RADIUS GOLD INC.

FINANCIAL REVIEW

Third Quarter Ended September 30, 2014

RADIUS GOLD INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2014. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

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

As at:	**September 30, 2014**	**December 31, 2013**
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents (Note 6)	$ 3,181,985	$ 1,560,788
Available-for-sale investments (Note 7)	6,865,807	8,687,428
Advances and other receivables	61,559	63,293
Taxes receivable	11,262	11,426
Due from related parties (Note 13)	-	33,817
Prepaid expenses and deposits (Note 13)	128,196	143,981
Total current assets	10,248,809	10,500,733
Non-current assets		
Long-term deposits (Note 13)	145,781	134,623
Property and equipment (Note 8)	129,102	153,102
Exploration and evaluation assets (Note 10)	650,144	531,369
Investment in associate (Note 9)	1	1
Total non-current assets	925,028	819,095
TOTAL ASSETS	**$ 11,173,837**	**$ 11,319,828**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	$ 282,279	$ 103,059
Total liabilities	282,279	103,059
Shareholders' equity		
Share capital (Note 11)	56,592,613	56,592,613
Other equity reserve	6,636,658	6,636,658
Deficit	(53,201,753)	(53,137,013)
Accumulated other comprehensive income	864,040	1,124,511
Total shareholders' equity	10,891,558	11,216,769
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 11,173,837**	**$ 11,319,828**

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 24, 2014 BY:

"Simon Ridgway", Director
Simon Ridgway

"William Katzin", Director
William Katzin

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

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

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
EXPLORATION EXPENDITURES	$ 519,535	$ 196,232	$ 830,148	$ 891,157
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization	10,110	11,714	30,507	35,631
Consulting fees (Note 13)	-	-	-	28,000
Legal and audit fees	14,900	3,068	31,447	62,675
Management fees (Note 13)	25,500	18,000	76,500	54,000
Office and miscellaneous (Note 13)	46,265	31,173	153,218	109,632
Property investigations (Note 13)	49,255	14,183	133,304	81,066
Public relations (Note 13)	3,496	977	6,764	29,649
Salaries and benefits (Note 13)	29,667	49,008	74,846	194,174
Transfer agent and regulatory fees (Note 13)	1,807	1,428	13,173	16,192
Travel and accommodation (Note 13)	10,307	4,983	30,212	33,449
	191,307	134,534	549,971	644,468
Loss before other income (expenses)	(710,842)	(330,766)	(1,380,119)	(1,535,625)
OTHER INCOME (EXPENSES)				
Share of post-tax losses of associate (Note 9)	-	(52,450)	-	(142,050)
Foreign currency exchange loss	(1,177)	(2,619)	(1,459)	(767)
Gain on sale of available-for-sale investments	-	3,553	1,289,708	81,217
Impairment on available-for-sale investments	-	30,222	-	(40,296)
Gain from mineral property option agreements	-	-	-	98,590
Investment income	11,227	6,285	27,130	16,786
Write off of exploration and evaluation costs	-	(171,815)	-	(171,815)
Net loss for the period	**$ (700,792)**	**$ (517,590)**	**$ (64,740)**	**$ (1,693,960)**
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:	-			
Total holding losses on available-for-sale investments (Note 7)	(2,726,499)	-	(17,361)	-
Less reclassification adjustment for gains included in income (Note 7)	-	-	(243,110)	-
Fair value gains (losses) on available-for-sale investments (Note 7)	(2,726,499)	1,310,903	(260,471)	(3,943,211)
Total comprehensive income (loss)	**$ (3,427,291)**	**$ 793,313**	**$ (325,211)**	**$ (5,637,171)**
Basic and diluted loss per share	$(0.01)	$(0.01)	$(0.00)	$(0.02)
Weighted average number of common shares outstanding	86,675,617	86,675,617	86,675,617	86,675,617

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

RADIUS GOLD INC.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
For the nine months ended September 30, 2014 and 2013
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2012	86,675,617	$ 56,592,613	$ 6,636,658	$ 607,506	$ (44,849,250)	$ 18,987,527
Loss for the period	-	-	-	-	(1,693,960)	(1,693,960)
Available-for-sale investments	-	-	-	(3,943,211)	-	(3,943,211)
Balance, September 30, 2013	**86,675,617**	**56,592,613**	**6,636,658**	**(3,335,705)**	**(46,543,210)**	**13,350,356**
Loss for the period	-	-	-	-	(6,593,803)	(6,593,803)
Available-for-sale investments	-	-	-	4,460,216	-	4,460,216
Balance, December 31, 2013	86,675,617	56,592,613	6,636,658	1,124,511	(53,137,013)	11,216,769
Loss for the period	-	-	-	-	(64,740)	(64,740)
Available-for-sale investments	-	-	-	(260,471)	-	(260,471)
Balance, September 30, 2014	**86,675,617**	**$ 56,592,613**	**$ 6,636,658**	**$ 864,040**	**$ (53,201,753)**	**$ 10,891,558**

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

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

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	$ (700,792)	$ (517,590)	$ (64,740)	$ (1,693,960)
Items not involving cash:				
Amortization	10,110	11,714	30,507	35,631
Gain from mineral property option agreements	-	-	-	(98,590)
Write off of exploration and evaluation costs	-	171,815	-	171,815
Impairment of available-for-sale investments	-	(30,222)	-	40,296
Gain on sale of available-for-sale investments	-	(3,553)	(1,289,708)	(81,217)
Share of post-tax losses of associate	-	52,450	-	142,050
	(690,682)	(315,386)	(1,323,941)	(1,483,975)
Changes in non-cash working capital items:				
Advances and other receivables	2,116	(9,673)	1,734	1,262
Taxes receivable	155	5,417	164	37,439
Prepaid expenses and deposits	(73,071)	(15,215)	(34,215)	29,324
Long-term deposits	(11,158)	-	(11,158)	-
Due from related parties	-	2,399	33,817	91,846
Accounts payable and accrued liabilities	173,962	(62,814)	179,220	(20,907)
	(598,678)	(395,272)	(1,154,379)	(1,345,011)
INVESTING ACTIVITIES				
Purchase of marketable securities and investments	-	-	(450,000)	-
Expenditures on exploration and evaluation asset acquisition costs	(56,624)	-	(118,775)	(171,815)
Proceeds from mineral property option agreements	-	-	-	49,295
Proceeds from sale of marketable securities and investments	-	153,998	3,350,858	2,575,812
Purchase of property and equipment	(3,758)	(1,255)	(6,507)	(1,255)
	(60,382)	152,743	2,775,576	2,452,037
Increase (decrease) in cash and cash equivalents	**(659,060)**	**(242,529)**	**1,621,197**	**1,107,026**
Cash and cash equivalents, beginning of period	3,841,045	2,343,922	1,560,788	994,367
Cash and cash equivalents, end of period	**$ 3,181,985**	**$ 2,101,393**	**$ 3,181,985**	**$ 2,101,393**

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

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

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

Nature of Operations

At September 30, 2014, the Company had no revenue producing operations and had accumulated losses of $53,201,753 since inception. However, the Company has sufficient cash resources and a working capital surplus of $9.97 million to meet its obligations for at least the next twelve months from the end of the reporting period. 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 condensed interim consolidated 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.

