



FINANCIAL REVIEW

Third Quarter ended September 30, 2004

RADIUS GOLD INC.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2004.

RADIUS GOLD INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2004
(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

	September 30, 2004	December 31, 2003
		As Restated (Note 2)
ASSETS		
CURRENT		
Cash and short-term investments	\$ 17,201,112	\$ 14,784,487
Advances and other receivables	94,707	73,150
Due from related parties (Note 8)	180,538	385,061
Prepaid expenses and deposits	107,456	54,541
	17,583,813	15,297,239
PROPERTY PLANT & EQUIPMENT	384,416	152,902
DEFERRED EXPLORATION COSTS	17,470,644	7,657,963
	\$ 35,438,873	\$ 23,108,104
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 294,979	\$ 226,174
Due to related party	-	275,812
	294,979	501,986
SHAREHOLDERS' EQUITY		
SHARE CAPITAL	41,150,612	27,539,692
CONTRIBUTED SURPLUS	2,354,241	1,245,400
	43,504,853	28,785,092
DEFICIT	(8,360,959)	(6,178,974)
	35,143,894	22,606,118
	\$ 35,438,873	\$ 23,108,104

APPROVED BY THE DIRECTORS:

"signed"
 Simon Ridgway, Director

"signed"
 Mario Szotlender, Director

RADIUS GOLD INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENT OF DEFICIT
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2004
(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2004	2003	2004	2003
DEFICIT - BEGINNING OF PERIOD PREVIOUSLY STATED	\$ (7,598,868)	\$ (3,811,741)	\$ (5,168,074)	\$ (3,446,011)
Compensation charge for directors and employees options granted due to change in accounting policy (Note 2)	-	(791,900)	(1,010,900)	-
Restated Beginning of Period Deficit (Notes 2 & 5)	(7,598,868)	(4,603,641)	(6,178,974)	(3,446,011)
Net loss for the period (Note 2)	(762,091)	(419,822)	(2,181,985)	(1,577,452)
	<u>\$ (8,360,959)</u>	<u>\$ (5,023,463)</u>	<u>\$ (8,360,959)</u>	<u>\$ (5,023,463)</u>

RADIUS GOLD INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2004
(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2004	2003 As Restated (Notes 2 & 5)	2004	2003 As Restated (Notes 2 & 5)
REVENUE				
Interest income	\$ 159,566	\$ 17,881	\$ 240,743	\$ 32,770
Other income	3,559	-	3,676	-
	<u>163,124</u>	<u>17,881</u>	<u>244,418</u>	<u>32,770</u>
EXPENSES				
Amortization	9,999	5,750	24,986	16,920
Bank charges and interest	1,123	1,692	4,145	3,601
Consulting fees	14,290	9,240	50,360	26,394
Foreign currency exchange	486	421	21,893	30,776
Legal and accounting fees	32,104	7,123	267,165	8,457
Management fees	15,000	7,500	30,000	22,500
Non-cash compensation charge (Notes 2&5)	702,389	219,000	1,132,191	1,033,067
Office and miscellaneous	3,877	3,765	32,263	16,628
Public relations	72,173	114,630	582,139	214,875
Regulatory and stock exchange fees	3,617	905	33,457	13,355
Rent and utilities	9,615	8,212	26,067	18,941
Repair and maintenance	-	-	-	2,984
Salaries and wages	44,823	46,459	124,206	120,525
Telephone and fax	3,927	1,802	12,166	5,904
Transfer agent fees	3,405	3,159	11,775	8,169
Travel and accommodation	8,388	8,045	73,591	67,126
	<u>925,215</u>	<u>437,703</u>	<u>2,426,403</u>	<u>1,610,222</u>
NET LOSS FOR THE PERIOD	<u>\$ 762,091</u>	<u>\$ 419,822</u>	<u>\$ 2,181,985</u>	<u>\$ 1,577,452</u>
LOSS PER SHARE	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>
NUMBER OF WEIGHTED AVERAGE SHARES	<u>50,685,388</u>	<u>29,091,814</u>	<u>43,348,338</u>	<u>26,471,255</u>

RADIUS GOLD INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2004
(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

