

RADIUS GOLD INC.  
Form 20-F  
June 29, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2006**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission File Number:

**0-30720**

**RADIUS GOLD INC.**

(Exact name of Registrant as specified in its charter)

**British Columbia, Canada**

(Jurisdiction of incorporation or organization)

**355 Burrard Street, Suite 830, Vancouver, British Columbia, Canada V6C 2G8**

(Address of principal executive offices)

**Securities to be registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name on each exchange on which registered |
|---------------------|---|
| <b><u>None</u></b>  | <b><u>None</u></b>                        |

**Securities to be registered pursuant to Section 12(g) of the Act:**

**Common Shares, without par value**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

53,385,988 Common Shares, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes \_\_\_ No X

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes \_\_\_ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days. Yes X No \_\_\_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer \_\_\_ Accelerated filer \_\_\_ Non-accelerated filer X

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 X Item 18 \_\_\_

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes \_\_\_ No X N/A

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## GLOSSARY OF TECHNICAL TERMS

*In this Annual Report, the following technical terms have the following meanings:*

|                               |   |
|-------------------------------|---|
| <b>vein , veinlet (small)</b> | A tabular mineral deposit formed within or adjacent to faults or fractures by the deposition of minerals from hydrothermal fluids.  |
| <b>AA</b>                     | Atomic absorption.  |
| <b>Adit</b>                   | A passage driven horizontally into a mountainside providing access to a mineral deposit from the surface of the working of a mine.  |
| <b>Ag</b>                     | The elemental symbol for silver.  |
| <b>alteration</b>             | The chemical and mineralogical changes in a rock mass resulting from the passage of hydrothermal fluids.  |
| <b>Anomalous or anomalies</b> | A sample or location in which either (i) the concentration of an element(s) or (ii) geophysical response is significantly different from the average background values that typify an area. |
| <b>anomaly</b>                | The geographical area corresponding to anomalous geochemical or geophysical values.   |
| <b>argillite</b>              | Unusually hard, fine-grained sedimentary rocks, such as shale, mudstone, siltstone, and claystone. Commonly black.  |
| <b>arsenopyrite</b>           | A sulphide of arsenic and iron.   |
| <b>As</b>                     | The elemental symbol for arsenic.   |
| <b>Assay</b>                  | An analysis to determine the presence, absence or quantity of one or more elemental components.   |
| <b>Au</b>                     | The elemental symbol for gold.  |
| <b>Au Eq. g/t</b>             | Denotes gold equivalent grades: gold grade plus silver grades which have been converted to gold grades by using a ratio generally based on the prevailing spot prices of gold and silver.   |

|                       |  |
|-----------------------|--|
| <b>auriferous</b>     | Containing anomalous concentrations of gold.   |
| <b>background</b>     | The average concentration of an element or typical geophysical response in an area.  |
| <b>breccia</b>        | A rock consisting of sharp fragments in fine grained material.   |
| <b>channel sample</b> | A sample which has been collected by continuous sampling across a measured interval, and is considered to be representative of the area sampled.   |
| <b>Cretaceous.</b>    | The geologic period extending from 135 million to 63 million years ago.  |
| <b>development</b>    | Preparation of a mineral deposit for commercial production including installations of plant and machinery and the construction of all related facilities.  |
| <b>Diamond drill</b>  | A type of rotary drill in which the cutting is done by abrasion rather than percussion. The cutting bit is set with diamonds and is attached to the end of long hollow rods through which water is pumped to the cutting face. The drill cuts a core of rock which is recovered in long cylindrical sections, an inch or more in diameter. |
| <b>dip</b>            | The angle which a geological structure forms with a horizontal surface, measured perpendicular to the strike of the structure.   |
| <b>epidote</b>        | Calcium, aluminium, iron silicate mineral commonly occurring in hydrothermally altered carbonate-bearing rocks.  |
| <b>epithermal</b>     | A term applied to high-level hydrothermal systems which form at depths of ~1 km to surficial hot spring settings.  |
| <b>exploration</b>    | The prospecting, mapping, sampling, remote sensing, geophysical surveying, diamond drilling and other work involved in the searching for ore bodies.   |
| <b>FA</b>             | Fire assay.  |
| <b>fault</b>          | A fracture in a rock across which there has been displacement.   |
| <b>fracture</b>       | Breaks in a rock, usually planar.  |
| <b>Gangue</b>         | Minerals that occur with ore minerals, but are sub-economic to recover.  |

|                                   |  |
|-----------------------------------|--|
| <b>Gold Dore</b>                  | A gold and silver alloy produced at a mine prior to refinement into high purity metal.   |
| <b>GPS</b>                        | Global Positioning System a space based satellite positioning system whereby receiver units on the ground or in the air use triangulation from known satellite signals to derive a location in three dimensional space.  |
| <b>graben</b>                     | A downthrown block between two parallel faults.  |
| <b>grab sample</b>                | A sample of selected rock chips collected from within a restricted area of interest.   |
| <b>grade</b>                      | The concentration of an ore metal in a rock sample, given either as weight percent for base metals (e.g. Cu, Zn, Pb) or in grams per tonne (g/t) or ounces per short ton (oz/t) for precious metals. The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit. |
| <b>g/t</b>                        | Grams of per metric tonne. Usually used in association with gold or silver.  |
| <b>Heap leach</b>                 | A process used for the recovery of metals from crushed ore in heaps using a suitable leaching solution.  |
| <b>ha or hectare</b>              | An area totaling 10,000 square metres.   |
| <b>Hg</b>                         | The elemental symbol for mercury.  |
| <b>highly anomalous</b>           | An anomaly which is 50 to 100 times average background.  |
| <b>Host rock</b>                  | The body of rock in which mineralization of economic interest occurs.  |
| <b>hydrothermal</b>               | Pertaining to hot fluids, dominantly water, in the earth's crust which may carry metals and other compounds in solution to the site of ore deposition or wall rock alteration.   |
| <b>ICP</b>                        | A type of assay technique.   |
| <b>intrusive</b>                  | A rock mass formed below earth's surface from magma which has intruded into a preexisting rock mass  |
| <b>limonite (limonitic)</b>       | A mixture of hydrated iron oxides and iron hydroxides. (Pertaining to or containing limonite.)   |
| <b>mesothermal</b>                | A hydrothermal ore deposit typically a vein system- formed at intermediate temperatures (200-300°C) and pressures/depths.  |
| <b>mineral resource,</b>          | Under CIM standards, a mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material   |
| <b>measured mineral resource,</b> | in or on the earth's crust in such form and quantity and of such a   |

**indicated mineral resource,**

**inferred mineral resource**

grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

The terms mineral resource , measured mineral resource , indicated mineral resource , and inferred mineral resource used in this Joint Information Circular are mining terms defined under CIM standards and used in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects. They are not defined terms under United States standards and generally may not be used in documents filed with the SEC by U.S. companies. See Joint Information Circular Notice to United States Securityholders .

A mineral resource estimate is based on information on the geology of the deposit and the continuity of mineralization. Assumptions concerning economic and operating parameters, including cut-off grades and economic mining widths, based on factors typical for the type of deposit, may be used if these factors have not been specifically established for the deposit at the time of the mineral resource estimate. A mineral resource is categorized on the basis of the degree of confidence in the estimate of quantity and grade or quality of the deposit, as follows:

**inferred mineral resource:** Under CIM standards, an inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

**indicated mineral resource:** Under CIM standards, an indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings



and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

**measured mineral resource:** Under CIM standards, a measured mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

|                                    |   |
|------------------------------------|---|
| <b>mineralization</b>              | Minerals of value occurring in rocks.   |
| <b>Mt</b>                          | A million tonnes.   |
| <b>ore</b>                         | A natural aggregate of one or more minerals which, at a specified time and place may be mined, processed and sold at a profit, or from which some part may profitably be separated. |
| <b>Ounce / oz</b>                  | Troy ounce, equal to approximately 31.103 grams.  |
| <b>outcrop</b>                     | An exposure of rock at the earth's surface.   |
| <b>Paleozoic</b>                   | The geological era ranging from 600 million to 230 million years ago.   |
| <b>phyllite</b>                    | A cleaved metamorphic rock having affinities to both schists and slates.  |
| <b>Pleistocene</b>                 | A division of the Tertiary period.  |
| <b>Pliocene</b>                    | A division of the Tertiary period.  |
| <b>pseudomorph</b>                 | One mineral occurring in the crystal form of another.   |
| <b>quartz</b>                      | A common rock-forming mineral (SiO <sub>2</sub> ) that is frequently a dominant constituent of veins, especially those containing gold and silver mineralization.                   |
| <b>Quaternary</b>                  | The latest period of geological time in the stratigraphic column from 0 to 2 million years ago.   |
| <b>RC</b>                          | Reverse Circulation drilling.   |
| <b>rhyolite</b>                    | A silica-rich volcanic rock chemically equivalent to granite. Usually light colored, very fine-grained or glassy-looking.   |
| <b>Sb</b>                          | The elemental symbol for antimony.  |
| <b>scorodite</b>                   | A hydrated iron arsenate, oxidation product of arsenopyrite.  |
| <b>sericite</b>                    | A white variety of muscovite mica.  |
| <b>Silicification / silicified</b> | Complete or partial replacement of a rock by quartz, often during hydrothermal alteration.  |
| <b>Stibnite</b>                    | An antimony sulphide mineral.   |
| <b>stockwork</b>                   | A densely packed network of small veins, veinlets or fissures which may be filled with mineralized material.  |

|                   |   |
|-------------------|---|
| <b>strike</b>     | Azimuth of a plane surface aligned at right angles to the dip of the plane used to describe the orientation of stratigraphic units or structures. |
| <b>Tertiary</b>   | The geological period extending from the end of the Cretaceous (65 million years ago) to approximately 2 million years before the present time.   |
| <b>Tl</b>         | The elemental symbol for thallium.  |
| <b>Tonne</b>      | A metric tonne, 1000 kilograms or 2,204.6 pounds.   |
| <b>travertine</b> | Calcium carbonate deposited by precipitation from carbonate-saturated waters, particularly from hot springs.                                      |
| <b>UTM</b>        | The UTM (Universal Transverse Mercator) system is a world-wide geographic coordinate system defined in meters.                                    |