Basis of Consolidation

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

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION – (cont'd)

Basis of Consolidation – (cont'd)

Details of the Company's principal subsidiaries at September 30, 2014 are as follows:

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

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

Effective January 1, 2014, the Company adopted the following new and revised standards that were issued by the IASB:

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 only affect disclosure and did not have an impact on the Company's condensed interim 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. The adoption of IFRIC 21 did not have an impact on the Company's condensed interim consolidated financial statements.

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

a) Where the Company holds less than 20% of the voting rights in an investment but the Company has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Rackla Metals Inc. (“Rackla”) but does not have significant influence over Medgold Resources Corp (“Medgold”);

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

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

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

6. CASH AND CASH EQUIVALENTS

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

(Expressed in Canadian Dollars)

7. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair value. As of September 30, 2014, available-for-sale investments consisted of 2,826,394 common shares of B2Gold Corp. ("B2Gold"), 1,007,406 common shares of Focus Ventures Ltd. ("Focus"), and 5,000,000 common shares of Medgold, all of which are public companies.

During the period ended September 30, 2014, the Company acquired 5,000,000 common shares and 5,000,000 share purchase warrants in Medgold by way of a private placement at a cost of $500,000. Each Medgold warrant entitles the Company to purchase an additional common share exercisable for two years at a price of $0.15. The Medgold share purchase warrants are not tradable on an exchange. The Company and Medgold have two common directors. Subsequent to the period end, the exercise price for 3,000,000 of the Medgold warrants was reduced from $0.15 to $0.11 per share and the Company exercised the 3,000,000 warrants at a cost of $330,000.

The Company originally received 4,815,894 B2Gold shares on August 10, 2012, pursuant to the disposal of a mineral property. The Company is entitled to sell a maximum of 10% of the original number of B2Gold shares within any 30-day period without encumbrance. If the Company wishes to exceed this limitation, there may be a delay of up to 15 days before the selling of the shares can be completed. During the period ended September 30, 2014, the Company sold an additional 1,057,000 B2Gold shares for proceeds of $3,350,858 and recorded a gain on sale of available-for-sale investments of $1,289,708.

During the year ended December 31, 2013, the Company sold all of its 34,589 common shares of Fortuna Silver Mines Inc. ("Fortuna") for proceeds of $153,998.

As at September 30, 2014, the fair value based on quoted market prices of the available-for-sale investments was $6,865,807 (December 31, 2013: $8,687,428). An unrealized loss of $260,471 was recorded in other comprehensive income during the period ended September 30, 2014 (2013: unrealized loss of $3,943,211). The portion of the unrealized gain relating to B2Gold shares for the current period was $39,529 and was the result of a total holding gain on available-for-sale investments of $282,639 less a reclassification adjustment for gains included in income of $243,110.

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 for the period ended September 30, 2014 is $Nil (2013: $40,297). 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.

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

	B2Gold	**Focus**	**Medgold**	**Fortuna**	**Rackla[(1)(2)]**	**Total**
Balance, December 31, 2012	$ 16,236,783	$ 181,333	$ -	$ 96,172	$ 35,878	$16,550,166
Acquisition of shares	-	-	-	49,295	-	49,295
Disposition of shares	(2,344,150)	-	-	(150,445)	-	(2,494,595)
Impairment adjustment	(5,863,925)	(70,518)	-	-	-	(5,934,443)
Net change in fair value recorded in other comprehensive income	437,091	110,814	-	4,978	(35,878)	517,005
Balance, December 31, 2013	8,465,799	221,629	-	-	-	8,687,428
Acquisition of shares	-	-	500,000	-	-	500,000
Disposition of shares	(2,061,150)	-	-	-	-	(2,061,150)
Net change in fair value recorded in other comprehensive income	39,529	-	(300,000)	-	-	(260,471)
Balance, September 30, 2014	**$ 6,444,178**	**$ 221,629**	**$ 200,000**	**$ -**	**$ -**	**$ 6,865,807**

(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 with a fair value of $197,328 as of September 30, 2014 but they are recorded as an investment in associate (Note 9).

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Trucks	Computer equipment	Furniture and equipment	Geophysical equipment	Field equipment	Total
Cost							
Balance, December 31, 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
Additions	3,758	-	2,749	-	-	-	6,507
Balance, September 30, 2014	**$ 62,762**	**$ 215,638**	**$ 252,068**	**$ 62,656**	**$ 83,594**	**$ 2,480**	**$ 679,198**
Accumulated amortization							
Balance, December 31, 2012	$ 25,967	$ 175,425	$ 187,541	$ 29,739	$ 51,732	$ 1,447	$ 471,851
Charge for period	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
Charge for period	3,725	8,171	10,454	4,170	3,824	163	30,507
Balance, September 30, 2014	**$ 34,492**	**$ 193,753**	**$ 217,158**	**$ 40,845**	**$ 61,928**	**$ 1,920**	**$ 550,096**
Carrying amounts							
At December 31, 2013	$ 28,237	$ 30,056	$ 42,615	$ 25,981	$ 25,490	$ 723	$ 153,102
At September 30, 2014	**$ 28,270**	**$ 21,885**	**$ 34,910**	**$ 21,811**	**$ 21,666**	**$ 560**	**$ 129,102**

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATE

As at December 31, 2012, the Company held 9,866,376 common shares of Rackla, representing 19.5% of Rackla's outstanding common shares, as well as 8,521,038 share purchase warrants of Rackla. In 2013, 7,175,700 warrants expired unexercised, leaving a balance of 1,345,338 warrants to purchase common shares of Rackla at $0.10 until October 10, 2014 and 9,866,376 common shares as of September 30, 2014. Subsequent to the period end, the 1,345,338 warrants expired unexercised.

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

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2013 to September 30, 2014:

Balance, December 31, 2012	$	493,319
Less: share of losses in associate		(493,318)
Balance, December 31, 2013		1
Balance, September 30, 2014	**$**	**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 $558,382.