	Three Month Period Ended		Nine Month Period Ended	
	September 30,		September 30,	
	2004	2003 As Restated (Notes 2 & 5)	2004	2003 As Restated (Notes 2 & 5)
OPERATING ACTIVITIES				
Net loss for the period	\$ (762,091)	\$ (419,822)	\$ (2,181,985)	\$ (1,577,452)
Items not involving cash				
Amortization included in deferred exploration costs	(717)	-	(717)	-
Amortization	10,716	5,750	25,703	16,920
Non-cash compensation charge	702,389	219,000	1,132,191	1,033,067
	<u>(49,703)</u>	<u>(195,072)</u>	<u>(1,024,808)</u>	<u>(527,465)</u>
Changes in non-cash working capital items	(809,364)	(403,176)	(330,647)	(18,938)
	<u>(859,067)</u>	<u>(598,248)</u>	<u>(1,355,455)</u>	<u>(546,403)</u>
FINANCING ACTIVITIES				
Proceeds on issuance of common shares	56,499	3,145,378	236,637	6,034,195
Share subscriptions converted to common shares	-	-	-	(500,000)
Issue costs of common shares	-	387,665	(1,809)	(354,971)
Cash acquired on acquisition of Pilagold	6,491,647	-	6,491,647	-
	<u>6,548,146</u>	<u>3,533,043</u>	<u>6,726,475</u>	<u>5,179,224</u>
INVESTING ACTIVITIES				
Due to related parties	251,091	55,392	(469,795)	(205,674)
Due from related parties	204,286	(215,853)	349,615	(255,288)
Expenditures on deferred exploration costs	(1,225,066)	(273,957)	(2,599,552)	(742,651)
Purchase of capital assets	(121,238)	(16,625)	(234,664)	(123,950)
	<u>(890,927)</u>	<u>(451,043)</u>	<u>(2,954,396)</u>	<u>(1,327,563)</u>
INCREASE (DECREASE) IN CASH	4,798,152	2,483,751	2,416,625	3,305,258
Cash - beginning of period	12,402,960	2,680,130	14,784,487	1,858,623
CASH - END OF PERIOD	<u>\$ 17,201,112</u>	<u>\$ 5,163,881</u>	<u>\$ 17,201,112</u>	<u>\$ 5,163,881</u>

*SUPPLEMENTAL DISCLOSURE (NOTE 8)

RADIUS GOLD INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2004
(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

