 11,319,828
Total liabilities	\$ 93,762	\$ 1,529	\$ 2,178	\$ 5,586	\$ 4	\$ 103,059

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

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

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

General Objectives, Policies and Processes

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

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

a) Market Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2013, cash totalling \$68,059 (December 31, 2012: \$191,445) was held in US dollars, \$694 (December 31, 2012: \$741) in Nicaragua Cordoba, \$4,213 (December 31, 2012: \$4,706) in Guatemala Quetzal, \$690 (December 31, 2012: \$5,476) in Mexican Pesos and \$709 (December 31, 2012: \$715) in Peruvian Sols. Based on the above net exposures at December 31, 2013, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$7,400 increase or decrease in the Company's after tax net earnings.

Interest Rate Risk

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

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The available-for-sale investments held in B2Gold and Focus are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would approximately result in an \$869,000 decrease in equity.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

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

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2013, the Company had working capital of \$10.4 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, 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 and Focus are based on quoted prices and are therefore considered to be Level 1.

There were no transfers between Levels in the year.

Radius Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

(Expressed in Canadian Dollars)

17. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2013. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements and do not have exposure to asset-backed commercial paper or similar products. The Company expects its current capital resources to be sufficient to carry out its planned exploration programs and operating costs for the next twelve months.

18. CHANGE IN PRESENTATION

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

19. EVENTS AFTER THE REPORTING DATE

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

- The Company entered into a strategic alliance agreement with Medgold whereby the Company will have the right to option one of Medgold's properties in Portugal. As well, the Company agreed to participate in a private placement in Medgold that closed subsequent to the year end in the amount of \$500,000. For a period of eighteen months, the Company may select one of the Medgold's Portuguese properties in which the Company will be granted the option to earn a 51% interest by spending \$3,000,000 on exploration and development of that property. Upon exercise of the option, a joint venture will be formed between Medgold and the Company to further develop the property.



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS
Year End Report – December 31, 2013

General

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2013. The following information, prepared as of April 29, 2014, should be read in conjunction with the December 31, 2013 consolidated financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars unless otherwise indicated.

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

Forward Looking Information

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

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

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

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

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

Business of the Company

The Company has been exploring for gold in Latin America for over a decade, with more recent focus in Central America which has resulted in the discovery of several new gold deposits. Following the sale of its Trebol and El Pavon projects in Nicaragua to B2Gold Corp. (“B2Gold”), the Company has a strong treasury of over 2.8 million common shares of B2Gold, and management is reviewing exploration projects and/or distressed junior companies that may be available for acquisition or joint venture with the aim of expanding the geographic and commodity focus of the Company.

An update on the Company’s properties is provided below:

Mexico

Santa Brígida

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

An IP-resistivity survey was designed and completed over the southeastern strike extension of the Santa Brígida and Pozos vein systems, to explore for Ag-Au mineralization under soil and caliche cover. The survey defined a number of resistivity and IP targets which were interpreted as possible manifestations of quartz vein under cover. A first phase, 8-hole drill program was designed to test the highest priority geophysical targets. After a review of the results of the first three diamond drill holes (totaling 656 linear metres), in which no significant previous metal concentrations were intersected, the Company ceased drilling operations and has dropped its purchase option on the property.

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 kilometres east-southeast of the city of Oaxaca and 30 kilometres 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 1,500 metres, 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 1,500 metre drill program. Fortuna has not yet received a drill permit. 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 in early 2013.

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 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 August 2012, the Company sold its 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. In 2013, an agreement was reached whereby the Company will sell to B2Gold its 40% interest in the San Jose and La Magnolia properties in consideration of a 2% NSR royalty on each property. B2Gold will have the right to purchase one-half of each royalty for US\$1,000,000. This agreement has not yet been formalized.

Guatemala

As a result of continued uncertainty surrounding the granting of both exploration and exploitation concessions in Guatemala, and a general increase in the level of anti-mining activism in many parts of the country, the Company ceased its ongoing exploration activities in the country in the third quarter of 2013 though care and maintenance of the properties continue. Management will reassess the Company's plans for this country on a regular basis and exploration activities may be ramped back up if the mining investment climate improves.

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.