The financial statement balances of Rackla are as follows:

		September 30, 2014		**December 31, 2013**
Total assets	$	217,892	$	1,221,037
Total liabilities		42,875		36,543
Net loss		1,009,477		4,373,259

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION ASSETS

Acquisition costs	Guatemala	United States	Mexico	Total
Balance, December 31, 2012	$ 531,369	$ -	$ -	$ 531,369
Cash	-	-	171,815	171,815
Write-off acquisition costs	-	-	(171,815)	(171,815)
Balance, December 31, 2013	531,369	-	-	531,369
Cash	-	118,775	-	118,775
Balance, September 30, 2014	**$ 531,369**	**$ 118,775**	**$ -**	**$ 650,144**

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

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2013. Significant exploration and evaluation asset transactions that have occurred during the period ended September 30, 2014 are as follows:

Medgold Strategic Alliance - Portugal

On January 8, 2014, the Company entered into a strategic alliance agreement with Medgold whereby the Company has the right to option one of Medgold's properties in Portugal. 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. As of September 30, 2014, the Company has not yet exercised its right to option one of the Portuguese properties.

Mineral Property - Idaho, USA

During the period ended September 30, 2014, the Company entered into an agreement with Merrill Palmer to lease for up to 99 years a 100% interest in the Mineral Property which consists of a series of 39 federal mining claims covering approximately 562 hectares in the Mineral Mining District, Washington County, Idaho. The Company may keep the lease in good standing by making annual advance royalty payments to Mr. Palmer of US$50,000 for the first year (paid) and increasing by US$10,000 each subsequent year, for a total of US$1,100,000 over the first ten years. Annual payments after the tenth year of US$150,000 will be required until commercial production has commenced. Mr. Palmer has retained a 3.0% net smelter return royalty and during the first five years of the lease, the Company may reduce the royalty to 1.5% by paying US$2.0 million to Mr. Palmer.

During the current period, the Company also staked an additional 47 claims to be part of the Mineral Property at a cost of $32,174.

Blue Hill Property - Idaho, USA

During the period ended September 30, 2014, the Company entered into an agreement with Otis Gold Corp ("Otis") for the right to acquire a 70% interest in the Blue Hill Gold Project, subject to a 2.5% net smelter return royalty, which consists of 36 federal lode mining claims located on federal land comprising 295 hectares and one Idaho State lease comprising 33 hectares in the Cassia County, Idaho. The option may be exercised by making cash payments to Otis totaling US$525,000 (US$30,000 paid) and incurring exploration expenditures on the property totaling US$5,000,000, over a period of four years.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES

a) Common Shares

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

There was no share capital activity during the periods ended September 30, 2014 and 2013.

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2013 to September 30, 2014:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2012	9,335,001	$0.43
Expired	(9,335,001)	$0.43
Balance, December 31, 2013	-	-
Balance, September 30, 2014	**-**	**-**

As at September 30, 2014, 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 an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

(Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS

a) Option Plan Details

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

The following is a summary of changes in options for the period ended September 30, 2014:

				During the period				
Grant date	**Expiry date**	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / expired**	**Closing balance**	**Vested and exercisable**
Jan 08, 2010	Jan 07, 2020	$0.29	1,570,000	-	-	-	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	2,135,000	-	-	-	2,135,000	2,135,000
			4,915,000	**-**	**-**	**-**	**4,915,000**	**4,915,000**
Weighted average exercise price			$0.35	-	-	-	$0.35	$0.35

b) Fair Value of Options Issued During the Period

There were no options granted during the period ended September 30, 2014.

The weighted average remaining contractual life of the options outstanding at September 30, 2014 is 6.77 years.

Options Issued to Employees

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

Options Issued to Non-Employees

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

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

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

(Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS – (cont'd)

c) Expenses Arising from Share-based Payment Transactions

There were no expenses arising from share-based payment transactions recognized during the periods ended September 30, 2014 and 2013 as part of share-based compensation expense.

As of September 30, 2014 there was no amount (December 31, 2013: $Nil) of total unrecognized compensation cost related to unvested share-based compensation awards.

d) Amounts Capitalized Arising from Share-based Payment Transactions

There were no expenses arising from the share-based payment transactions that were capitalized during the periods ended September 30, 2014 and 2013 as part of exploration and evaluation asset acquisition costs.

13. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2014 and 2013 with related parties who consisted of directors, officers and the following companies with common directors:

Related party	**Nature of transactions**
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Rackla (Associate)	Shared general and administrative expenses
Fortuna	Shared general and administrative expenses
Focus	Shared general and administrative expenses
Medgold	Shared general and administrative expenses
Cordoba Minerals Corp. ("Cordoba")	Shared general and administrative expenses

In addition to related party transactions disclosed elsewhere in the condensed interim consolidated financial statements (Notes 7, 9 and 10), the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the periods ended September 30, 2014 and 2013:

	Nine months ended September 30,	
	2014	**2013**
Expenses:		
Salaries and benefits	$ 8,522	$ 11,846
Mineral property costs:		
Salaries and benefits	5,306	37,277
	$ 13,828	**$ 49,123**

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS – (cont'd)

The Company reimburses Gold Group, a company controlled by the Chief Executive Officer of the Company, for shared administrative costs and other business related expenses paid by Gold Group on behalf of the Company. During the periods ended September 30, 2014 and 2013, the Company reimbursed Gold Group the following:

	Nine months ended September 30,			
		2014		**2013**
General and administrative expenses:				
Consulting fees	$	-	$	3,000
Office and miscellaneous		35,498		34,957
Public relations		1,189		3,365
Property investigations		-		25,320
Salaries and benefits		62,347		192,183
Transfer agent and regulatory fees		3,749		3,109
Travel and accommodation		11,681		14,896
	$	**114,464**	**$**	**276,830**
Exploration expenditures	**$**	**-**	**$**	**55,703**

Salary and benefits costs for the nine months ended September 30, 2014 include those for the Chief Financial Officer and Corporate Secretary (2013: 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.

Prepaid expenses and deposits include an amount of $420 (December 31, 2013: $Nil) paid to Gold Group for shared administrative costs.

Long-term deposits include an amount of $60,000 (December 31, 2013: $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 $Nil (December 31, 2013: $33,817) are amounts due from companies which have a common director with the Company and arose from shared administrative costs. These amounts were unsecured, non-interest bearing and are due on demand.

Accounts payable and accrued liabilities include $15,675 (December 31, 2013: $31,369) payable to Gold Group for shared administrative costs and $Nil (December 31, 2013: $7,500) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees.

Key management compensation

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

	Nine months ended September 30,			
		2014		**2013**
Management fees	$	76,500	$	54,000
Salaries, benefits and fees		19,392		104,816
	$	**95,892**	**$**	**158,816**

There were no share-based payments to key management personnel or directors not specified as key management personnel during the periods ended September 30, 2014 and 2013.