#### **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report contains forward-looking statements within the meaning of section 21E of the United States Securities Exchange Act of 1934, as amended (the Exchange Act), which represent expectations or beliefs of the Company about future events. These statements can be identified generally by forward-looking words such as expect, believe, anticipate, plan, intend, estimate, may, will or similar words. Information concerning the anticipated drill results and mineral resource estimates also may be deemed to be forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those described in Item 3.D. of this Annual Report under the heading, Risk Factors, and elsewhere in this Annual Report.

The Company's forward-looking statements contained in this Annual Report are made as of the respective dates set forth in this Annual Report. Such forward-looking statements are based on the beliefs, expectations and opinions of management as of the date the statements are made. The Company does not intend to update these forward-looking statements. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

**PART I**

**Item 1.**

**Identity of Directors, Senior Management and Advisers.**

**A.**

**Directors and Senior Management.**

Not Applicable

**B.**

**Advisers.**

Not Applicable

**C.**

**Auditors.**

Not Applicable

**Item 2.**

**Offer Statistics and Expected Timetable.**

Not Applicable

**Item 3.**

**Key Information.**

**A.**

**Selected Financial Data.**

The following tables set forth and summarize selected consolidated financial data for the Company, prepared in accordance with Canadian generally accepted accounting principles ( Canadian GAAP ). The tables also summarize

certain corresponding information prepared in conformity with United States generally accepted accounting principles ( U.S. GAAP ). Canadian GAAP, as applied to the Company, materially differs from U.S. GAAP, as set forth in Note 14 to the Consolidated Financial Statements of the Company.

The information presented in the tables was extracted from the financial statements of the Company. The information presented for the fiscal years ended December 31, 2006, 2005 and 2004 and as at December 31, 2006, 2005 and 2004 was extracted from financial statements of the Company which were audited by Amisano Hanson, Chartered Accountants.

The selected financial data should be read in conjunction with Item 5, Operating and Financial Review and Prospects and in conjunction with the Consolidated Financial Statements of the Company and the Notes thereto contained elsewhere in this Annual Report. The Company's fiscal period ends on December 31 of each year.

The following is a summary of certain selected financial information for the Company's most recently completed fiscal year and for the Company's four preceding fiscal years.

#### Canadian GAAP

Under Canadian GAAP resource property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. Under US GAAP, resource property acquisition costs are considered tangible assets and must be capitalized unless the resource properties do not have proven reserves. The Company has expensed resource property cost as incurred and will capitalize resource property acquisition costs when it has been determined that a resource property can be economically developed as a result of a final feasibility study establishing proven and probable reserves. Costs incurred prospectively to develop the property are capitalized as incurred and are amortized using the units of production method over the estimated life of the ore body based on estimated recoverable ounces mined from proven and probable reserves. Therefore, additional expenses are required under US GAAP for the years ended December 31, 2006, 2005 and 2004.

The following information has been reconciled for U.S. GAAP. See Note 14 to the Consolidated Financial Statements of the Company.

|                                     | (CDN\$ in 000, except per share data) |                   |                   |                   |                   |
|-------------------------------------|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | As at<br>12/31/06                     | As at<br>12/31/05 | As at<br>12/31/04 | As at<br>12/31/03 | As at<br>12/31/02 |
| Working Capital                     | 10,830                                | 13,765            | 17,071            | 14,795            | 1,952             |
| Resource Properties (Cdn GAAP)      | 13,438                                | 13,732            | 16,820            | 7,657             | 6,714             |
| Resource Properties (US GAAP)       | 0                                     | 0                 | 0                 | 0                 | 0                 |
| Long Term Debt (Cdn GAAP)           | 0                                     | 0                 | 0                 | 0                 | 0                 |
| Long Term Debt (US GAAP)            | 0                                     | 0                 | 0                 | 0                 | 0                 |
| Shareholder's Equity (Cdn GAAP)     | (24,599)                              | (27,881)          | (34,265)          | (22,606)          | (8,707)           |
| Shareholders' Equity (US GAAP)      | (11,161)                              | (14,149)          | (17,445)          | (14,948)          | (1,993)           |
| Total Assets (Cdn GAAP)             | 24,823                                | 28,168            | 34,612            | 23,108            | 8,826             |
| Total Assets (US GAAP)              | 11,385                                | 14,436            | 17,792            | 15,450            | 2,112             |
| Revenue                             | 0                                     | 0                 | 0                 | 0                 | 0                 |
| Net Income(Loss) (Cdn GAAP)         | (4,564)                               | (6,679)           | (3,908)           | (1,722)           | (643)             |
| Earnings(Loss) Per Share (Cdn GAAP) | (0.09)                                | (0.13)            | (0.09)            | (0.06)            | (0.04)            |

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|                                    |         |         |          |         |         |
|------------------------------------|---------|---------|----------|---------|---------|
| Net Income(Loss) (US GAAP)         | (4,218) | (3,338) | (12,969) | (2,601) | (2,384) |
| Earnings (Loss)Per Share (US GAAP) | (0.08)  | (0.07)  | (0.29)   | (0.09)  | (0.14)  |
| Dividends Per Share (Cdn GAAP)     | 0       | 0       | 0        | 0       | 0       |
| Dividends Per Share (US GAAP)      | 0       | 0       | 0        | 0       | 0       |
| Wtd.Avg.No.Shares (Cdn GAAP)       | 52,991  | 52,899  | 44,917   | 28,446  | 18,056  |
| Wtd.Avg.No.Shares (US GAAP)        | 52,991  | 52,899  | 44,917   | 28,446  | 17,306  |

Except where otherwise indicated, all information extracted from or based on the Consolidated Financial Statements of the Company are presented in accordance with Canadian GAAP.

No dividends have been declared in any of the years presented above.

Exchange Rate Information

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars. References in this document to \$ and CDN\$ refer to Canadian dollars, unless otherwise specified; and references to US\$ refer to US dollars.

The following table sets forth the high and low rates of exchange for the Canadian dollar, expressed as Canadian dollars per U.S. dollar, for each month during the previous six months and the average of such exchange rates during the five most recent years ended December 31. The average rates presented in the table below represent the average of the exchange rates on the last day of each month during a year for the past five fiscal years. Exchange rates represent the noon buying rate in New York City for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. The noon rate of exchange on June 8, 2007 as reported by the United States Federal Reserve Bank of New York for the conversion of Canadian dollars into United States dollars was US\$1.00 = CDN\$1.0622.

|                                     | <b>Exchange Rate U.S. Dollars into<br/>Canadian Dollars</b> |                |
|-------------------------------------|---|----------------|
|                                     | <b>High</b>   | <b>Low</b>     |
| Month ended May 31, 2007            | \$1.1136  | \$1.0701       |
| Month ended April 30, 2007          | \$1.1583  | \$1.1068       |
| Month ended March 31, 2007          | \$1.1810  | \$1.1530       |
| Month ended February 28, 2007       | \$1.1852  | \$1.1586       |
| Month ended January 31, 2007        | \$1.1824  | \$1.1647       |
| Month ended December 31, 2006       | \$1.1652  | \$1.1415       |
|                                     |   | <b>Average</b> |
| Fiscal year ended December 31, 2006 |   | \$1.1307       |
| Fiscal year ended December 31, 2005 |   | \$1.2083       |
| Fiscal year ended December 31, 2004 |   | \$1.3015       |
| Fiscal year ended December 31, 2003 |   | \$1.4015       |
| Fiscal year ended December 31, 2002 |   | \$1.5704       |

**B.**

**Capitalization and Indebtedness.**

Not Applicable

**C.**

**Reasons for the Offer and Use of Proceeds.**

Not Applicable

**D.**

**Risk Factors.**

No Guarantee of Success of Business

There is no assurance that the business of the Company will be successful.

Foreign Countries and Regulatory Requirements

The mineral projects in which the Company has an interest are located in Nicaragua, Guatemala, Mexico and Ecuador. Mineral exploration and mining activities in these countries may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Future operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriations of property, environmental legislation and mine safety.

Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on any of the Company's properties and the proposed exploration programs are an exploratory search for ore. Unusual or unexpected formation, formation pressures, fires, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in

the conduct of exploration programs. Although the management of the Company has experience in the exploration and development of mineral properties, it has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of minerals mined and fluctuations in the price of any minerals produced.

#### Financing Risks

The Company may not have enough financial resources to complete its currently planned work programs on its properties. There is no assurance that sufficient funding will be available to it for all of such work programs or for the further properties that the Company may acquire. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

#### Uninsurable Risks

Hazards such as unusual or unexpected formations and other conditions are involved in mineral exploration and development. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

#### Titles to Property

While the Company has obtained the usual industry standard title reports with respect to its properties which confirms ownership and that there are no registered encumbrances against the properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or native land claims.

#### Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

#### Mineral Prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

#### Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

#### **Item 4.**

**Information on the Company.****A.****History and Development of the Company**

The Company was incorporated under the name Radius Explorations Ltd. on September 9, 1997 pursuant to the British Columbia Company Act by registration of its Memorandum and Articles. On July 1, 2004, the Company and PilaGold Inc. amalgamated (the Amalgamation) under the British Columbia Business Corporations Act by registration of a Notice of Articles with the new name Radius Gold Inc. See Item 4D, Property, Plant and Equipment, for information regarding capital expenditures made by the Company on its properties.

**B.****Business Overview.**

The Company is a natural resource property exploration company in the exploration stage with no history of cash flows from operations. In 1997, it commenced activities by carrying out exploration work in the Yukon Territory, Canada. In 1999, the Company changed its focus to Latin America and acquired property interests in Mexico and Guatemala. In February, 2001, the Company and its joint venture partner, Barrick Gold Corporation, decided to discontinue exploration work on the El Salitre Project in Mexico. In 2003, the Company commenced exploration in Nicaragua, and as a result of the Amalgamation in 2004, acquired property interests in the Dominican Republic. Also in 2004, the Company returned to Mexico to investigate several prospective properties. In 2005, the Company conducted property investigations in Colombia and Argentina, and in 2006, acquired an interest in a property in Ecuador.

Currently, the Company has property interests in Guatemala, Nicaragua, Mexico and Ecuador. Its exploration activities are largely focused in Nicaragua and Mexico, with some ongoing low-level activity in Guatemala and Ecuador. (See Property and Equipment, below, and Note 5, Notes to the Financial Statements).

Presently, the Company is in the exploration stage and its properties do not contain a known commercially viable minable deposit. There is no assurance that a commercially viable mineral deposit exists on any of the Company's properties, and further exploration is required before a final evaluation of the economic and legal feasibility is determined.

**C.****Organizational Structure.**

The following table sets forth the name of each material subsidiary of the Company, the jurisdiction of its incorporation and the direct or indirect percentage ownership by the Company of such subsidiary.

| <u>Name</u>                             | <u>Date of</u>       |                     | <u>Percentage</u> |
|---|----------------------|---------------------|-------------------|
|   | <u>Incorporation</u> | <u>Jurisdiction</u> | <u>Owned</u>      |
| Exploraciones Minera de Guatemala, S.A. | July 5, 1996         | Guatemala           | 100%              |
| Minerales Sierra Pacifico, S.A.         | November 17, 1999    | Guatemala           | 100%              |
| Minerales de Nicaragua S.A.             | November 18, 2002    | Nicaragua           | 100%              |



|                               |                  |             |      |
|-------------------------------|------------------|-------------|------|
| Radius (Cayman) Inc.          | January 31, 2005 | Cayman Isl. | 100% |
| Pavon (Cayman) Inc.           | January 31, 2005 | Cayman Isl. | 100% |
| Geometalos Del Norte-Geonorte | May 2, 2005      | Mexico      | 100% |

**D.**

**Property and Equipment**

The Company holds rights to properties in Guatemala, Nicaragua and Mexico, as set out in the following map and more particularly described below:

**Guatemala**

1.

**Tambor Project**

The Tambor Property consists of 6 exploration concessions located in south-central Guatemala known as the La Laguna, Unidad Tipo, Santa Margarita, El Injerto, Carlos Antonio and Progreso VII Concessions, as set out in the following map:

The Company entered into an agreement in 2001 with Orogen Holding (BVI) Limited ( Orogen ), an affiliate of Gold Fields Explorations Inc., pursuant to which Orogen acquired the right to acquire a 55% beneficial interest in the Tambor Project in consideration for incurring exploration expenses of at least US\$5,000,000. Orogen subsequently conducted exploration work on the Tambor Project in the approximate amount of US\$3,250,000. In 2003, the Company re-acquired from Orogen all of its interest in the Tambor Project in consideration for the issuance and delivery of 1,300,000 common shares of the Company (issued) to Orogen.

During the year ended December 31, 2004, the Company granted an option to Fortuna Silver Mines Inc. ( Fortuna ) to earn a 60% interest in the El Tambor Project in consideration of Fortuna incurring exploration expenditures totalling US\$4,000,000 over four years. During the year ended December 31, 2005, this agreement was terminated by Fortuna.

George A. Armbrust, PhD., CPG of the firm, Chlumsky, Armbrust and Meyer, LLC of Lakewood, Colorado, prepared a National Instrument 43-101 Technical Report compliant gold resource estimate on the Tambor Project for Radius. That report is dated January 7, 2004 and there are no material changes to the property since the date of this report. The Technical Report has been filed in SEDAR.com. The following is a summary, prepared by Greg Smith, B.Sc., PGeo of the Technical Report, prepared by George A. Armbrust, PhD., CPG.

During late 2006, the Company initiated the planning and development of an underground exploration adit on the Guapinol zone at Tambor.

#### ***Exploration and Development History***

The Tambor Project is located in south-central Guatemala. Tambor is a metasediment and greenstone hosted, structurally controlled mesothermal lode gold deposit. Quartz-gold-arsenopyrite mineralization occurs in veins and breccias localized by kink bands in sheared host rocks. The project hosts at least 13 gold-bearing mineral occurrences spread over a 14km by 6km area.

The Tambor property received progressively more-detailed work programs between 2000 and 2003. The bulk of the work was completed by Gold Fields Ltd who formed a joint venture with The Company in 2001 to explore the property. The initial exploration program included the establishment of 100 line-kilometers of grid and soil sampling. A total of 3,958 soil samples were collected over an 11 square kilometer area. The grid area was also geologically mapped and over 1,400 rocks samples were collected along the 7-kilometer gold trend.

Early work focused on the Bella Vista area, including the Laguna North, Laguna South and JNL targets and on the Tierra Blanca area, all in the western end of the JV property. In the Bella Vista area, 15 hand trenches were excavated on six of the nine known soil anomalies.

During 2002, Gold Fields conducted initial scout drilling on seven areas, mainly on the western end and east end of the JV properties. Of these seven areas, only the Laguna North area has received follow up drilling. In the final months of 2002, high grade quartz vein hosted mineralization with visible gold was located at Guapinol South. Hand excavated trenches there returned values up to 10.1m of 31g/t Au in trench GP-5.

In early 2003, Gold Fields made a new high grade discovery 200 m east of the Guapinol South veins in an area called Poza del Coyote. The first trench on this zone returned a high-grade core of 10.93m at 66.83 g/t Au within a broader lower grade mineralized zone. An initial ten-hole reverse circulation (RC) drilling program returned high grade intercepts in five holes with moderate-grade intercepts in four additional holes.

After completing the first stage drilling at Poza del Coyote, Gold Fields moved a core drill onto the Guapinol South area and had completed 31 core holes by the end of July 2003. About half the holes had high grade intercepts, although some were fairly narrow (1.5 to 2.0 meter core length). The core drill was then moved to Poza del Coyote and the Cliff Zone between there and Coyote. The results from the cliff zone returned some high grade intercepts.

In late 2003, the Company commissioned Chlumsky, Armbrust and Meyer (CAM) to complete a resource estimate on Tambor which was completed (see above).

During February and March 2004, the Company completed a geophysical orientation survey over the Tambor gold project in Guatemala. The survey was designed to test the suitability of a new 3D Induced Polarization (IP) method to locate additional mineralization. A total of 18 line km of surveying was completed on the Guapinol and Laguna Norte zones, over drill sections containing known mineralized intercepts. Initial interpretations suggest that there is a correlation between the known geochemical anomalies and the 3D IP geophysical anomalies.

Management is currently investigating various options for advancing Tambor in the context of recent developments in the gold price. Options include: i) additional exploration of the property by Radius, with bulk sampling of the higher grade quartz lenses completed from limited underground development; and ii) looking for another joint venture partner, such as an established mid-cap gold producer, to advance the project to development. The broader land package at Tambor also includes a number of high priority gold-in-soil anomalies which have yet to be drill tested and that have potential to add to the known resources at Tambor.