Selected Annual Information

The following table sets forth selected annual financial information of the Company for, and as at, the end of each of the last three financial years ending December 31, 2013, 2012, and 2011:

	2013 (\$)	2012 (\$)	2011 (\$)
Total investment and other income	22,141	8,883	61,397
Exploration expenditures	1,039,309	884,966	6,390,053
Income (loss) before income taxes			
Total	(8,287,763)	8,929,357	(3,350,056)
Basic & fully diluted per share	(0.10)	0.10	(0.04)
Net income (loss) for the year			
Total	(8,287,763)	8,929,357	(2,633,302)
Basic & fully diluted per share	(0.10)	0.10	(0.03)
Total assets	11,319,828	19,242,828	10,351,157
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

Exploration expenditures were significantly higher for the year ended December 31, 2011 as the Company incurred most of its exploration expenditures during that year on its Yukon properties. The Yukon properties were spun out to Rackla Metals Inc. (“Rackla”) towards the end of 2011. This spin-out to Rackla also resulted in a gain on distribution of assets totaling \$4.8 million which significantly lessened the net loss for the year ended December 31, 2011. The year ended December 31, 2012 shows a net income due a gain on sale of properties of \$16.3 million which relate to the B2Gold transaction. The net loss for the current year was significantly impacted by an impairment charge on available-for-sale investments of \$5.9 million. Total assets were higher as at December 31, 2012 due to the B2Gold shares received from the B2Gold transaction. Total assets then decreased during the current year as cash was used for operations and the market price of B2Gold shares was significantly less at December 31, 2013 than it was at December 31, 2012, thus leading to a lower available-for-sale investments carrying value.

Quarterly Information

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

Quarter ended	Dec. 31, 2013 (\$)	Sep. 30, 2013 (\$)	June 30, 2013 (\$)	Mar. 31, 2013 (\$)	Dec. 31, 2012 (\$)	Sep. 30, 2012 (\$)	June 30, 2012 (\$)	Mar. 31, 2012 (\$)
Exploration expenditures	148,152	196,232	371,754	323,171	258,225	229,108	246,247	151,386
Total investment income	5,355	6,285	7,679	2,822	576	1,971	3,049	3,287
Net income (loss) before income taxes	(6,593,803)	(517,590)	(659,051)	(517,319)	(1,938,538)	11,899,804	(657,726)	(374,183)
Basic and diluted income (loss) per share	(0.07)	(0.01)	(0.01)	(0.01)	(0.03)	0.14	(0.01)	(0.00)

The quarter ended September 30, 2012 resulted in a net income before income taxes of \$11,899,804 due to the net gain of \$16,278,410 on the B2Gold transaction which was partially offset by a net loss of \$3,823,118 on the disposal of the Tambor property in Guatemala. For the quarter ended December 31, 2013, an impairment charge of \$5,894,147 on available-for-sale investments significantly increased the loss before income taxes for that period. For the quarter ended December 31, 2012, an impairment charge of \$855,632 on the shares held in Rackla increased the loss before income taxes for that period. The quarter ended December 31, 2012 also recorded a significant share-based compensation charge of \$385,320 as a result of stock option grants.

Results of Operations

Quarter ended December 31, 2013

The quarter ended December 31, 2013 had a net loss of \$6,593,803 compared to a net loss of \$1,938,538 for the quarter ended December 31, 2012, an increase of \$4,655,265. While the comparative quarter recorded an impairment charge of \$855,632 on shares held in Rackla, the current quarter recorded an impairment of \$5,894,147 on available-for-sale investments. Both the current and comparative quarters recorded a share of post-tax losses of Rackla of \$351,740 and \$132,000 respectively.

Exploration expenditures in the current quarter totalled \$148,152 compared to \$258,225 in the comparative quarter, a decrease of \$110,073. Exploration expenditures in the current quarter were primarily incurred on the Santa Brigida property in Mexico whereas the expenditures during the comparative quarter were primarily incurred in Guatemala.

General and administrative expenses for the quarter ended December 31, 2013 were \$199,588 compared to \$718,859 for the quarter ended December 31, 2012, a decrease of \$519,271. The decrease is largely due to there being no share-based compensation expense recorded during the current quarter whereas the comparative quarter

had an expense of \$385,320 relating to the granting of stock options during that period. Other significant cost decreases were \$67,472 in legal and audit fees, \$26,000 in consulting fees, and \$18,172 in salaries and benefits. Legal and audit fees were less because of lower anticipated audit fees for the current period. There were no consulting fees for the current quarter whereas the comparative quarter included a long standing consulting agreement that was terminated prior to the current quarter. Salaries and benefits were lower as the Company engaged in less corporate activities during the current quarter and implemented reductions in administrative costs. The only notable cost increase was \$7,500 in management fees. During the current quarter, the monthly compensation for the Chief Executive Officer was increased.