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

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

Period ended September 30, 2014	**Canada**	**USA**	**Guatemala**	**Nicaragua**	**Mexico**	**Caymans**	**Consolidated**
Exploration expenditures	$ -	$ 578,559	$ 113,193	$ 6,468	$ 131,928	$ -	$ 830,148
Gain on sale of available-for-sale investments	1,289,708	-	-	-	-	-	1,289,708
Investment income	27,130	-	-	-	-	-	27,130
Amortization	19,681	-	10,307	519	-	-	30,507
Profit/(loss) before income taxes	921,035	(578,559)	(240,918)	(8,481)	(138,651)	(19,166)	(64,740)
Capital expenditures*	6,507	118,775	-	-	-	-	125,282

Period ended September 30, 2013	**Canada**	**USA**	**Guatemala**	**Nicaragua**	**Mexico**	**Caymans**	**Consolidated**
Exploration expenditures	$ -	$ -	$ 412,940	$ 121,765	$ 356,452	$ -	$ 891,157
Exploration and evaluation asset costs written off	-	-	-	-	171,815	-	171,815
Investment income	16,786	-	-	-	-	-	16,786
Amortization	25,464	-	9,657	510	-	-	35,631
Profit/(loss) before income taxes	(610,344)	-	(493,534)	(125,256)	(484,165)	(19,339)	(1,693,960)
Capital expenditures*	-	-	1,234	-	171,815	-	173,049

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

As at September 30, 2014	**Canada**	**USA**	**Guatemala**	**Nicaragua**	**Mexico**	**Caymans**	**Consolidated**
Total current assets	$ 9,901,385	$ -	$ 29,378	$ 10,163	$ 37,476	$ 270,407	$ 10,248,809
Total non-current assets	246,010	118,775	555,730	4,513	-	-	925,028
Total assets	**$ 10,147,395**	**$ 118,775**	**$ 585,108**	**$ 14,676**	**$ 37,476**	**$ 270,407**	**$ 11,173,837**
Total liabilities	**$ 274,322**	**$ -**	**$ 3,242**	**$ 17**	**$ 4,698**	**$ -**	**$ 282,279**

As at December 31, 2013	**Canada**	**USA**	**Guatemala**	**Nicaragua**	**Mexico**	**Caymans**	**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**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

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

General Objectives, Policies and Processes

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

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

a) Market Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at September 30, 2014, cash totalling $90,643 (December 31, 2013: $68,059) was held in US dollars, $892 (December 31, 2013: $694) in Nicaragua Cordoba, $Nil (December 31, 2013: $4,213) in Guatemala Quetzal, $850 (December 31, 2013: $690) in Mexican Pesos and $709 (December 31, 2013: $709) in Peruvian Sols. Based on the above net exposures at September 30, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $9,300 increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited 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, Focus, and Medgold are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would approximately result in a $687,000 decrease in equity.

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

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2014, the Company had working capital of $9.97 million (December 31, 2013: $10.4 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 condensed interim consolidated statement of financial position carrying amounts for cash, due from related parties, advances and other receivables, deposits, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

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

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

The available-for-sale investments for B2Gold, Focus, and Medgold are based on quoted prices and are therefore considered to be Level 1.

16. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash and cash equivalents, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the period ended September 30, 2014. 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.

17. CHANGE IN PRESENTATION

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

18. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2014, the following events which have not been disclosed elsewhere in these condensed interim consolidated financial statements have occurred:

- The Company advanced $800,000 to Southern Silver Exploration Corp. ("Southern Silver") in order to fund Southern Silver's final option payment to acquire the Cerro Las Minitas mineral claims in Mexico. In consideration of the advance, Southern Silver has granted to the Company an exclusive option for 120 days to settle the terms of a business arrangement for the Company to acquire either a direct or indirect interest in the Cerro Las Minitas claims, including continued exploration and development of the property.

  Security for the loan shall consist of issuance of a debenture convertible into common shares of Southern Silver in favour of the Company supported by hypothecation of all shares in Southern Silver's subsidiary which holds the mineral claims forming the property.

  The loan is repayable on demand, provided that the Company shall not demand payment for a period of one year. Interest is payable annually at 8% per annum.

  The agreement is subject to acceptance by the TSX Venture Exchange.

- On October 15, 2014, the Company signed agreements with B2Gold to sell the Company's 40% interest in the San Jose, Nicaragua joint venture in consideration for a 2% net smelter return royalty, and to mutually terminate the La Magnolia, Nicaragua joint venture. Closing of the sale of the San Jose joint venture is anticipated to occur by the end of 2014.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Report – September 30, 2014

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2014. The following information, prepared as of November 24, 2014, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for nine months ended September 30, 2014 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In addition, the following should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2013 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2014 financial statements have not been reviewed by the Company's auditors.

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 which has resulted in the discovery of several gold deposits in Central America. 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. Management has been conducting an ongoing review of 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. To this end, the Company has recently acquired two property interests in Idaho, USA, and has been granted the right to participate in a property in Mexico.

A summary of the Company's properties and recent transactions are provided below:

Mexico – Cerro Las Minitas Property

In November 2014, the Company advanced CAD$800,000 to Southern Silver Exploration Corp. ("Southern Silver") in order to fund Southern Silver's final option payment to acquire the Cerro Las Minitas mineral claims in Mexico.

The Cerro Las Minitas property is located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico, and is accessed easily by road. The property comprises 19 concessions covering approximately 13,700 hectares, and lies within heart of the Faja de Plata (Belt of Silver) of north central Mexico. The belt is one of the most significant silver producing regions in the world.

Management of the Company, after reviewing the past three years' historical drill results provided by Southern Silver, feels that this property has the potential to host a significant silver deposit. This secured loan grants the Company the exclusive right to conduct an in-depth review of the exploration data and to enter into a joint venture with Southern Silver contingent on positive due diligence.

Since its acquisition of an option to purchase the claims in 2010, Southern Silver and its former joint venture partner, Freeport-McMoran Exploration Corporation, have conducted 23,310 metres of diamond drilling in 75 core holes together with surface geochemical and biogeochemical sampling, airborne magnetics, and IP-resistivity and gravity geophysical surveys. Aggregate acquisition and exploration costs incurred on the property total approximately US$9.2 million. Over the course of exploring the project, two new zones of mineralization have been discovered on the claims, the Blind zone and the El Sol zone. The mineralization has been traced at nominal 50 to 80 metre drill spacing for a cumulative 820 metres strike-length in a northwest-southeast direction and to depths of up to 550 metres in some drill holes.

A few selected examples of recent drill results from the Blind and El Sol zones are given in the following table:

Zone	DDH	From	To	Length (m)	Ag (g/t)	Pb (%)	Zn (%)
Blind	11CLM-008	168.4	171.4	3.0	895.0	13.8	11.6
	inc.	169.6	171.4	1.8	1400.0	19.7	14.5
	13CLM-066	88.4	97.5	9.1	401.0	8.5	5.1
	inc.	92.9	97.5	4.6	727.0	13.5	7.0
	inc.	92.9	95.0	2.1	1190.0	21.6	13.0
El Sol	11CLM-006	215.5	223.3	7.8	221.0	6.2	2.1
	inc.	221.5	223.3	1.8	650.0	16.0	0.8

These drill results are quoted from Southern Silver news releases of July 9, 2013 and June 23, 2011. The Company has not independently verified these drill results but believes the work done by Southern Silver was performed to professional standards.