	Guatemala		Nicaragua		Dominican	Period Ended September 30, 2004	Year Ended December 31, 2003
	General Exploration	Mineral Concessions	General Exploration	Mineral Concessions	Republic Camila		
ACQUISITION COSTS							
BALANCE - BEGINNING OF PERIOD	\$ -	\$ 1,077,504	\$ -	\$ -	\$ -	1,077,504	\$ 1,077,504
Shares	-	1,937,000	-	-	-	1,937,000	-
Cash	-	-	-	-	-	-	-
Acquired through amalgamation (Note 3)	109,034	2,061,790	185,478	2,552,919	366,191	5,275,412	-
	109,034	3,998,790	185,478	2,552,919	366,191	7,212,412	-
BALANCE - END OF PERIOD	109,034	5,076,294	185,478	2,552,919	366,191	8,289,916	1,077,504
DEFERRED EXPLORATION COSTS							
BALANCE - BEGINNING OF PERIOD	\$ 579,284	\$ 5,331,134	\$ 670,041	\$ -	\$ -	\$ 6,580,459	\$ 5,504,170
Amortization	474	-	244	-	-	717	-
Property Payment/Investigation	6,179	17,546	3,141	31,379	-	58,246	-
Automobile	1,208	19,512	36,036	67,365	-	124,120	48,181
Camp, food and supplies	4,134	17,749	21,958	158,405	-	202,245	66,620
Drafting, maps and printing	278	142	2,364	9,338	-	12,121	10,000
Drilling	-	21,051	-	207,780	-	228,831	6,356
Exploration administration	1,621	2,129	11,251	34,743	-	49,745	145,046
Geochemistry	-	8,755	71,589	204,363	-	284,706	53,126
Geological consulting	31,676	88,929	338,543	348,831	-	807,979	462,843
Other consulting	4,902	60,545	13,129	11,585	5,664	95,825	-
Legal and accounting	12,468	588	12,493	25,246	-	50,796	51,127
Licenses, rights and taxes	20,114	12,846	56,428	57,204	-	146,592	106,953
Materials	199	11,028	5,863	27,153	-	44,243	19,772
Maintenance	-	-	1,743	1,079	-	2,821	-
Miscellaneous	786	1,306	976	2,224	-	5,292	-
Medical expenses	4,013	1,208	10,865	19,440	-	35,526	26,906
Public relations	-	-	-	-	-	-	-
Rent and utilities	13,776	28,215	9,425	23,849	-	75,265	-
Rental equipment	2,276	4,662	-	86	-	7,024	6,141
Salaries and wages	30,258	22,657	46,122	87,108	-	186,144	113,080
Shipping	539	2,160	2,010	3,461	-	8,170	1,452
Telephone and communications	2,108	7,902	4,791	24,178	-	38,979	29,768
Travel and accommodation	5,634	11,514	44,143	66,077	7,514	134,882	55,796
	142,641	340,445	693,111	1,410,893	13,179	2,600,269	1,203,167
BALANCE - END OF PERIOD	721,925	5,671,579	1,363,152	1,410,893	13,179	9,180,728	6,707,337
Expenditures Recovered	-	-	-	-	-	-	(18,546)
Write-off Exploration Costs	-	-	-	-	-	-	(108,332)
BALANCE - END OF PERIOD	\$ 830,959	\$ 10,747,873	\$ 1,548,630	\$ 3,963,812	\$ 379,369	\$ 17,470,644	\$ 7,657,963

Radius Gold Inc.

An Exploration Stage Company
Notes to the Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)
Nine Month Period Ended September 30, 2004
Expressed in Canadian Dollars

1. Nature and Continuance of Operations

Radius Gold Inc. (The Company) was formed by the amalgamation of Radius Explorations Ltd. (Radius) (formerly RDU – TSXV) and PilaGold Inc. (PilaGold) (formerly PRI – TSXV) which became effective on July 1, 2004.

The Company is engaged in acquisition and exploration of mineral properties in Guatemala and Nicaragua. The amounts shown for the mineral properties represent costs incurred to date and do not reflect present or future values. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. Accordingly, the recoverability of these capitalized costs is dependant upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable production.

The consolidated financial statements contained herein include the accounts of Radius Gold Inc. and its wholly-owned subsidiaries located in Guatemala, Nicaragua, Panama and the Dominican Republic

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements except for the change in accounting policy as indicated in note 2. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustment necessary in order to present a fair statement of the results of the interim periods presented.

2. Change in Accounting Policy**Stock-Based Compensation**

The Company grants options in accordance with the policies of the TSX Venture Exchange ("TSX-V"). The Company has adopted the CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring all compensation costs. Commencing January 1, 2004 the fair value of stock options awarded is recognized as an expense. Previously the Company recognized the fair value of stock options issued to consultants as an expense but did not record stock options issued to employees and directors as a compensation expense and disclosed pro-forma information on the fair value of employee and directors stock based compensation issued during the period in the notes to the financial statements.

As a result of the Company adopting the fair value methodology for measuring all compensation costs, the beginning deficit and contributed surplus at January 1, 2004 have been restated by increasing each of them by an amount of \$1,010,900 to recognize the cumulative retroactive adjustment for the fiscal year ended December 31, 2003. The net loss for the nine month period ended September 30, 2003 has been restated, increasing by an amount of \$1,010,900 and for the three month period ending September 30, 2003 the beginning of period deficit has been restated, increasing by an amount of \$791,900 and the net loss for the period has been restated, increasing by an amount of \$219,000 to recognize the adjustment for this period.