In early 2007 permits were obtained and underground exploration commenced at the Tambor project by way of an exploration drift to access the high grade gold zones at Guapinol. The primary objective of the underground work is to better understand the structural controls on the quartz-gold mineralization and hence the potential to develop additional resources. Radius is developing a crosscut through the quartz body which gave the high grade intercept in hole PDD-03-033 (80.5g/t Au over 5.3m). The estimated distance from the adit portal to the target zone of high grade

quartz is 205m. As of 28 June, the adit had advanced roughly 150m and was on track to cut the mineralization at some point in late July.

***Geology, Mineral Deposits and Resources***

Current understanding of the gold mineralization on the Tambor property suggests that it is a classic example of an orogenic ( mesothermal ) lode gold deposit. Specifically, Tambor is a metasediment and greenstone hosted, structurally controlled mesothermal lode gold deposit. Quartz-gold-arsenopyrite mineralization occurs in veins and breccias localized by kink bands in sheared host rocks. The project hosts at least 13 gold-bearing mineral occurrences spread over a 14km by 6km area.

Gold mineralization is associated with the convergence of the North American and Caribbean plates along major structures which evolved from transpressional to transcurrent movement. Mineralization is post-peak metamorphism. The gold zones are structurally controlled discordant veins, quartz-crush zones and vein stock works associated with shear zones.

Gold Fields prepared several resource estimates for Tambor JV properties but has not made them public. The main part of the resource is in the Guapinol South, Cliff and Poza del Coyote area.

In December 2003, Chlumsky, Armbrust and Meyer LLC (CAM) of Lakewood Colorado completed a NI43-101 compliant gold resource estimate for the Tambor Gold Project. Tambor contains 216,000 ounces of gold in inferred resources and 57,800 ounces in indicated resources, according to the independent resource estimate prepared by George A. Armbrust, Ph.D. CPG, Kenneth L. Meyer, Robert L. Sandefur P.E. and William Walker, PhD of CAM.

Significantly, CAM commented that there are at least 2 major gold-in-soil anomalies with associated anomalous rock samples that have yet to be drill tested: a substantial strike length of strong gold-in-soil geochemistry associated with gold values in rock samples exists to the west of the Guapinol South-Cliff Zone trend, and another similar zone occurs roughly 1 km to the north of, and parallel to, Guapinol. Accordingly, CAM states that it is considered likely that the current resource (*at Tambor*) could be doubled or tripled or even more with a concerted drilling program .

CAM s resource estimate is tabulated below:

Cautionary Note to U.S. Investors concerning estimates of Indicated Resources

This section uses the term indicated resources . We advise U.S. investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **U.S. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

**Tambor: Indicated Resource Estimate**

| <b>Area</b>               | <b>Tonnes</b>  | <b>Grade (g/t Au)</b> | <b>Contained Gold (Ounces)</b> |
|---------------------------|----------------|-----------------------|--------------------------------|
| Guapinol South Cliff Zone | 336,000        | 3.910                 | 42,200                         |
| Poza del Coyote           | 120,000        | 4.024                 | 15,500                         |
| <b>Total</b>              | <b>456,000</b> | <b>3.940</b>          | <b>57,800</b>                  |

Cautionary Note to U.S. Investors concerning estimates of Inferred Resources

This section uses the term inferred resources. We advise U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. Inferred resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. **U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.**

#### **Tambor: Inferred Resource Estimate**

| <b>Area</b>               | <b>Tonnes</b>    | <b>Grade (g/t Au)</b> | <b>Contained Gold (Ounces)</b> |
|---------------------------|------------------|-----------------------|--------------------------------|
| Guapinol South Cliff Zone | 368,000          | 5.325                 | 63,000                         |
| Poza del Coyote           | 228,000          | 4.219                 | 31,000                         |
| Laguna North              | 1,951,000        | 1.950                 | 122,200                        |
| <b>Total</b>              | <b>2,547,000</b> | <b>2.641</b>          | <b>216,200</b>                 |

There has been no mining surface or underground development conducted at Tambor other than surface exploration trenching of soil anomalies.

2.

#### Marimba and Holly/Banderas Projects

(a)

##### Marimba Project

At December 31, 2006, the Company held a 100% interest in the Marimba Project, which consisted of two exploration concessions, located in southeastern Guatemala covering approximately 23,500 hectares.

During the year ended December 31, 2005, the Company decided, based on its exploration results to date, to do no further exploration on the property, and wrote-off \$1,515,242 in costs to operations. Subsequent to December 31, 2006, the Company terminated its rights to the property concessions.

(b)

##### Holly/Banderas Project

The Company holds a 100% interest in the Holly/Banderas Project which consists of two exploration concessions covering approximately 48,048 hectares.

During the year ended December 31, 2004, the Company entered into an agreement with Glamis, giving Glamis an option to explore and develop the Holly/Banderas and Marimba properties. The agreement gave Glamis the right to acquire a 51% interest in the properties by spending US\$4 million over a four-year period. During the year ended December 31, 2006, Glamis terminated its option on these properties.

During the year ended December 31, 2005, the Company explored additional areas around Holly/Banderas and wrote-off \$3,993 of these costs to operations.

### **Nicaragua**

1.

#### San Pedro Project

The San Pedro Project lies in east central Nicaragua. Access to San Pedro is via truck from Copalar to San Pedro (2 hrs), boat to La Estrelia (20mins), followed by a 5km horse ride to the camp, 5km. From the camp it is possible to walk to all of the showings in the northwest of the San Pedro project, which cover a 2km by 1.5km area. In the dry season you can drive to about 1km west of the zone.

The San Pedro Project is comprised on one concession, as shown on the following map:

In early 2005, the Company's exploration efforts focused on expanding the limits of the known mineralization and completing detailed mapping and soil and rock geochemistry across key areas of the property. The work included ground geophysics, completion of the soil grid and follow-up of the anomalies, trenching and discovery of new zones at Bella Vista and Dyke Zone.

In May 2005, a single fence of holes was drilled across 300m of the northernmost PM Zone. Although stockwork bulk-mineable gold mineralization between the main vein structures was not discovered, the drilling did intersect several narrow but high-grade veins with gold results of 1.5m @ 17.5 g/t Au in hole SPDH-09 and 5.5m @ 5.5 g/t Au in hole SPDH-10. Because of poor core recovery, these results are qualitative and additional drilling using a larger rig is recommended. The mineralized outcrop and gold-in-soil anomaly at the PM zone is roughly 2.5 km long, so most of the zone remains untested. Radius is in the process of obtaining government and community approval for a second phase of drilling. Hand trenching has been done on most of the zones and the Company received in 2006 government and community approval for a second phase of drilling. The Company is currently seeking a joint venture partner to further advance the property.

No Resource or Reserve has been defined within the San Pedro Project. No underground exploration has occurred on the San Pedro Project. No surface equipment or plant exists at the San Pedro Project.

2.

### Natividad Project

Natividad is located in central Nicaragua, a 5 hour drive from Managua and about 1 hour from the town of Waslala. It outcrops on a main road and access to most parts of the project area is possible by foot or on horse back. It is located in a hilly agricultural region largely given over to cattle grazing. The original forest cover has been cut down over many years by slash and burn farmers. The details of the Natividad property, which consists of five of the Company's granted concessions and three of the applications, are set out in the below map:

The Company entered into a joint venture agreement with Meridian on September 22, 2004, with an effective date of May 25, 2005, giving Meridian the option to acquire a 60% interest in the Natividad Project. Towards earning the interest, Meridian spent a minimum of US\$4.0 million on the property, having completed a total of 43 holes in 2005, and an additional 27 holes in the second phase as of September 30, 2006 (a total of 4,430m of drilling). The 2006 drilling tested the Manceras, Las Brisas, Ahumada, Pavon Central and Pavon North veins. In October, Meridian



received permission to drill at the Las Vallas zone and approximately 1,000m was drilled in the last months of the year.

Overall the results from these drill campaigns were disappointing and failed to extend the mineralized shoots intersected in last year's drilling. Strong veining with highly favourable textures was intersected but results generally failed to exceed 2 g/t gold.

In January, 2007, Meridian completed its work at Natividad. No further results of interest were received and Meridian informed the Company that it was withdrawing from the Natividad joint venture once the camp and drill pads have been rehabilitated. This work should be completed by July 2007 and the property and all data will be returned to the Company.

No Resource or Reserve has been defined within the Natividad Project. No underground exploration has occurred on the Natividad Project. No surface equipment or plant exists at the Natividad Project.

3.

#### India Norte Property

The Company's teams recently discovered a new, potentially significant vein system in northwest Nicaragua called the India Norte vein system, as set out in the following map:

India Norte is 100% owned by the Company and lies close to the old La India mining camp approximately 70 km from Managua. The Company has identified a series of quartz veins and stock work zones associated with a cluster of rhyodacite domes approximately 5 km north of the La India vein system. The Company has defined a north-west trending mineralized structure over 2.5 km long with gold-mineralized stock works up to 30 m in true width locally. Initial trench sampling returned low to moderate grade gold results but over significant widths.

There is reason to believe that the Company's work to date has identified the upper parts of an extension to the formerly productive La India vein system. In La India mining camp the productive zone of the veins mined ranges from an elevation of 500 m ASL down to as low as 50 m ASL. The trenches sampled by the Company at India Norte are from well above that elevation, ranging from 550m ASL to over 700m ASL, indicating significant potential for economic gold-bearing veins at deeper levels. A drill plan has been prepared and a drill permit application has been filed with the relevant authorities.