Agreement Terms

In consideration for the advance, Southern Silver has granted to the Company an exclusive option for 120 days to settle the terms of a business arrangement for the Company to acquire either a direct or indirect interest in the Cerro Las Minitas claims, including continued exploration and development of the property.

Details of the loan facility are:

- The loan is repayable on demand, provided that the Company shall not demand repayment for one year.
- Interest is payable annually at 8% per annum. At the Company's election, interest may be paid by the issuance of common shares of Southern Silver in accordance with the policies of the TSX Venture Exchange ("TSXV").
- the Company shall have the right at any time during the term to convert such portion of the loan into common shares of Southern Silver to result in the Company's holding no greater than 19.9% of the then issued and outstanding shares of Southern Silver. In the event of such conversion election, the balance of the loan shall remain due and payable for the remainder of the Term, provided that, upon default of payment, the Company shall have the right to convert the balance of the loan into common shares of Southern Silver based at a price of $0.05 per share. If such conversion will result in a change of control of Southern Silver, Southern Silver shall convene a shareholders meeting for the purpose of approving such change of control.
- Security for the loan shall consist of issuance of a convertible debenture by Southern Silver in favour of the Company supported by hypothecation of all shares in Southern Silver's subsidiary which holds the mineral claims forming the Cerro Las Minitas property.
- The loan facility agreement is subject to acceptance by the TSXV.

Idaho – Blue Hill Gold Property

In July 2014, the Company entered into an agreement whereby Otis Gold Corp. ("Otis") has granted to the Company the right to acquire a 70% interest in the Blue Hill Property which consists of 36 federal lode mining claims located on federal land (comprising 295 hectares), and one Idaho State lease (comprising 33 hectares) in southeastern Idaho, 24 kilometres south of the town of Oakley and 4 kilometres north of the Utah border.

The Property hosts an epithermal hot-spring gold exploration target, and is drill-ready and road-accessible. In July 2008, Otis completed a program of geologic mapping and sampling, as well as contracting Zonge

Geosciences Inc. to perform a controlled-source audio magnetotelluric (CSAMT) geophysical resistivity survey over the target. Based on the results of Otis' work program, drilling was proposed but never carried out.

Gold mineralization on the Property was first discovered by geologist Stan Dodd and Meridian Minerals in 1985. Alteration and gold mineralization are hosted by capping chalcedonic sinters and strongly silicified tuffaceous rocks in the Cenozoic-aged Salt Lake Formation, which consists of epiclastic, sedimentary and tuffaceous volcanic rocks overlying older Paleozoic and Precambrian basement rocks. The area of sinter exposed at surface is approximately 1 kilometre by 0.5 kilometres in area, and contains surface gold-in-sinter concentrations of up to 2 ppm. Mineralization appears both disseminated in sinter and related to north- and northeast-trending, high-angle structures within a northwest trending graben. Local, post-mineral, northeast-trending faulting has displaced and buried mineralized sections to the northwest, some of which have yet to be drill tested.

Two drill programs were completed in the past: the first in 1986-1987 by Meridian, and the second in 1998 by Latitude Minerals Corp. Both programs were designed to test the Property for the presence of an economic low-grade, bulk-tonnage, near-surface target. A total 3,665 metres of drilling in 29 drill holes was carried out on the Property. The drill holes were all reverse circulation, with the exception of one core hole in the 1998 campaign. Drill results confirmed the presence of significant near-surface thicknesses of sinter-hosted epithermal hot-spring-type gold mineralization. Mineralization is characterized by various forms of clay, silica and 1 to 5% primary fine-grained pyrite, now mostly oxidized to various iron oxides

Results from the two drilling campaigns included intervals such as 61.0 metre grading 0.91 ppm Au from 85.3 metres to 146.3 metres in drill hole BHC-86-09, 9.1 metres grading 1.01 ppm Au from 48.8 to 57.9 metres in drill hole BHC-86-04, 21.3 metres grading 0.68 ppm Au from 112.8 metres to 134.1 metres in drill hole 98-LBC-1, and 25.9 metres grading 0.61 ppm Au from 131.1 metres to 157.0 metres in drill hole 98-LBR-24. In all, 20 out of the 29 drill holes on the Property contained composite intervals longer than 3.0 metres and grading over 0.5 ppm Au, confirming the overall mineralized character of the sinter terrace assemblage. The results, however, were not deemed economic from the point of view of a bulk tonnage target, and despite recognizing the potential for higher grade hydrothermal feeder systems under the sinter, no drilling has ever been focused on testing this target.

The Company's interpretation of the 2008 CSAMT survey results indicates the presence of several resistivity anomalies that are highly suggestive of structural feeder systems to the hot-spring sinter:

1. A distinctive shallowly west-dipping low- to high-resistivity transition zone interpreted as representing the base of the Salt Lake Formation, structurally overlying older Paleozoic basement. This feature is permissive of a permeable detachment or shallowly dipping fault feeder system to the overlying sinters.
2. Several localized high-resistivity undulations at the interpreted base of the Salt Lake Formation are associated with the sinter area, and are interpreted as high-angle structural features that may extend into the Paleozoic rocks. The association of mineralized sinter at surface and in drill core directly above one of these geophysical anomalies is particularly of interest.
3. A steeply-dipping major feature bounding the eastern side of the sinter zone and present on several CSAMT sections is interpreted as a braided fault system probably associated the northwest-trending graben. It potentially represents the ultimate plumbing system to depth for the hydrothermal system regionally.

The Company's geologists believe the Property has significant potential for high-grade veins or vein breccias at depth below or near the mineralized sinters and associated with one or more of the geophysical features discussed above. These constitute the Company's exploration target on the Property. The presence of abundant sinter with anomalous concentrations of gold is unusual in hot-spring environments, and highly encouraging of targeting a deeper high grade feeder system. Importantly, none of the previous drilling has focused on the potential for high grade feeders associated with the mineralized sinters, and this represents a significant exploration opportunity for the Company.

The Company completed an initial five-hole, 1300 metre diamond drill program at Blue Hill in September and October 2014, designed to test the most prospective of the geophysical anomalies associated with the mineralized sinter. Assay results are pending. If this program yields positive results, further drilling will be undertaken in Q2 2015.

Option Terms

The Company has been granted the option to acquire a 70% interest in the Property (subject to a 2.5% NSR royalty on a portion of the Property). The option may be exercised by making cash payments to Otis totaling US$525,000 and incurring exploration expenditures on the Property totaling US$5,000,000, over a period of four years.

Idaho – Mineral Property

The Company has an agreement with renowned prospector, Merrill Palmer, to lease a 100% interest in the Mineral Property which consists of a series of federal mining claims in the historic Mineral Mining District, Washington County, Idaho.