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 2

Expressed in Canadian Dollars

3. Amalgamation

- a) Radius and PilaGold shareholders exchanged their shares for shares in Radius Gold Inc. Under the terms of the amalgamation, Radius shareholders received 1 Radius Gold Inc. share for every 1 Radius share held and PilaGold shareholders received 1 Radius Gold Inc. share for every 2.25 PilaGold shares held. PilaGold had 23,140,016 issued shares outstanding at July 1, 2004 which were exchanged for 10,284,452 Radius Gold Inc. shares. Radius's issued shares at July 1, 2004 were 40,306,492 which were exchanged for 40,306,492 Radius Gold Inc. shares. The transaction resulted in the shareholders of Radius acquiring the majority of the outstanding shares of Radius Gold Inc. and has been accounted for using the purchase method with Radius being identified as the acquirer. Accordingly all comparative figures presented are Radius Explorations Ltd. The consolidated statement of operations include the consolidated operations of Radius Explorations from January 1, 2004 to June 30, 2004 and the consolidated operations of Radius Gold Inc. from July 1, 2004 to September 30, 2004 and do not include the consolidated operations of PilaGold from its most recent fiscal year end (March 31, 2004) to June 30, 2004.
- b) The fair value of the acquired net assets of PilaGold were as follows:

Cash	\$6,491,647
Advances and receivables	25,297
Prepaid expenses	28,708
Due from related parties	147,801
Capital Assets	22,553
Deferred exploration costs	5,275,412
Accounts payable	(378,983)
Due to related parties	(193,983)
	<u>\$11,418,452</u>

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 3

Expressed in Canadian Dollars

3. Amalgamation (cont'd)

- c) As described above, the consolidated statement of operations for the nine months ended September 30, 2004 do not include the results of consolidated operations of PilaGold from its last fiscal year (March 31, 2004) to June 30, 2004 as follows:

	Three Month Period Ended June 30, 2004
REVENUE	
Interest income	<u>\$ 21,154</u>
EXPENSES	
Amortization	1,023
Bank charges and interest	623
Consulting	2,603
Courier and postage	1,413
Foreign currency exchange	(17,268)
Legal and accounting fees	24,073
Management fees	7,500
Non-cash compensation charge	-
Office and miscellaneous	7,092
Promotion and travel	108,371
Regulatory and stock exchange fees	176
Rent and utilities	8,540
Salaries and wages	28,635
Subscriptions and memberships	26
Shareholder communication	18,076
Telephone and fax	1,207
Transfer agent fees	<u>6,537</u>
	<u>198,626</u>
LOSS BEFORE OTHER ITEMS	(177,472)
Write off of exploration costs	<u>(6,361)</u>
NET LOSS FOR THE PERIOD	<u>\$ (183,833)</u>
LOSS PER SHARE	<u>\$ (0.011)</u>

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 4

Expressed in Canadian Dollars

4. Due From Related Parties

The amounts are due from companies related by common directors and are for the sharing of office space and administrative overhead. These amounts are non-interest bearing and have no fixed repayment terms.

5. Capital StockAuthorized:

Unlimited common shares without par value

<u>Issued:</u>	<u>Number of Shares</u>	<u>Price</u>	<u>\$</u>
Balance December 31, 2002	22,705,896		11,652,765
Issued for cash	1,000,000	0.50	500,000
Exercise of stock options	275,000	0.60	165,000
Exercise of stock options	155,000	0.65	100,750
Exercise of stock options	255,000	0.68	173,400
Exercise of stock options	30,000	0.90	27,000
Exercise of stock options	20,000	0.94	18,800
Exercise of stock options	20,000	0.95	19,000
Exercise of stock options	130,000	0.99	128,700
Exercise of stock options	40,000	1.00	40,000
Exercise of stock options	10,000	1.01	10,100
Exercise of stock options	50,000	1.25	62,500
Exercise of stock options	170,000	1.35	229,500
Exercise of warrants	1,123,334	0.74	831,267
Exercise of warrants	2,145,000	0.25	536,250
Exercise of warrants	738,750	0.55	406,313
Exercise of warrants	2,982,262	1.25	3,727,828
Private placement	6,545,000	1.50	9,817,500
Less: issue costs	-		(906,980)
Balance December 31, 2003	38,395,242		27,539,692
Exercise of warrants	11,250	0.55	6,188
Exercise of warrants	560,000	0.25	140,000
Issued for property acquisition	1,300,000	1.49	1,937,000
Exercise of stock options	25,000	0.95	23,750
Exercise of stock options	15,000	0.68	10,200
Less: issue costs			(1,809)
Balance June 30, 2004	40,306,492		29,655,020
Amalgamation options 1 Radius for 2.25 PilaGold	10,284,452	1.11	11,415,742
Exercise of warrants	44,444	0.99	44,000
Exercise of warrants	50,000	0.25	12,500
Transfer of contributed surplus on exercise of options	-	15,000 0.49	7,350
Transfer of contributed surplus on exercise of options	-	25,000 0.64	16,000
Less: issue costs	-		-
Balance September 30, 2004	50,685,388		41,150,612