Year ended December 31, 2013

The year ended December 31, 2013 had a net loss of \$8,287,763 compared to a net income of \$8,929,357 for the year ended December 31, 2012. The comparative year recorded a net income due to a net gain of \$16,278,410 from the sale of Nicaraguan properties that was partially offset by the loss of \$3,823,118 on the disposal of the Tambor property in Guatemala. The current year net loss is significantly impacted by an impairment of available-for-sale investments which resulted in a charge of \$5,934,443. As well, the current year includes a charge of \$171,815 for the write-off of exploration and evaluation costs regarding the Santa Brigida property whereas no exploration and evaluation costs were written off in the comparative year. The comparative year recorded a \$41,780 loss on disposal of property and equipment and an impairment charge of \$855,632 on shares held in Rackla whereas the current year did not. Both the current and comparative years recorded fairly similar gains from receipt of mineral property option payments. The Company's share of post-tax losses of Rackla for the current year was \$493,318 compared to \$366,950 for the comparative year. The current year share of Rackla's post-tax losses was actually greater than \$493,318 but only this amount was recorded to reduce the investment in associate carrying amount to \$1.

Exploration expenditures for the current year totalled \$1,039,309 compared to \$884,966 for the comparative year, an increase of \$154,343. The higher exploration expenditures relate mostly to the Santa Brigida property in Mexico.

General and administrative expenses for the current year were \$844,056 compared to \$1,498,618 for the comparative year, a decrease of \$654,562. Significant cost decreases were \$385,320 in share-based compensation, \$99,826 in consulting fees, \$86,364 in legal and audit fees, \$61,500 in management fees, and \$39,114 in travel and accommodation. The comparative year recorded a share-based compensation expense of \$385,320 whereas the current year did not have any share-based compensation expense. Consulting fees were lower because of the termination of a long standing financial consulting agreement early in the current year. Legal and audit fees were higher in the comparative year due to the Nicaraguan and Guatemalan property sale transactions that occurred during that year. Management fees were higher in the comparative year due to a bonus of \$72,000 paid to the Chief Executive Officer during that year. Travel and accommodation costs were lower because of the Company engaging in less corporate activities than that in the comparative year. Significant general and administrative cost increases were \$81,324 in property investigations and \$32,547 in office and miscellaneous. There was less property investigation costs recorded during the comparative year because these costs were only incurred towards the end of 2012 whereas the Company investigated numerous opportunities throughout the current year. Office and miscellaneous costs were higher in large part to directors and officers insurance that became effective towards the end of the comparative year.

Mineral Properties Expenditures

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

Guatemala – At total of \$478,760 was incurred on exploration, property investigation, and administrative related costs, of which \$69,464 was incurred on the Southeast Guatemala Ag-Au Epithermal Fields property.

Nicaragua - \$30,081 was incurred on miscellaneous exploration and administrative related costs.

Mexico - The Company received option payments on its Tlacolula Property from Fortuna in the form of cash and shares with a combined value of \$98,590. A total of \$530,568 was incurred on exploration, property investigation, and miscellaneous administrative costs of which \$472,155 was incurred on the Santa Brigida property. Acquisition costs totalling \$171,815 were recorded during the current year with respect to the Santa Brigida property but then written off with the termination of the Santa Brigida option agreement.

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

Liquidity and Capital Resources

The Company's cash increased from approximately \$0.99 million at December 31, 2012 to \$1.56 million at December 31, 2013; however, working capital has significantly decreased. As at December 31, 2013 working capital was \$10.4 million compared to \$17.7 million at December 31, 2012. The decrease in working capital was due in part to the Company using capital for its 2013 operations but primarily because the Company's investment in B2Gold common shares had decreased in value which resulted in an impairment of \$5.9 million being charged to operations for 2013. As at December 31, 2013, these shares had a fair value of \$8.47 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. During the year ended December 31, 2013, the Company sold 677,500 B2Gold shares for proceeds of \$2.42 million. Subsequent to December 31, 2013, the Company sold an additional 1,057,000 B2Gold shares for proceeds of approximately \$3.35 million.