The Mineral Mining District was so-named after prospectors discovered silver-bearing base metal veins in the area during the 1870s. A town site was established and small-scale silver mining of high-grade veins began in the 1880s and continued in earnest until the repeal of the Sherman Silver Purchase Act by President Cleveland in 1893, which caused a collapse in the silver price and decimated the silver mining industry. The mines and smelters at Mineral shut down at that time, and subsequent mining was very sporadic and at a small scale from then through to 1950. The District has been essentially dormant since then apart from a few years of exploration in the late 1960s and 1970s, and has escaped modern exploration efforts altogether.

Cyprus Mines Corporation acquired a land position in the area in 1968 after reconnaissance work indicated the presence of two types of deposits: silver-bearing base-metals veins in a package of volcanic and sedimentary rocks, and porphyry-type copper hosted in a diorite and quartz diorite intrusion. Their exploration program, undertaken between April of 1968 and February of 1970, consisted of geological mapping, geochemical soil surveys, a 17 line-mile IP-resistivity geophysical survey, and a 40 hole program of reverse circulation, churn, and diamond drilling.

Cyprus's exploration efforts were focused on establishing the presence of a low-grade, near-surface silver deposit amenable to bulk mining methods. Although they intersected narrow high-grade Ag-bearing veins in the historically mined area, they considered the near-surface deposit model to be a failure and terminated the project before completion of the secondary objective of evaluating the copper potential within the intrusions. The Company has been able to obtain the 1968 through 1970 results from the Cyprus programs.

As part of its due diligence work on the Mineral Property, the Company selectively sampled and spot-checked the soil grid, confirming the Cyprus results. In addition, the Company digitized and inverted the raw 1969 geophysical data to obtain modern 2D inversions of both resistivity and IP effect, something Cyprus would not have been able to accomplish at the time of the survey.

The 1968 soil survey outlined a broad > 400 ppm Cu-in-soil anomaly with an area of approximately 1.5 kilometres by 3 kilometres, associated with the diorite and quartz diorite intrusions. Coincident with the soil anomaly is a broad zone of anomalous IP effect, potentially caused by the presence of disseminated sulphides. Whereas the Cu-in-soil anomaly terminates abruptly on the northern contact of the intrusion with overlying sedimentary and volcanic rocks, the IP effect is observed to dive off to the north under the north-dipping overlying rocks, suggesting that the zone of potential copper mineralization may be larger than indicated by the soil geochemistry.

Cyprus drilled four drill holes into the copper target. Holes MDD-1 and MDD-2 were both drilled into coincident soil and IP anomalies. MDD-2 assayed 266 metres of 0.165% Cu from 5 metres to end-of-hole at 271 metres. Hole MDD-1 assayed 52.1 metres of 0.126% Cu from 70.1 metres to 122.2 metres, and 150.9 metres of 0.11% Cu from 150.9 metres to end-of-hole at 301.8 metres. Holes B-2 and MDD-3 are not in zones of significant IP effect. B-2 returned six intervals, ranging from 2.9 metres to 8.7 metres in thickness, grading > 0.2% Cu. MDD-3 returned only slightly anomalous Cu concentrations. Cyprus historical drill log summaries describe the mineralization in the diorite as hosted by propylitically altered veins and breccias within the intrusion. The Company's research indicates that Cyprus rarely assayed for gold in its work program at Mineral, and where it did the assay methodology is questionable; the Au potential of the target has likely never been evaluated.

The drill results presented here are quoted from the following historical reports:

- *Mineral District Final Report – Exploration. Cyprus Mines Corporation, May 1969.*
- *The Mineral Project: Current Status and Potential, Cyprus Mines Corporation, March 1970.*

The Company believes the work was performed to a professional standard, and has verified the locations of the probable drill collars, but has not independently confirmed the drill logs or results.

More recently, prospecting work undertaken by Mr. Palmer has demonstrated the existence of sheeted 0.1 to 1 metres thick quartz-tourmaline veins within the intrusion that grade up to 30 ppm Au and 5% Cu. Neither these sheeted veins nor the vast majority of the IP and soil anomaly has been drill-tested.

The Company has completed a geological reconnaissance field program to follow up on Cyprus Mines' work. Results are currently being analysed.

Lease Terms

The Company has been granted a lease of 100% of the Mineral Property (subject to a 3.0% net smelter return royalty) of up to 99 years which the Company may keep in good standing by making annual advance royalty payments to Mr. Palmer of US$50,000 for the first year and increasing US$10,000 each subsequent year, for a total of US$1,100,000 over the first ten years. Annual payments after the tenth year of US$150,000 will be required until commercial production has commenced. During the first five years of the lease, the Company may reduce the NSR royalty to 1.5% by paying US$2.0 million to Mr. Palmer.

Mexico - Tlacolula Property

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, and in November 2014, amended terms of the option were negotiated so that the deadline for exercising the option is extended by two years to January 2017 in consideration of the payment by Fortuna of US$50,000 cash to the Company.

Nicaragua

In 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 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 would sell to B2Gold its 40% interest in the San Jose and La Magnolia properties in consideration of a 2% NSR royalty on each property, and B2Gold would have the right to purchase one-half of each royalty for US$1,000,000. The Company and B2Gold have since decided to relinquish the La Magnolia concession. Formal agreements were signed by the companies in October 2014, and the closing of the San Jose sale is anticipated to take place before year end.

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. The technical information regarding the Cerro Las Minitas property was provided to the Company by Southern Silver, and has not been independently verified by the Company.

Quarterly Information

The following table provides information for the eight fiscal quarters ended September 30, 2014:

Quarter ended	Sep. 30, 2014 ($)	June 30, 2014 ($)	Mar. 31, 2014 ($)	Dec. 31, 2013 ($)	Sep. 30, 2013 ($)	June 30, 2013 ($)	Mar. 31, 2013 ($)	Dec. 31, 2012 ($)
Exploration expenditures	519,535	212,066	98,547	148,152	196,232	371,754	323,171	258,225
Total investment income	11,227	11,985	3,918	5,355	6,285	7,679	2,822	576
Net income (loss) before income taxes	(700,792)	(355,242)	991,294	(6,593,803)	(517,590)	(659,051)	(517,319)	(1,938,538)
Basic and diluted income (loss) per share	(0.01)	(0.00)	0.01	(0.07)	(0.01)	(0.01)	(0.01)	(0.03)

The quarter ended March 31, 2014 resulted in a net income before income taxes due to a gain on sale of available-for-sale investments of $1,289,708. 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 Metals Inc. (“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 September 30, 2014

The net loss for the quarter ended September 30, 2014 was $700,792 compared to $517,590 for the quarter ended September 30, 2013, an increase of $183,202. Exploration expenditures in the current quarter totalled $519,535 compared to $196,232 in the comparative quarter, an increase of $323,303. The comparative quarter recorded a share of post-tax losses of Rackla of $52,450 and a write-off of exploration and evaluation asset costs of $171,815 whereas there were no such charges for the current quarter. Rackla incurred a loss during the current quarter but due to the carrying value of the Company's investment in associate being reduced to $1 in 2013, the Company does not pick up its portion of the loss.