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 5

Expressed in Canadian Dollars

5. Capital Stock (cont'd)**Escrow Shares**

As at September 30, 2004, there are 750,000 common shares held in escrow, the release of which is subject to regulatory approval.

Stock Options

The Company has established a formal stock option plan in accordance with the policies of the 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 equals the market price of the Company's stock as calculated on the date of grant. The options are for a maximum term of five years.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	September 30, 2004		September 30, 2003	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning year	2,220,000	\$0.91	1,530,000	\$0.90
Expired Unexercised	(330,000)	1.35	-	-
	(40,000)	1.00		
	(50,000)	1.32		
Granted	250,000	1.30	940,000	0.68
	425,000	1.32	200,000	0.90
	146,666	0.99	270,000	0.99
	151,110	1.46	10,000	1.01
	22,222	1.58	75,000	0.95
	22,222	2.00	50,000	1.25
	66,666	1.37	300,000	1.10
	44,444	1.98		
	1,090,000	1.00		
	33,333	2.03		
Exercised	(15,000)	0.68	(155,000)	0.65
	(25,000)	0.95	(275,000)	0.60
	(44,444)	0.99	(20,000)	0.94
			(40,000)	1.00
			(200,000)	0.68
			(30,000)	0.90
			(10,000)	1.01
			(50,000)	0.99
Outstanding, end of period	<u>3,967,219</u>	<u>\$0.91</u>	<u>2,595,000</u>	<u>\$0.92</u>

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 6

Expressed in Canadian Dollars

5. Capital Stock (cont'd)**Stock Options (cont'd)**

The following stock options were outstanding and exercisable at September 30, 2004:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
77,000	0.65	Oct. 31, 2004
40,000	0.65	Dec. 12, 2004
64,000	0.60	Nov. 15, 2005
54,000	0.68	Jan. 11, 2006
125,000	0.85	Jan. 24, 2006
140,000	1.00	July 10, 2006
670,000	0.68	Jan. 7, 2008
170,000	0.90	Jan. 15, 2008
140,000	0.99	Jan. 27, 2008
30,000	0.95	April 2, 2008
300,000	1.10	August 7, 2008
150,000	1.30	Jan. 14, 2005
100,000	1.30	Jan. 14, 2009
375,000	1.32	Feb. 26, 2009
102,222	0.99	Sept 24, 2007
151,110	1.46	Jan 29, 2008
22,222	1.58	Feb 18, 2008
22,222	2.00	Apr 2, 2008
22,222	2.03	Apr 22, 2008
11,111	2.03	Aug 7, 2008
66,666	1.37	Aug 13, 2008
44,444	1.98	Jan 15, 2009
35,000	1.00	Sept 2, 2005
405,000	1.00	Sept 2, 2009
650,000	1.00	Sept 6, 2009
<u>3,967,219</u>		

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 7

Expressed in Canadian Dollars

5. Capital Stock (cont'd)**Warrants**

The following share purchase warrants were outstanding at September 30, 2004:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,196,666	2.25	November 20, 2004 *
142,385	2.25	November 20, 2004 **
2,039,800	0.25	December 19, 2004 ***
458,150	1.50	May 13, 2005
<u>3,272,500</u>	<u>1.75</u>	<u>November 13, 2005</u>
<u>7,109,501</u>		

Notes:

* Effective October 25, 2004, these warrants were amended to reduce the exercise price to \$1.75 and to extend the expiry date to November 20, 2005.