In addition to the remaining 2,826,394 B2Gold shares, the Company currently holds 1,007,406 common shares of Focus Ventures Ltd. ("Focus") as part of its available-for-sale investments. The Company held 7,175,700 warrants in Rackla that were tradable on the TSX-V until they expired unexercised on June 8, 2013. As at December 31, 2013, the carrying amount for all available-for-sale investments was \$8.69 million compared to \$16.55 million as at December 31, 2012. The Company also currently holds 9,866,376 common shares in Rackla with a fair value of \$147,996 as at December 31, 2013, but these shares 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 acquired in 2012 by way of a private placement and although these warrants are transferable, they are not traded on an exchange. During the current year, the Company sold its holding of 34,589 common shares of Fortuna for proceeds of \$153,998.

The Company intends to use proceeds from previous and future sales 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 \$53.14 million 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 rents space to other companies related by common directors and officers on a month to month basis, the amounts of 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 December 31, 2013 are as follows:

Less than 1 year	\$	298,506
1 – 3 years		526,688
4 – 5 years		381,216
After 5 years		190,608
Total	\$	1,397,018

For the year ended December 31, 2013, the Company received a total of \$247,294 (2012: \$235,454; 2011: \$184,675) from those companies it rents space to.

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 seek additional funding as needed. The Company will continue to assess new properties with the aim of acquiring property interests 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 year ended December 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 receives periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

a) Market Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2013, cash totalling \$68,059 (December 31, 2012: \$191,445) was held in US dollars, \$694 (December 31, 2012: \$741) in Nicaragua Cordoba, \$4,213 (December 31, 2012: \$4,706) in Guatemala Quetzal, \$690 (December 31, 2012: \$5,476) in Mexican Pesos and \$709 (December 31, 2012: \$715) in Peruvian Sols. Based on the above net exposures at December 31, 2013, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a \$7,400 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 are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would approximately result in an \$869,000 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).

Available-for-sale investments are based on quoted prices and are therefore considered to be Level 1.

Related Party Transactions

The Company's related parties with transactions during the year ended December 31, 2013 consist of directors, officers and the following companies with common directors:

<u>Related party</u>	<u>Nature of transactions</u>
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 years ended December 31, 2013 and 2012:

	Three months ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Expenses:				
Salaries and benefits	\$ 4,123	\$ 3,605	\$ 15,969	\$ 34,488
Mineral property costs:				
Salaries and benefits	5,077	25,494	42,354	76,979
	\$ 9,200	\$ 29,099	\$ 58,323	\$ 111,467

During the years ended December 31, 2013 and 2012, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
General and administrative expenses:				
Communications	\$ 1,660	\$ 3,173	\$ 8,552	\$ 5,690
Consulting fees	-	-	3,000	-
Office and miscellaneous	9,688	7,133	37,753	12,987
Public relations	598	1,718	3,963	4,048
Property investigations	5,940	-	31,260	-
Repair and maintenance	-	1,667	-	11,151
Salaries and benefits	54,286	4,172	246,469	10,707
Transfer agent and regulatory fees	-	-	3,110	-
Travel and accommodation	2,408	13,031	17,304	18,949
	\$ 74,580	\$ 30,894	\$ 351,411	\$ 63,532
Exploration expenditures	\$ 3,630	\$ -	\$ 59,333	\$ -

Effective July 1, 2012, Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. These transactions are in the normal course of operations and are measured at the fair value of the services rendered.

Long-term deposits include an amount of \$60,000 (December 31, 2012: Prepaid expenses and deposits: \$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 December 31, 2013 include \$19,047 (December 31, 2012: \$17,520) due from Medgold, \$9,239 (December 31, 2012: \$25,394) due from Focus, \$2,477 (December 31, 2012: \$35,294) due from Fortuna, \$1,527 (December 31, 2012: \$17,539) due from Rackla, \$1,527 (December 31, 2012: \$17,535) due from Cordoba, and \$Nil (December 31, 2012: \$3,665) due from Western Pacific. These balances arose from the Company incurring office, administrative and personnel costs which were then shared with the related parties. Effective July 1, 2012, the cost sharing arrangements between the related parties are primarily with Gold Group rather than with the Company.

Accounts payable and accrued liabilities as of December 31, 2013 includes \$31,369 (December 31, 2012: \$85,380) payable to Gold Group for shared administrative costs and \$7,500 to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees (December 31, 2012: \$Nil).