General and administrative expenses for the quarter ended September 30, 2014 were $191,307 compared to $134,534 for the quarter ended September 30, 2013, an increase of $56,773. Notable cost increases were $35,072 in property investigation costs, $15,092 in office and miscellaneous, $11,832 in legal and audit fees, and $7,500 in management fees. Property investigation costs were higher in the current period due to the Company's efforts at investigating new opportunities. Office and miscellaneous costs were higher primarily because of the Company incurring more office lease expense. Legal and audit fees were higher due in part to the timing of auditor related costs and additional legal services required. Regarding management fees, the monthly compensation for the Chief Executive Officer was increased subsequent to the comparative quarter. The only significant cost decrease was $19,341 in salaries and benefits which were lower due to a reduction in personnel that took effect at the beginning of the current fiscal year.

Nine month period ended September 30, 2014

The net loss for the nine month period ended September 30, 2014 was $64,740 compared to $1,693,960 for the nine month period ended September 30, 2013, a difference of $1,629,220. The significantly lower net loss for the current period is due to a gain of $1,289,708 from the sale of B2Gold shares. The comparative period also recorded a gain from the sale of B2Gold shares but a lesser amount of $81,217. As with the quarterly comparison, the comparative year-to-date period recorded a share of post-tax losses of Rackla of $142,050 and a write-off of exploration and evaluation asset costs of $171,815 in addition to a loss on impairment on available-for-sale investments of $40,296 whereas there were no such charges for the current period. Exploration expenditures in the current period totalled $830,148 compared to $891,157 in the comparative period, a decrease of $61,009.

General and administrative expenses for the current period were $549,971 compared to $644,468 for the comparative period, a decrease of $94,497. Salaries and benefits, legal and audit fees, consulting fees, and public relations saw decreases of $119,328, $31,228, $28,000, and $22,885, respectively, in the current period. Salaries and benefits were lower for the same reason given in the quarterly comparison. Legal and audit fees were higher in the comparative period due to the disposal of mineral properties in 2012 that required more auditor involvement in 2013. There were no consulting fees for the current period whereas the comparative period included a long standing consulting agreement that was terminated prior to the current period. Public relations costs were lower as the Company engaged in less promotional activities during the current period. Notable cost increases in the current period were $52,238 in property investigations, $43,586 in office and miscellaneous, and $22,500 in management fees. Again the reasons for the higher property investigation costs, office and miscellaneous costs, and management fees are the same as those for the quarterly comparison.

Mineral Properties Expenditures

A summary of the Company’s expenditures on its mineral properties during the period ended September 30, 2014 is as follows:

United States – A total of $578,559 was incurred on exploration and property investigation.

Guatemala – A total of $113,193 was incurred on care and maintenance related costs.

Nicaragua – At total of $6,468 was incurred on care and maintenance related costs.

Mexico - A total of $131,928 was incurred on exploration, property investigation, and miscellaneous administrative costs.

Further details regarding exploration expenditures for the periods ended September 30, 2014 and 2013 are provided in the schedules at the end of this document.

Liquidity and Capital Resources

The Company’s cash increased from approximately $1.56 million at December 31, 2013 to $3.18 million at September 30, 2014. As at September 30, 2014 working capital was $9.97 million compared to $10.4 million at December 31, 2013. Included in working capital is the value of the Company’s investment in B2Gold common shares. As at September 30, 2014, these shares had a fair value of $6.44 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. During the period ended September 30, 2014, 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”) and 8,000,000 common shares of Medgold Resources Corp. (“Medgold”) as part of its available-for-sale investments. The Company acquired 5,000,000 Medgold shares and warrants by participating in a Medgold private placement financing at a cost of $500,000 during the period ended September 30, 2014 and acquired 3,000,000 Medgold shares subsequent to September 30, 2014 when Medgold warrants were exercised at a cost of $330,000. The Company currently holds a remaining balance of 2,000,000 Medgold warrants and although these warrants are transferable, they are not traded on an exchange. The Company and Medgold have two common directors. The Company held 7,175,700 warrants in Rackla that were tradable on the TSX-V until they expired unexercised in June 2013, and held a further 1,345,338 Rackla warrants that expired unexercised in October 2014.

As at September 30, 2014, the carrying amount for all available-for-sale investments was $6.87 million compared to $8.69 million as at December 31, 2013. The Company also currently holds 9,866,376 common shares in Rackla with a fair value of $197,328 as at September 30, 2014, 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 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 $53.2 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 September 30, 2014 are as follows:

Less than 1 year	$	74,627
1 – 3 years		526,688
4 – 5 years		381,216
After 5 years		190,608
Total	**$**	**1,173,139**

For the period ended September 30, 2014, the Company received a total of $150,808 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 raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash and cash equivalents, available-for-sale investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the period ended September 30, 2014. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements and do not have exposure to asset-backed commercial paper or similar products.

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This 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 September 30, 2014, cash totalling $90,643 (December 31, 2013: $68,059) was held in US dollars, $892 (December 31, 2013: $694) in Nicaragua Cordoba, $Nil (December 31, 2013: $4,213) in Guatemala Quetzal, $850 (December 31, 2013: $690) in Mexican Pesos and $709 (December 31, 2013: $709) in Peruvian Sols. Based on the above net exposures at September 30, 2014, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would approximately result in a $9,300 increase or decrease in the Company's after tax net earnings, respectively.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited 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, Focus, and Medgold are monitored by the Board with decisions on sale taken by Management. A 10% decrease in fair value of the shares would approximately result in a $687,000 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 condensed interim consolidated 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).

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

<u>Related Party Transactions</u>

The Company's related parties with transactions during the periods ended September 30, 2014 and 2013 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Mill Street Services Ltd. (“Mill Street”)	Management fees
Gold Group Management Inc. (“Gold Group”)	Shared general and administrative expenses
Rackla	Shared general and administrative expenses
Fortuna	Shared general and administrative expenses
Focus	Shared general and administrative expenses
Medgold	Shared general and administrative expenses
Cordoba Minerals Corp. (“Cordoba”)	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 three and nine month periods ended September 30, 2014 and 2013:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Expenses:				
Salaries and benefits	$ 3,445	$ 2,779	$ 8,522	$ 11,846
Mineral property costs:				
Salaries and benefits	1,285	2,446	5,306	37,277
	$ 4,730	**$ 5,225**	**$ 13,828**	**$ 49,123**

During the three and nine month periods ended September 30, 2014 and 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
General and administrative expenses:				
Consulting fees	$ -	$ -	$ -	$ 3,000
Office and miscellaneous	15,744	12,334	35,498	34,957
Public relations	-	595	1,189	3,365
Property investigations	-	-	-	25,320
Salaries and benefits	23,097	49,009	62,347	192,183
Transfer agent and regulatory fees	570	44	3,749	3,109
Travel and accommodation	3,644	2,182	11,681	14,896
	$ 43,055	**$ 64,164**	**$ 114,464**	**$ 276,830**
Exploration expenditures	**$ -**	**$ 18,414**	**$ -**	**$ 55,703**

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 for the current period include those for the Chief Financial Officer, and Corporate Secretary whereas the comparative period also includes the former Vice President of Corporate Development. These transactions are in the normal course of operations and are measured at the fair value of the services rendered.