No Resource or Reserve has been defined within the India Norte Property. No underground exploration has occurred on the India Norte Property. No surface equipment or plant exists at the India Norte Project.

4.

#### Trébol Property

The Trébol Property is comprised of two granted concessions and one concession application located within the Region Autonoma Atlantico Norte in northeastern Nicaragua, as set out in the following map:

The area covers at least two new epithermal vein systems exposed on a series of low-lying ridges. A gold-bearing epithermal system comprising 3 individual vein trends has been mapped over a distance of 2 km. The veins are of typical low-sulphidation affinity and comprise banded quartz breccias and stockworks, with visible gold noted at some locations. Trenches were excavated at four locations over a strike length of 1.2 km, and the limits of the mineralized system are still unknown. The prominent low ridges that appear to define the mineralized bodies continue along trend for several kilometers and have yet to be prospected.

| Trench Number | Sampled Interval | Weighted Average Au g/t |
|---------------|------------------|-------------------------|
| TRSD-01       | 13.5             | 0.24                    |
| TRSD-02       | 10.4             | 1.34                    |
| TRSD-03       | 18.0             | 1.46                    |
| TRSD-04*      | 10.5             | 9.1                     |

\* includes 0.75m @ 13.1 g/t Au and 0.75m @ 66.2 g/t Au with abundant visible gold observed

Trenches TRSD-01 to -03 are located in a broad, well developed stockwork zone whereas trench TRS-04, topographically lower, exposes a quartz/adularia banded vein with abundant visible gold associated with manganese and iron oxides.

This prospect is located in a remote region of northern Nicaragua where environmental and social issues must be considered at every stage of the development. The Company's exploration team is therefore establishing an exploration camp and will work closely with the local communities at each step of the exploration program to ensure broad community support for the work. Further geological work is planned including mapping, prospecting and excavating of more trenches, in order to define the size of the mineralized system.

No Resource or Reserve has been defined within the Trébol Property. No underground exploration has occurred on the Trébol Property. No surface equipment or plant exists at the Trébol Property.

### **Ecuador**

In November 2006, the Company signed an option agreement with Minera Cachabi C. Ltda. ( Mineca ), an Ecuadorian company, whereby the Company may earn a 70% interest in the Cerro Colorado high sulphidation gold project in Azuay province, southern Ecuador by incurring exploration expenditures of US\$3-million by the third anniversary of the commencement of drilling on the project. In addition, the Company must make staged cash payments to Mineca of US\$1-million, with US\$100,000 paid on signing of the agreement, a further \$125,000 payable when Radius begins drilling on the project, and additional cash payments totalling \$775,000 to be made up to and including the third anniversary of commencement of drilling. The Company must also fund and prepare a feasibility study on or before the fifth anniversary of the start up of drilling. Once the Company has earned its 70% interest in the project, the Company and Mineca will negotiate a joint venture agreement to develop the project.

The project lies at an elevation of 2,400 to 3,200m, and is 80km south of the city of Cuenca. It was explored by Newmont during the 1990s, and some 800 rock chip samples were collected. Opposition at the time by some of the local communities influenced Newmont's decision to abandon the project in 1992. Newmont's work identified three priority targets:

1.

Cerro Colorado is a 200m diameter hill with abundant pervasive silicification and was Newmont's main target area. The area has been tentatively interpreted as being at the roots of a large silica Yanacocha-type system. Values of

trace to 2.7g/t Au have been recovered from grab and chip sampling of the zone. The size of the alteration and the extent of the silicification make Cerro Colorado a high priority drill target.

2.

The Reservoir anomaly is located at the north end of the greater Cerro Colorado project area. The anomaly consists of poorly outcropping sub vertical ribs of spongy silica with anomalous gold values. The main drill target consists of outcrops of altered limonitized and silicified ignimbrite which assays from trace to 1.1 g/t Au.

3.

The Bola Rumi zone is situated 5km south of Cerro Colorado and consists of silica replacements within schistose Paleozoic or younger rocks. Anomalous gold values from trace to 4.5 g/t Au were returned from sampling. Quartz replacements occur for roughly 1km along strike. The Bola Rumi target also contains the highest silver values returned from Cerro Colorado with several values of up to 60g/t returned from the western end of the Bola Rumi area. This is quite distinct from the other anomalies, where Ag values are low (<5g/t).

The Company's initial work at Cerro Colorado has focused on community relations to secure permission from the local community to drill the project. Community liaison is continuing and we have engaged local Ecuadorian specialists to consult with the local community on the Company's behalf.

Also, in the light of recent political uncertainty over the Ecuadorian government's future intentions towards international mining investment, management has adopted a low key approach towards progressing Cerro Colorado.

## **Mexico**

From January through to April 2006, the Company undertook property visits and evaluations of third party properties in the states of Jalisco, Sinaloa, Michoacan and Guanajuato. The Amatista project, a low sulfidation gold-silver system in the state of Nayarit, was optioned in 2005. Exploration results were however disappointing and the option agreement was terminated in April, 2006. None of the other projects were sufficiently interesting to justify the Company's pursuing them further. In the second half of 2006, the Company carried out a low-key reconnaissance exploration program in the state of Jalisco. Several areas of silver-gold bearing quartz veins were identified, locally associated with stock work zones and quartz tourmaline breccias. Sampling, however, returned weak metal values and no further work is planned.

In the fourth quarter of 2006 a reconnaissance program was commenced in the states of Chiapas and Oaxaca, and the Company has continued actively undertaking exploration work in the region throughout the quarter. Several areas of anomalous gold and silver values in both stream sediment and rock have been identified, and applications for several concessions have been made. Additional follow up work is ongoing as is further reconnaissance work. Details on the various areas will be reported once Radius has secured title.

## **Item 5.**

### **Operating and Financial Review and Prospects.**

#### **Overview**

At the date of this Annual Report, the Company has not been able to identify a known body of commercial grade ore on any of its properties, and the ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the

property, or being able to realize the costs incurred on a subsequent disposal of the property.

The following discussion and analysis of the financial condition and operating results of the Company for the three years ended December 31, 2006, 2005 and 2004 should be read in conjunction with the Consolidated Financial Statements and related notes to the financial statements which have been prepared in accordance with Canadian GAAP. The discussion and analysis set forth below covers the results measured under Canadian GAAP. Material differences between the application of Canadian GAAP and U.S. GAAP to the Company's audited financial statements exist as described in Note 14 to the Consolidated Financial Statements.

### **Strategic Transaction**

In 2004, Radius Explorations Ltd. and PilaGold Inc. amalgamated (the Amalgamation) and continued as one company, Radius Gold Inc., pursuant to the provisions of the British Columbia Business Corporations Act. The holders of Radius Explorations shares received one (1) Radius Gold share for every one (1) Radius Explorations share held, and PilaGold shareholders received one (1) Radius Gold share for every two and one-quarter (2.25) PilaGold shares held.

A.

### **Operating Results.**

### **Critical Accounting Policies**

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles which conform, in all material respects, with those generally accepted in the United States of America, except as explained in Note 14. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement and within the framework of the significant accounting policies summarized below.

a)

#### Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

i)

Minerales Sierra Pacifico S.A. and Exploraciones Mineras de Guatemala S.A., companies incorporated under the laws of Guatemala;

ii)

Minerales de Nicaragua S.A. and Desarrollo Geologico Minerao, S.A., companies incorporated under the laws of Nicaragua;

iii)

Recursos Del Cibao, S.A., a company incorporated under the laws of the Dominican Republic;

iv)

Radius Panamá Corporation, Weltern Resources Corp. and Corporación Geológica de Panamá, companies incorporated under the laws of Panamá.

v)

Radius (Cayman) Inc. and Pavon (Cayman) Inc., companies incorporated under the laws of Cayman Island; and

vi)

Geometalos Del Norte-Geonorte, a company incorporated under the laws of Mexico.

All significant inter-company transactions have been eliminated upon consolidation.

b)

Cash and Cash Equivalents

Cash and cash equivalents included highly liquid investments with original maturities of three months or less.

c)

Marketable Securities

Marketable securities are recorded at the lower of cost or market value.

d)

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

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

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

e)

Property, Equipment and Amortization

Property and equipment are recorded at cost. Equipment is amortized over their estimated useful lives using the following methods:

|                         |                       |
|-------------------------|-----------------------|
| Leasehold improvements  | 5 years straight-line |
| Trucks                  | 5 years straight-line |
| Computer equipment      | 30% declining balance |
| Geophysical equipment   | 20% declining balance |
| Furniture and equipment | 20% declining balance |
| Website                 | 30% declining balance |

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

f)

Financial Instruments

Under the provisions of the Canadian Institute of Chartered Accountants 3855 Financial Instruments Recognition and Measurement the financial assets and liabilities of the Company are designated as other financial assets and liabilities, accordingly they are initially measured at fair value, which is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties under no compulsion to act.