** Subsequent to the quarter end, these warrants expired unexercised.

*** Subsequent to the quarter end, all of these warrants were exercised.

Stock-Based Compensation

The Company uses the fair value based method of accounting for share options granted to consultants, directors, officers and employees. A non-cash compensation charge of \$1,132,191, associated with the granting of options to a consultant, directors and employees has been recognized in the financial statements for the nine month period ended September 30, 2004. These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.00%
Expected stock price volatility	68.00%
Expected term in years	5
Expected dividend yield	0.0%

The non-cash compensation charge was increased from \$22,167 for the nine months ended September 30, 2003 to a restated non-cash compensation charge of \$1,033,067, an increase of \$1,010,900 resulting from \$48,000 for the three months ending March 31, 2003, \$743,900 for the three months ending June 30, 2003 and \$219,000 for the three months ending September 30, 2003 (Note 2).

6. Related Party Transactions

During the nine month period ending September 30, 2004 the Company entered into the following transactions with related parties:

Paid \$66,000 (Sept 30, 2003 - \$49,500) in geological consulting fees to a company controlled by a director.

Paid \$30,000 (Sept 30, 2003 - \$22,500) in management fees to a company controlled by a director.

Advances and other receivables include \$38,858 due from directors and arose from advances for travel costs incurred on behalf of the Company.

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 8

Expressed in Canadian Dollars

6. Related Party Transactions (cont'd)

Due from related parties include \$98,621 due from companies which have a common director with the Company and arose from shared administrative costs.

Accounts payable and advances include \$37,296 (Sept 30, 2003 - \$3,709) payable to a company which has a common director with the Company.

7. 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 operation 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 gold 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 resource properties are located in Guatemala, Nicaragua and the Dominican Republic.

Details of identifiable assets by geographic segments are as follows:

	<u>Period Ended</u> <u>September 30, 2004</u>	<u>Year Ended</u> <u>December 31, 2003</u>
Total Assets		
Canada	\$ 19,541,717	\$ 14,119,950
Guatemala	10,959,528	7,904,303
Nicaragua	4,428,439	952,766
Panama	131,085	131,085
Dominican Republic	378,104	
	<u>\$ 35,438,873</u>	<u>\$ 23,108,104</u>
Property Plant & Equipment		
Canada	\$ 59,818	\$ 3,913
Guatemala	103,887	126,242
Nicaragua	220,712	22,747
	<u>\$ 384,416</u>	<u>\$ 152,902</u>
Resource Properties Acquisition		
Canada	\$ -	\$ -
Guatemala	5,185,328	1,077,504
Nicaragua	2,738,397	-
Dominican Republic	366,191	
	<u>\$ 8,289,916</u>	<u>\$ 1,077,504</u>
Deferred Exploration Costs		
Canada	\$ -	\$ -
Guatemala	6,393,503	5,910,418
Nicaragua	2,774,046	670,041
Dominican Republic	13,179	
	<u>\$ 9,180,728</u>	<u>\$ 6,580,459</u>

Radius Gold Inc.

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Nine Month Period Ended September 30, 2004 – Page 9

Expressed in Canadian Dollars

8. Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the nine month period ended September 30, 2004 the Company issued 1,300,000 common shares with a value of \$1,937,000 to acquire Gold Fields interest in the El Tambor Project.

9. Subsequent Events

Subsequent to September 30, 2004, a total of 2,301,800 shares were issued pursuant to the exercise of stock options and private placement warrants, providing the Company with total proceeds of \$728,900.



RADIUS GOLD INC.

(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS **Third Quarter Report – September 30, 2004**

General

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the unaudited interim consolidated financial statements of the Company for the nine months ended September 30, 2004. The following information, prepared as of November 22, 2004, should be read in conjunction with the September 30, 2004 financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated. The September 30, 2004 financial statements have not been reviewed by the Company’s auditors.

Business of the Company

The Company is in the business of acquiring, exploring and developing mineral properties in Central America and has a portfolio of projects in Nicaragua and Guatemala.