Prepaid expenses and deposits include an amount of $420 (December 31, 2013: $Nil) paid to Gold Group for shared administrative costs.

Long-term deposits include an amount of $60,000 (December 31, 2013: $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 September 30, 2014 were $Nil (December 31, 2013: $19,047) due from Medgold, $Nil (December 31, 2013: $2,477) due from Fortuna, $Nil (December 31, 2013: $9,239) due from Focus, $Nil (December 31, 2013: $1,527) due from Rackla, and $Nil (December 31, 2013: $1,527) due from Cordoba. These balances arose from the Company incurring office, administrative and personnel costs which were then shared with the related parties.

Accounts payable and accrued liabilities as of September 30, 2014 includes $15,675 (December 31, 2013: $31,369) payable to Gold Group for shared administrative costs and $Nil (December 31, 2013: $7,500) to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees.

Key management compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Management fees	$ 25,500	$ 18,000	$ 76,500	$ 54,000
Salaries, benefits and fees	6,417	30,608	19,392	104,816
	$ 31,917	**$ 48,608**	**$ 95,892**	**$ 158,816**

There were no share-based payments to key management personnel or directors not specified as key management personnel during the periods ended September 30, 2014 and 2013.

Other Data

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

Share Position and Outstanding Options

As at November 24, 2014, the Company's outstanding share position is 86,675,617 common shares and the following incentive stock options are outstanding:

STOCK OPTIONS

Number of options	Exercise price	Expiry date
1,570,000	$0.29	January 7, 2020
100,000	$0.36	May 25, 2020
820,000	$0.69	September 23, 2020
290,000	$0.81	July 26, 2021
2,135,000	$0.20	December 12, 2022
4,915,000		

Significant Investments Accounted For By the Equity Method

As at December 31, 2012, the Company held 9,866,376 common shares of Rackla, representing 19.5% of Rackla's outstanding common shares, as well as 8,521,038 share purchase warrants of Rackla. In 2013, 7,175,700 warrants expired unexercised, leaving a balance of 1,345,338 warrants to purchase common shares of Rackla at $0.10 until October 10, 2014 and 9,866,376 common shares as of September 30, 2014. Subsequent to the period end, the 1,345,338 warrants expired unexercised.

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

The following table shows the continuity of the Company's interest in Rackla for the period from January 1, 2013 to September 30, 2014:

Balance, December 31, 2012	$	493,319
Less: share of losses in associate		(493,318)
Balance, December 31, 2013		1
Balance, September 30, 2014	**$**	**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 $558,382.

The financial statement balances of Rackla are as follows:

	September 30, 2014		**December 31, 2013**	
Total assets	$	217,892	$	1,221,037
Total liabilities		42,875		36,543
Net loss		1,009,477		4,373,259

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 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 only affect disclosure and did not have an impact on the Company's condensed interim 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. The adoption of IFRIC 21 did not have an impact on the Company's condensed interim consolidated financial statements.

Future Changes in Accounting Policies

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

IFRS 9 Financial Instruments

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

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 the United States and emerging nations. The mineral properties in emerging nations 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 US dollars, Guatemalan quetzals, Nicaraguan córdobas, and Mexican pesos. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the US dollar, Guatemalan quetzal, Nicaraguan córdoba, or Mexican peso 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

RADIUS GOLD INC.
INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the nine months ended September 30, 2014
(Expressed in Canadian Dollars)

	USA		Guatemala		Nicaragua	Mexico	
	General Exploration	Mineral Properties	General Exploration	Mineral Properties	General Exploration	General Exploration	**Total**
Camp, food and supplies	$ 112	$ 18,027	$ 3,951	$ -	$ -	$ 6,843	$ 28,933
Drilling	-	304,865	-	-	-	-	304,865
Environment	-	-	-	724	-	-	724
Exploration administration	-	366	4,807	418	453	730	6,774
Geochemistry	-	9,832	166	-	-	32,923	42,921
Geological consulting	7,567	135,445	41,154	-	-	65,925	250,091
Legal and accounting	-	-	4,862	1,238	1,151	3,966	11,217
Licenses, rights and taxes	-	8,197	-	1,433	-	-	9,630
Maintenance	-	-	2,854	-	-	-	2,854
Medical expenses	-	-	4,353	-	-	-	4,353
Public relations	-	-	879	-	-	-	879
Rent and utilities	-	-	10,315	5,158	957	-	16,430
Salaries and wages	-	54,243	19,047	-	3,907	-	77,197
Telephone and communications	-	2,067	-	-	-	375	2,442
Travel and accommodation	1,950	35,888	11,834	-	-	21,166	70,838
	$ 9,629	**$ 568,930**	**$ 104,222**	**$ 8,971**	**$ 6,468**	**$ 131,928**	**$ 830,148**

Mineral Properties Expenditure Detail (*cont'd*)

RADIUS GOLD INC.
INTERIM CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES
For the nine months ended September 30, 2013
(Expressed in Canadian Dollars)

	Guatemala		Nicaragua	Mexico		
	General Exploration	Mineral Properties	General Exploration	General Exploration	Mineral Properties	**Total**
Camp, food and supplies	$ 34,901	$ 408	$ -	$ -	$ 1,032	$ 36,341
Drafting, maps and printing	146	-	-	-	-	146
Exploration administration	7,832	-	-	15,625	-	23,457
Geochemistry	22,732	-	-	487	1,510	24,729
Geological consulting	132,303	36,709	6,211	11,010	256,392	442,625
Legal and accounting	7,728	-	665	6,245	-	14,638
Licenses, rights and taxes	-	665	6,401	-	47,104	54,170
Maintenance	4,247	-	-	-	-	4,247
Materials	1,066	-	31,070	-	-	32,136
Medical expenses	8,467	-	-	-	-	8,467
Miscellaneous	-	186	7,949	-	-	8,135
Public relations	10,423	6,854	-	-	-	17,277
Rent and utilities	6,916	6,002	1,011	-	-	13,929
Salaries and wages	65,174	13,786	67,171	3,049	2,446	151,626
Shipping	1,038	-	-	-	377	1,415
Telephone and communications	7,581	255	1,287	51	-	9,174
Travel and accommodation	36,930	591	-	4,521	6,603	48,645
	$ 347,484	**$ 65,456**	**$ 121,765**	**$ 40,988**	**$ 315,464**	**$ 891,157**