Subsequent to initial measurement at fair value, any gain or loss experienced on derecognition or impairment of the asset or liability is recorded in the statement of income.

The Company's financial instruments comprise cash and cash equivalents, marketable securities, advances and other receivables, due from related parties, accounts payable and accrued liabilities and due to related party. Cash and cash equivalents, marketable securities, advances and other receivables, accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term nature. The fair value of the amount due to and from related parties has not been disclosed due to the fact that the cash flow stream is not determinable.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, exchange or credit risks arising from these financial instruments.

g)

Basic and Diluted Loss Per Share

Basic loss per share ( LPS ) is calculated by dividing loss applicable to common shareholders by the weighted average number of common shares outstanding for the year. Diluted LPS reflects the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. Due to the losses, potentially dilutive securities were excluded from the calculation of diluted LPS, as they were anti-dilutive. Therefore, there is no

difference in the calculation of basic and diluted LPS.

h)

#### Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income taxes assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

i)

#### Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

j)

#### Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 6, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. 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 share purchase options.

k)

#### Asset Retirement Obligation

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put to use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset.

At December 31, 2006, the fair value of the mineral properties site restoration costs is not significant.

l)



## Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

## Results of Operations

### Year Ended December 31, 2006 compared to December 31, 2005

For the fiscal year ended December 31, 2006, the Company had a consolidated net loss of \$4,563,806 (\$0.09 per share) compared to a net loss of \$6,679,398 (\$0.13 per share) for the fiscal year ended December 31, 2005. Corporate expenses (not including stock-based compensation, amortization and exploration costs write-offs) in 2006 were about 2/3 of the total 2005 corporate expenses. Categories of corporate expenses which were significantly lower in 2006 were legal and accounting, public relations and travel. Due to investments maturing during 2006, the total interest income earned in 2006 was greater than in 2005.

### Year Ended December 31, 2005 compared to December 31, 2004

For the fiscal year ended December 31, 2005, the Company had a consolidated net loss of \$6,679,398 (\$0.13 per share) compared to a net loss of \$3,908,339 (\$0.09 per share) for the fiscal year ended December 31, 2004. The large increase in overall loss is mostly due to a \$5,917,734 write-off of explorations costs in the current year, compared with a \$1,350,205 exploration cost write-off in 2004. Offsetting this increased expense, the 2005 non-cash compensation charge was \$40,850, compared to \$1,173,784 in 2004. Professional fees and shareholder communication costs were significantly less in 2005 than in 2004. Investment income in 2005 was lower than in 2004 due to redemption of bonds and the diversification of the Company's investment portfolio. During the year ended December 31, 2005, the Company received other income of \$72,655 from administration fees paid by Meridian Gold pursuant to the Natividad joint venture, and from shared office costs.

### Year Ended December 31, 2004 compared to December 31, 2003

The Company reported a net loss for the fiscal year ended December 31, 2004 of 3,908,339 (\$0.09 per share), compared to a loss of \$1,722,063 (\$0.06 loss per share) for the fiscal year ended December 31, 2003. Interest income for 2004 increased significantly compared to 2003 due to a greater amount of funds invested in cash equivalents. Corporate expenses increased in almost all categories. Public relations costs were much greater in early 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 professional 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 fiscal year ended December 31, 2004, the Company recorded a stock-based compensation expense of \$1,173,784 (\$234,500 in 2003, as adjusted).

## Mineral Properties

### Year Ended December 31, 2006

Guatemala - During the fiscal year ended December 31, 2006, \$283,898 was spent on exploration of mineral properties in Guatemala. Of that amount, the major expenditure categories include \$77,043 for geological consulting fees, \$40,698 for salaries, \$30,678 for rent and utilities, and \$24,703 for licences, rights and taxes.

Nicaragua - During the fiscal year ended December 31, 2006, the Company incurred \$1,305,103 in exploration costs in Nicaragua. Of that amount, the major expenditure categories include \$433,503 for geological consulting fees, \$182,028 for geochemistry, and \$117,140 for salaries. Deferred acquisition and exploration costs totalling \$1,650,886 were written-off during the year, for properties on which no further work is warranted.

Mexico - During the fiscal year ended December 31, 2006, the Company spent \$753,909 in exploration costs in Mexico. Of that amount, the major expenditure categories include \$368,283 for geological consulting fees, \$69,991 for geochemistry and \$37,106 for salaries. Deferred acquisition and exploration costs totalling \$1,348,844 were written off during the year, for properties on which no further work is warranted.

Ecuador - During the fiscal year ended December 31, 2006, the Company spent \$113,130 in acquisition costs and \$4,734 for exploration on the Cerro Colorado in Ecuador.

Other - During the fiscal year ended December 31, 2006, the Company spent \$4,129 on property investigations in Canada, and wrote-off a total of \$53,072 in property investigation costs in Argentina, Colombia and Tanzania.

#### **Year Ended December 31, 2005**

Guatemala - During the fiscal year ended December 31, 2005, \$92,652 was spent on exploration of mineral properties in Guatemala. Of that amount, the major expenditure categories include \$38,474 for geological and other consulting fees, and \$20,696 for legal and accounting. Deferred exploration costs totalling \$1,738,478 were written off during the year.

Nicaragua - During the fiscal year ended December 31, 2005, the Company incurred \$1,932,109 in exploration costs in Nicaragua. Of that amount, the major expenditure categories include \$742,205 for geological and other consulting fees, \$236,225 for geochemistry, \$181,573 for salaries, and \$123,201 for licences and taxes, and \$122,956 for travel and accommodation. Deferred exploration costs totalling \$3,580,559 were written off during the year.

Mexico - During the fiscal year ended December 31, 2005, the Company spent \$231,913 on acquisition of mineral concessions in Mexico and incurred \$531,971 on exploration of those properties. The major exploration expenditure categories include \$252,783 for geological and other consulting fees, \$93,433 for travel and accommodation, and \$39,929 for automobile costs.

Argentina - During the fiscal year ended December 31, 2005, the Company spent \$29,524 on property investigations in Argentina.

Colombia - During the fiscal year ended December 31, 2005, the Company spent \$7,461 on property investigations in Colombia.

#### **Year Ended December 31, 2004**

During the fiscal year ended December 31, 2004, \$587,089 was spent on exploration of the Company's mineral properties in Guatemala. Of that amount, the major expenditure categories include \$234,986 for geological and other consulting fees, \$63,190 for salaries, \$55,612 for licenses and taxes, and \$48,572 for office rent. \$893,643 in property investigation costs spent in Guatemala was written off during the year.

In February 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.

During the fiscal year ended December 31, 2004, \$2,422,462 was spent in Nicaragua. Of that amount, the major expenditure categories include \$833,577 for geological and other consulting fees, \$310,181 for geochemistry, \$205,998 for drilling, \$192,878 for camp food and supplies, \$174,726 for salaries, \$130,319 for travel, \$129,072 for automobile costs, and \$118,248 for licenses and taxes. \$456,562 in property investigation costs spent in Nicaragua was written off during the year.

During 2004, the Company spent \$46,006 in Mexico in connection with the investigation of properties for possible acquisition.

### **Per Share Losses**

Both the net losses and the losses per share increased from the year 2004 to 2005 and then decreased in 2006. The increases from 2004 to 2005 were due mainly to a large property write-off in 2005. Corporate expenditures decreased from 2004 through 2006 corresponding to decreasing exploration activity in the Company.

### **Outlook**

Management expects that the Company will have sufficient working capital to meet its corporate and exploration commitments over 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.

### **B.**

#### **Liquidity and Capital Resources**

##### **Year ended December 31, 2006 compared to December 31, 2005**

The Company's cash and marketable securities decreased from approximately \$13.35 million at December 31, 2005 to \$9.96 million at December 31, 2006. During the year ended December 31, 2006, the Company spent \$2,764,207 in exploration and equipment costs and \$640,946 on corporate expenses. Working capital at December 31, 2006 was \$10.83 million compared to \$13.77 million at December 31, 2005.

##### **Year ended December 31, 2005 compared to December 31, 2004**

The Company's cash and marketable securities decreased from \$16.53 million at December 31, 2004 to \$13.36 million at December 31, 2005. Working capital at December 31, 2005 was \$13.76 million compared to \$17.07 million at December 31, 2004.

##### **Year ended December 31, 2004 compared to December 31, 2003**

During the 2004 fiscal year, the Company's cash resources decreased by \$10,406,641 compared to an increase of \$12,927,332 in 2003. The 2004 decrease is due mainly to the Company having spent a significantly greater amount on deferred exploration and on the purchase of marketable securities than in 2003. During the fiscal year ended December 31, 2004, the Company's interest income, proceeds on issuance of shares, and acquisition of cash from the

Amalgamation provided additional cash of \$7,963,522, while the cash component of operating expenses for the year was \$1,537,547.

As at December 31, 2004, the Company had working capital of approximately \$17.1 million compared to working capital of \$14.8 million as at the fiscal year ended December 31, 2003.