Key management compensation

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

	Three months ended December 31,		Year ended December 31,	
	2013	2012	2013	2012
Management fees	\$ 25,500	\$ 18,000	\$ 79,500	\$ 141,000
Salaries, benefits and fees	14,927	39,672	119,743	105,429
Share-based payments	-	92,271	-	92,271
	\$ 40,427	\$ 149,943	\$ 199,243	\$ 338,700

Total share-based payments to directors not specified as key management personnel during the year ended December 31, 2013 was \$Nil (2012: \$81,165).

Other Data

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

Share Position and Outstanding Options

As at April 29, 2014, the Company's outstanding share position is 86,675,617 common shares and the following incentive stock options are outstanding:

<u>STOCK OPTIONS</u>		
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
2,135,000	\$0.20	December 12, 2022
4,915,000		

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. 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. The 7,175,700 share

purchase warrants expired during the current year. 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 of 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 December 31, 2013. Given the decline in the underlying quoted 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 December 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		(493,319)
Balance, December 31, 2013	\$	1

Since the Company's share of losses in Rackla exceeds its interest, the Company has discontinued recognizing its share of further losses. The accumulative unrecognized share of losses for the associate is \$361,182.

The financial statement balances of Rackla are as follows:

	December 31, 2012	December 31, 2012
Total assets	\$ 1,221,037	\$ 5,691,377
Total liabilities	36,543	133,734
Net loss	4,373,259	1,856,402

Adoption of New and Amended IFRS Pronouncements

Effective January 1, 2013, the Company adopted the following new and revised International Financial Reporting Standards ("IFRS") that were issued by the International Accounting Standards Board ("IASB"):

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 only item in accumulated other comprehensive income relates to fair value adjustments on available-for-sale investments. The statement of comprehensive loss in the consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

IFRS 7 Financial Statements: Disclosures

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

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. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

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. The application of the IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

Future Changes in Accounting Policies

The following new standards have been issued by the IASB but are not yet effective:

IFRS 9 Financial Instruments

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

effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

IAS 24 Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IFRIC 21 Levies

The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“Obligating Event”). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

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.

If the Company does not satisfactorily complete its contribution requirements to any joint ventures it may be a party to, the Company’s interest in a joint venture can be diluted to a point where all interest in the 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.

Mineral Properties Expenditure Detail (see following pages)

Mineral Properties Expenditure Detail

RADIUS GOLD INC.
CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the year ended December 31, 2013
(Expressed in Canadian Dollars)

	Guatemala	Guatemala	Nicaragua	Nicaragua	Mexico	Mexico	
	General	Mineral	General	Mineral	General	Mineral	
	Exploration	Concessions	Exploration	Concessions	Exploration	Concessions	Total
Camp, food and supplies	\$ 36,989	\$ 603	\$ -	\$ -	\$ -	\$ 1,198	\$ 38,790
Drafting, maps and printing	174	-	-	-	-	-	174
Drilling	-	-	-	-	-	93,281	93,281
Environment	-	-	-	-	-	1,939	1,939
Exploration administration	8,438	-	-	-	13,138	-	21,576
Geochemistry	24,196	-	-	-	1,441	13,918	39,555
Geological consulting	166,933	36,841	-	6,211	17,841	276,731	504,557
Legal and accounting	8,821	-	1,219	-	9,522	-	19,562
Licenses, rights and taxes	-	668	-	6,401	-	72,669	79,738
Maintenance	4,633	-	-	-	-	-	4,633
Materials	1,133	-	-	553	-	-	1,686
Medical expenses	10,089	-	-	-	-	-	10,089
Miscellaneous	348	642	3,190	4,899	-	-	9,079
Public relations	10,796	6,879	-	-	-	-	17,675
Rent and utilities	10,484	7,596	1,360	-	-	-	19,440
Salaries and wages	73,314	15,386	4,805	-	6,450	2,446	102,401
Shipping	1,247	-	-	-	-	377	1,624
Telephone and communications	9,077	256	1,443	-	156	-	10,932
Travel and accommodation	42,624	593	-	-	9,765	9,596	62,578
Balance - end of year	\$ 409,296	\$ 69,464	\$ 12,017	\$ 18,064	\$ 58,313	\$ 472,155	\$ 1,039,309

RADIUS GOLD INC.
CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the year ended December 31, 2012
(Expressed in Canadian Dollars)

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