An essential part of the Company’s strategy is to evaluate joint venture opportunities for its projects. Management will generally negotiate joint venture agreements if it is felt that such agreements are more likely to add sustainable shareholder value than conducting sole funded exploration programs. To this end, during the past several months, the Company has signed joint venture agreements with Meridian Gold on the El Pavon Project in Nicaragua, with Glamis Gold on the Banderas and Marimba Projects in Guatemala, and Coastport Capital on the San Ramon Concession in Nicaragua.

While exploration activity by the Company on its other properties in Nicaragua has slowed, awaiting the granting of various drill and exploration permits, the Company is focusing on generating new targets within Nicaragua for potential acquisition. In order to utilize the advantages of geographical diversification, management is also evaluating new project opportunities in other countries within the Central American and Caribbean region where the Company has long-term experience and an established business presence.

Significant Transaction

The Company has formed effective July 1, 2004 as a result of the amalgamation of Radius Explorations Ltd. and PilaGold Inc. Details of this transaction are set forth in the Joint Information Circular dated April 30, 2004, which is available for viewing at www.sedar.com under the company profiles of the two predecessor companies.



Accounting Method Regarding Amalgamation

Radius and PilaGold shareholders exchanged their shares for shares in Radius Gold Inc. Under the terms of the amalgamation, Radius shareholders received 1 Radius Gold Inc. share for every 1 Radius share held and PilaGold shareholders received 1 Radius Gold Inc. share for every 2.25 PilaGold shares held. PilaGold had 23,140,016 issued shares outstanding at July 1, 2004 which were exchanged for 10,284,452 Radius Gold Inc. shares. Radius's issued shares at July 1, 2004 were 40,306,492 which were exchanged for 40,306,492 Radius Gold Inc. shares. The transaction resulted in the shareholders of Radius acquiring the majority of the outstanding shares of Radius Gold Inc. and has been accounted for using the purchase method with Radius being identified as the acquirer. Accordingly all comparative figures presented are Radius Explorations Ltd. and the consolidated statement of operations include the consolidated operations of Radius Explorations from January 1, 2004 to June 30, 2004 and the consolidated operations of Radius Gold Inc. from July 1, 2004 to September 30, 2004 and do not include the consolidated operations of PilaGold from its most recent fiscal year end (March 31, 2004) to June 30, 2004.

Results of Operations

For the nine months ended September 30, 2004, the Company had a consolidated net loss of \$2,181,985 (\$0.05 per share) compared to a net loss of \$1,577,452 (\$0.06 per share) for the nine months ended September 30, 2003. Interest income increased for 2004 as compared to 2003 due to a greater amount of funds invested. Corporate expenses increased significantly, due to much greater legal and accounting costs relating to the Company's amalgamation, and an increase in public relations costs in 2004 as compared to 2003 as a result of printing and distributing marketing materials to at least 500,000 persons. There was a significant increase in consulting fees, management fees and administrative costs due to the amalgamation transaction, and, since the amalgamation, administrative costs are greater due to the Company's paying a larger percentage of shared office costs and salaries.

During the nine months ended September 30, 2004, the Company recorded a stock-based compensation expense of \$1,132,191 (\$1,033,067 in the nine months ended September 30, 2003, as adjusted).

Quarterly Information

The following table provides information for the eight fiscal quarters ended September 30, 2004:

	Third Quarter Ended Sept. 30, 2004 (\$)	Second Quarter Ended June 30, 2004 (\$)	First Quarter Ended March 31, 2004 (\$)	Fourth Quarter Ended Dec. 31, 2003 (\$)	Third Quarter Ended Sept. 30, 2003 (\$)	Second Quarter Ended June 30, 2003 (\$)	First Quarter Ended March 31, 2003 (\$)	Fourth Quarter Ended Dec. 31, 2002 (\$)
Total Income	163,124	67,059	14,235	39,378	17,881	10,994	3,896	18,275
Net Loss	762,091	826,094	593,800	1,155,510	419,823	966,983	190,647	263,507
Net Loss per share	0.02	0.02	0.02	0.06	0.01	0.01	0.01	0.01



Liquidity and Capital Resources

The Company acquired \$6,491,647 in cash due to the amalgamation which accounts for the Company's cash resources having increased from \$14.8 million at December 31, 2003 to \$17.2 million as of September 30, 2004. During the nine months ended September 30, 2004, the Company's interest income and proceeds on issuance of shares provided additional cash of \$481,055, which partially offset the operating expenses for the three quarters of \$2,426,403.