The Company's paid up share capital as at December 31, 2004 was \$42,060,982 representing 53,091,188 common shares without par value. The contributed surplus of \$2,290,834 plus share capital, together with a deficit of \$10,087,313, results in shareholders equity of \$34,264,503. Details of share capital issuances are discussed in Note 8 to the Financial Statements. Subsequent to the 2004 fiscal year, the Company received an additional \$240,140 from the exercise of stock options and share purchase warrants.

**C.**

**Research and Development, Patents and Licenses, etc.**

Not applicable.

**D.**

**Trend Information.**

The Company is an exploration stage natural resource company engaged in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Consequently, there is no production, sales, or inventory in the conventional sense. The Company's financial success will be dependent upon the extent to which it can discover mineralization and the economic viability of developing such properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control such as the market value of the commodities produced.

The Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

**E.**

**Off-balance Sheet Arrangements**

Not applicable.

**F.**

**Tabular Disclosure of Contractual Obligations**

The following table lists as of December 31, 2006 information with respect to the Company's known contractual obligations.

## Payments due by period

|  | <i>Total</i> | <i>1st year</i> | <i>2nd year</i> | <i>3rd year</i> | <i>4<sup>th</sup> year</i> | <i>5<sup>th</sup> year</i> |
|--|--------------|-----------------|-----------------|-----------------|----------------------------|----------------------------|
| <i>Contractual Obligations</i>   |              |                 |                 |                 |                            |                            |
| Long-Term Debt Obligations   | 0            |                 | 0               | 0               | 0                          | 0                          |
| Capital (Finance) Lease Obligations  | 0            |                 | 0               | 0               | 0                          | 0                          |
| Operating Lease Obligations <sup>(1)</sup>   | \$672,816    | \$129,598       | \$133,556       | \$133,916       | \$137,874                  | \$137,874                  |
| Purchase Obligations   | 0            |                 | 0               | 0               | 0                          | 0                          |
| Other Long-Term Liabilities Reflected on the Company's Balance Sheet under Canadian GAAP | 0            |                 | 0               | 0               | 0                          | 0                          |
| Total  | \$672,816    | \$129,598       | \$133,556       | \$133,916       | \$137,874                  | \$137,874                  |

(1)

Amount indicated is the office rent lease for the Company's head office in Vancouver, BC.

**G.****Safe harbour**

See Note Regarding Forward-Looking Statements.

**H.****Share Issuance**

The following table summarizes share issuances by the Company during the past five years:

| <u>Year</u> | <u>Type of Transaction</u> | <u>No. of Shares</u> | <u>Price per Share</u> | <u>Total Consideration</u> |
|-------------|----------------------------|----------------------|------------------------|----------------------------|
| 2006        | Stock Option Exercises     | 75,000               | \$0.68                 | \$51,000                   |
| 2005        | Stock Option Exercises     | 40,000               | \$0.90                 | \$36,000                   |
|             | Stock Option Exercises     | 50,000               | \$0.99                 | \$49,500                   |
|             | Stock Option Exercises     | 35,000               | \$1.00                 | \$35,000                   |
|             | Stock Option Exercises     | 37,800               | \$1.30                 | \$49,140                   |
|             | Warrant Exercises          | 57,000               | \$1.50                 | 85,500                     |

|      |                        |            |        |              |
|------|------------------------|------------|--------|--------------|
| 2004 | Amalgamation           | 10,284,452 | \$1.11 | \$11,415,742 |
|      | Stock Option Exercises | 35,000     | 40.60  | \$21,000     |
|      | Stock Option Exercises | 117,000    | \$0.65 | \$76,050     |
|      | Stock Option Exercises | 69,000     | \$0.68 | \$46,920     |
|      | Stock Option Exercises | 30,000     | \$0.90 | \$27,000     |
|      | Stock Option Exercises | 55,000     | \$0.95 | \$52,250     |
|      | Stock Option Exercises | 79,444     | \$0.99 | \$78,650     |
|      | Stock Option Exercises | 65,000     | \$1.10 | \$71,500     |
|      | Warrant Exercises      | 2,649,800  | \$0.25 | \$662,450    |
|      | Warrant Exercises      | 11,250     | \$0.55 | \$6,188      |
|      | Property Agreements    | 1,300,000  | \$1.49 | \$1,937,000  |
| 2003 | Private Placement      | 1,000,000  | \$0.50 | \$500,000    |
|      | Private Placement      | 6,545,000  | \$1.50 | \$9,817,500  |
|      | Stock Option Exercises | 275,000    | \$0.60 | \$165,000    |
|      | Stock Option Exercises | 155,000    | \$0.66 | \$100,750    |
|      | Stock Option Exercises | 255,000    | \$0.68 | \$173,400    |
|      | Stock Option Exercises | 30,000     | \$0.90 | \$27,000     |
|      | Stock Option Exercises | 20,000     | \$0.94 | \$28,800     |
|      | Stock Option Exercises | 20,000     | \$0.95 | \$19,000     |
|      | Stock Option Exercises | 130,000    | \$0.99 | \$128,700    |
|      | Stock Option Exercises | 40,000     | \$1.00 | \$40,000     |
|      | Stock Option Exercises | 10,000     | \$1.01 | \$10,100     |
|      | Stock Option Exercises | 50,000     | \$1.25 | \$62,500     |
|      | Stock Option Exercises | 170,000    | \$1.35 | \$229,500    |
|      | Warrant Exercises      | 2,145,000  | \$0.25 | \$536,250    |
|      | Warrant Exercises      | 738,750    | \$0.55 | \$406,313    |
|      | Warrant Exercises      | 1,123,334  | \$0.74 | \$831,267    |
|      | Warrant Exercises      | 2,982,262  | \$1.25 | \$3,727,828  |
| 2002 | Private Placement      | 4,794,800  | \$0.20 | \$958,960    |

**Item 6.****Directors, Senior Management and Employees.****A.****Directors and Senior Management.**

The following table lists as of June 8, 2007 the names of the directors and senior management of the Company. The directors and senior management have served in their respective capacities since their election and/or appointment and will serve until the next Annual General Meeting of Shareholders or until a successor is duly elected, unless the office

is vacated in accordance with the Company's Articles.

**Name and Municipality of Residence**

**Position(s) held**

**Date of First Appointment**

Simon Ridgway  
Vancouver, BC, Canada

Director & President

September 30, 1997

Mario Szotlender,  
Caracas, Venezuela

Director

December 13, 1999

Harmen Keyser  
Gibsons, BC, Canada

Director

September 9, 1997

David Farrell  
Vancouver, BC, Canada

Director

June 15, 2001

Nicholas Glass  
Vancouver, BC, Canada

Director

January 14, 2003

Ralph Rushton  
Vancouver, BC, Canada

Director & Vice-President, Corporate Development

May 2, 2003

Bradford Cooke  
North Vancouver, BC, Canada

Director

July 1, 2004

Craig Bow  
Beulah, Colorado, USA

Director

January 28, 2006 (previously a director of Radius Explorations Ltd. from July 17, 2001 to July 1, 2004)

Cheryl Messier  
North Vancouver, BC, Canada

Chief Financial Officer

July 1, 2004



David Cass  
Vancouver, BC, Canada

Vice-President, Exploration

May 8, 2007

Tim Osler  
Vancouver, BC, Canada

Corporate Secretary

May 7, 1998

### **Biographical Information**

The following is a brief description of the employment background of the Company's directors and senior management:

#### **Simon T.P. Ridgway - President and Director**

Mr. Simon Ridgway is an exploration financier with 15 years experience financing and managing exploration companies operating in North, Central and South America. Mr. Ridgway began his career prospecting for gold in the Yukon Territory where he learned the value added approach of grass roots exploration. A firm believer in the gold potential of Central America, his practical, low cost approach to exploration management has led to major discoveries in Honduras, El Salvador and Guatemala. He is a director of three other publicly-traded resource companies.

#### **Mario Szotlender - Director**

Mr. Mario Szotlender holds a degree in international relations and has successfully directed Latin American affairs for numerous private and public companies over the past fifteen years, specializing in developing new business opportunities and establishing relations within the investment community. Mr. Szotlender has also operated several mineral operations in Venezuela, including the Las Cristinas in the 1980's. He is currently the President of Mena Resources Inc. and Focus Ventures Ltd., and is a director of several other publicly-traded resources companies.

#### **Harmen J. Keyser - Director**

Mr. Harmen Keyser has over 20 years' exploration experience in North America and abroad. He is registered as a Professional Geologist with the Northwest Territories Association of Professional Engineers, Geologists, and Geophysicists. Since 1991, Mr. Keyser has been self-employed. He is currently President of Landmark Minerals Inc. and a director of Northland Resources Inc., both publicly-traded resource companies.

#### **David Farrell - Director**

Mr. David Farrell is Director, Mergers & Acquisitions of Endeavour Financial, a private investment banking firm providing advisory services to small and mid-tier global mining companies. At Endeavour, David is responsible for originating and implementing M&A and merchant banking transactions. His experience at Endeavour includes two years in its London office, structuring and closing multi-jurisdictional transactions in London's mining finance market. Prior to joining Endeavour in 2000, David was a corporate solicitor with Stikeman Elliott specializing in project

finance, securities and corporate law and is admitted to the bar in both England and British Columbia.