Management expects that the Company will have sufficient working capital to meet its corporate and exploration commitments over at least the next 24 months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activity. Management believes it will be able to raise equity capital as required in the long term, but recognizes the uncertainty attached thereto. The Company continues to use various strategies to minimize its dependence on equity capital, including the securing of joint venture partners where appropriate.

Mineral Properties Expenditures

During the nine months ended September 30, 2004, \$483,086 was spent on the Company's mineral properties in Guatemala. Of that amount, the major expenditure categories include \$120,605 for geological consulting fees, \$52,915 for salaries, \$32,960 for licenses and taxes, and \$41,991 for office rent. \$2,104,004 was spent in Nicaragua. Of that amount, the major expenditure categories include \$687,374 for geological consulting fees, \$275,952 for geochemistry, \$207,780 for drilling, \$180,363 for camp food and supplies, \$133,230 for salaries, \$110,220 for travel costs and \$113,632 for licenses and taxes.

During the nine months ended September 30, 2004, the Company increased its interest in the Tambor property by issuing to Gold Fields 1,300,000 shares at a deemed value of \$1.49 per share. This is following Gold Fields' incurring US\$3,500,000 in property development.

Related Party Transactions

During the nine month period ending September 30, 2004 the Company entered into the following transactions with related parties:

1. Paid \$66,000 (September 30, 2003 - \$49,500) in geological consulting fees to a company controlled by a director.
2. Paid \$30,000 (September 30, 2003 - \$22,500) in management fees to a company controlled by a director.
3. Advances and other receivables include \$38,858 due from directors and arose from advances for expenses incurred on behalf of the Company.
4. Due from Related Parties includes \$98,621 due from companies which have a common director with the Company and arose from shared administrative costs.
5. Accounts payable and advances include \$37,296 (September 30, 2003 - \$3,709) payable to a company which has a common director with the Company and arose from shared administrative costs.



Other Data

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

Share Position Outstanding Warrants and Options

The Company's outstanding share position is 52,262,188 common shares, and the following share purchase warrants and incentive stock options are outstanding:

<u>Type of Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Warrants	458,150	\$1.50	May 13, 2005
Warrants	3,272,500	\$1.75	November 13, 2005
Warrants	1,196,666	\$1.75	November 20, 2005
Options	150,000	\$1.30	January 14, 2005
Options	22,222	\$1.46	March 31, 2005
Options	50,000	\$0.99	March 31, 2005
Options	35,000	\$1.00	September 2, 2005
Options	54,000	\$0.60	November 15, 2005
Options	54,000	\$0.68	January 11, 2006
Options	125,000	\$0.85	January 24, 2006
Options	140,000	\$1.00	July 10, 2006
Options	102,222	\$0.99	September 24, 2007
Options	670,000	\$0.68	January 7, 2008
Options	140,000	\$0.90	January 15, 2008
Options	130,000	\$0.99	January 27, 2008
Options	128,888	\$1.46	January 29, 2008
Options	22,222	\$1.58	February 18, 2008
Options	22,222	\$2.00	April 2, 2008
Options	22,222	\$2.03	April 22, 2008
Options	11,111	\$2.03	August 7, 2008
Options	235,000	\$1.10	August 7, 2008
Options	66,666	\$1.37	August 13, 2008
Options	100,000	\$1.30	January 14, 2009
Options	44,444	\$1.98	January 15, 2009
Options	375,000	\$1.32	February 26, 2009
Options	445,000	\$1.00	September 2, 2009
Options	650,000	\$1.00	September 6, 2009
Options	50,000	\$1.50	October 17, 2009
	<u>8,772,535</u>		



Risks and Uncertainties

The business of mineral 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 Company's mineral properties are also located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. Other risks facing the Company include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.

Financial Instruments

The carrying value of cash and cash equivalents, receivables, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Forward Looking Information

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.



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