**Nicholas Glass - Director**

Mr. Nicholas Glass is a member of the Bar in British Columbia, England and Wales, and currently practises as a mediator and arbitrator in labour relations disputes and civil claims. He has been on the boards of two highly successful public companies, one of which was sold in 2002 for \$40 million. Mr. Glass is also a director and officer of two private investment companies, with real estate and securities holdings in Canada, the U.S. and the U.K.

**Ralph Rushton Vice President, Corporate Development and Director**

Mr. Ralph Rushton earned a BSc. in Geology from Portsmouth in the UK, an MSc from the University of Alberta, and studied Business Communications at Simon Fraser University in Vancouver. With 14 years' experience in gold mining and exploration gained mainly with the Anglo American group in Southern Africa, the Middle East and Eastern Europe, Mr. Rushton's current responsibilities include corporate development work and investor relations, and maintaining the Company's links with senior mining companies. He is also a director of Northland Resources Inc., a publicly-traded resource company.

**Bradford Cooke - Director**

Mr. Bradford Cooke, M.Sc., P.Geo., is a mining executive and a professional geologist with over 29 years of experience in the mining industry. He earned a B.Sc. (Honours) degree from Queens University in 1976 and a M.Sc. (Geology) degree from the University of British Columbia in 1984. Mr. Cooke began his mineral exploration career in 1976 as a Project Geologist with Noranda Mines, and subsequently worked for Shell Minerals, Chevron Resources and as an independent geologic consultant. In 1987, Mr. Cooke founded Canarc Resource Corp., a junior gold exploration and mining company focused on exploring and developing prospective gold properties throughout North, Central and South America. In 2003, he formed Endeavour Silver Corp. for the purpose of acquiring advanced high-grade silver projects in Mexico.

**Craig Bow - Director**

Craig Bow is a geologist and has been involved in the mineral exploration industry for over 20 years. He worked extensively in South America, acting as Exploration Manager, South America for Newcrest Resources Ltd., prior to taking a position as Area Manager, North America for Gold Fields Exploration Inc., a subsidiary of Gold Fields of South Africa. In March 2006, Mr. Bow was appointed director and President of Lara Exploration Ltd., a publicly-traded resource company.

**Cheryl Messier Chief Financial Officer**

Ms. Cheryl Messier has over 12 years' experience as a financial controller. She worked as CFO for an international computer trading company grossing US\$5 million in annual sales. Bringing strong cash flow management experience she joined the Company in June 2003. She is also CFO of two other publicly-traded resource companies.

**David Cass Vice-President, Exploration**

Mr. Cass, MSc (Mineral Exploration and Mining Geology), has nearly 20 years' international exploration and mining industry experience and is fluent in Spanish. He spent 15 years with Anglo American, including 6 years as Exploration Manager North America, and four years managing Anglo's programs in Peru. Prior to joining the Company, he worked as VP Corporate Development for a Vancouver-based junior exploration company.

**Tim Osler - Secretary**

Mr. Tim Osler, B.Sc., owns and operates a mining consulting and retail mining equipment business, and has developed a gold mining placer property in the Yukon Territory which is currently producing. Mr. Osler is currently a director of Mena Resources Inc. and Focus Ventures Ltd.

There are no family relationships among the members of the board of directors or the members of senior management of the Company. There are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the board of directors or member of senior management was selected.

## B.

### Compensation.

Executive officers are compensated in a manner consistent with their respective contributions to the overall benefit of the Company. During the fiscal year ended December 31, 2006, the Company paid to its executive officers the following amounts:

| <u>Name</u>    | <u>Position</u>                       | <u>Amount</u> |
|----------------|---------------------------------------|---------------|
| Simon Ridgway  | President                             | \$132,000     |
| Ralph Rushton  | Vice-President, Corporate Development | \$ 32,315     |
| Jock Slater    | Vice-President, Exploration           | \$ 88,581     |
| Cheryl Messier | Chief Financial Officer               | \$ 26,163     |

The Company has no standard arrangement pursuant to which directors are compensated for their services in their capacity as such except for the granting from time to time of incentive stock options. The following table sets out all options in the Company which are held as of June 8, 2007 by the current directors and officers:

| <b>Optionees</b> | <b>Number of Shares<br/>Subject</b> | <b>Exercise Price Expiration Date<br/>(\$)</b> |
|------------------|-------------------------------------|--|
| Simon Ridgway    | 320,000                             | \$0.68 January 7, 2008                         |
|                  | <u>280,000</u>                      | \$0.70 February 21, 2011                       |
|                  | 600,000                             |  |
| Mario Szotlender | 120,000                             | \$0.68 January 7, 2008                         |
|                  | <u>180,000</u>                      | \$0.70 February 21, 2011                       |
|                  | 300,000                             |  |
| Harmen Keyser    | 100,000                             | \$0.70 February 21, 2011                       |
| David Farrell    | 150,000                             | \$0.70 February 21, 2011                       |
| Nicholas Glass   | 100,000                             | \$0.70 February 21, 2011                       |
| Ralph Rushton    | 250,000                             | \$0.70 February 21, 2011                       |
| Bradford Cooke   | 150,000                             | \$0.70 February 21, 2011                       |
| Craig Bow        | 150,000                             | \$0.70 February 21, 2011                       |
| Cheryl Messier   | 150,000                             | \$0.70 February 21, 2011                       |

|               |                  |                          |
|---------------|------------------|--------------------------|
| David Cass    | 500,000          | \$0.52 April 16, 2012    |
| Tim Osler     | 100,000          | \$0.70 February 21, 2011 |
| <b>TOTAL:</b> | <b>2,550,000</b> |                          |

C.

### **Board Practices.**

The directors of the Company are elected annually and hold office until the next Annual General Meeting of the members of the Company or until their successors in office are duly elected or appointed. All directors are elected for a one-year term. All officers serve at the pleasure of the board of directors. The next annual general meeting will be held on June 28, 2007.

Currently, there are no directors service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

### Audit Committee

The Audit Committee of the Company is comprised of David Farrell, Bradford Cooke and Harmen Keyser, all of whom are independent and financially literate. The Audit Committee Charter provides that the primary function of the Audit Committee is to assist the Board of Directors of the Company (the Board) in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the shareholders and others, the systems of internal controls and management information systems established by management and the Company's external audit process and monitoring compliance with the Company's legal and regulatory requirements with respect to its financial statements.

The Audit Committee is accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee is expected to maintain an open communication between the Company's external auditors and the Board. The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board.

The Audit Committee does not plan or perform audits or warrant the accuracy or completeness of the Company's financial statements or financial disclosure or compliance with generally accepted accounting procedures as these are the responsibility of management and the external auditors.

### Compensation Committee

The Compensation Committee of the Company is comprised of David Farrell and Bradford Cooke, both of whom are unrelated and independent. The Compensation Committee Charter provides that the function of the Compensation Committee is to assist the Board in discharging its oversight responsibilities relating to compensation, including the compensation of key senior management employees of the Company.

The Compensation Committee is to review and make recommendations to the Board on an annual basis with respect to the Company's stock option plan and make recommendations respecting grants of options. It shall also review and recommend to the Board annually, or more frequently as required, management's succession plans for the Executive Management, including the specific development plans and career planning for potential successors to occupy these positions.

### Disclosure Committee

The Disclosure Committee of the Company is comprised of Simon Ridgway and Ralph Rushton, and was formed in order to ensure that communications with the investing public about the Company are timely, factual, accurate, and broadly disseminated in accordance with all applicable legal and regulatory requirements.

The Disclosure Committee Charter extends to all employees of the Company, its Board of Directors, those authorized to speak on its behalf and all other insiders. It covers disclosures in documents filed with the securities regulators, financial and non-financial disclosure, including management's discussion and analysis and written statements made in the Company's annual and quarterly reports, new releases, letter to shareholders, presentations by senior management and information contained on the Company's website and other electronic communications with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls.

#### D.

##### Employees.

As at December 31, 2006, the Company had 26 employees, 7 in the Vancouver office and 19 in Guatemala, Nicaragua and Mexico. 13 employees provide administrative or management services and 13 employees provide geological services. None of the employees is represented by a union.

#### E.

##### Share Ownership.

The following table sets forth, as of June 8, 2007, the number of the Company's Common Shares beneficially owned by (a) the directors and members of senior management of the Company, individually, and as a group, and (b) the percentage ownership of the outstanding Common Shares represented by such shares. The security holders listed below are deemed to be the beneficial owners of Common Shares underlying options and warrants which are exercisable within 60 days from the above date.

Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

| <b>Title of Class</b> | <b>Name and Address of Beneficial Owner</b> | <b>Amount and Nature</b> | <b>Percentage of Class<sup>(1)</sup></b> |
|-----------------------|---|--------------------------|--|
| Common                | Simon Ridgway<br>Vancouver, BC              | 2,707,452 <sup>(2)</sup> | 5.02%                                    |
| Common                | Mario Szotlender<br>Caracas, Venezuela      | 1,365,375 <sup>(3)</sup> | 2.54%                                    |
| Common                | Harmen Keyser<br>Gibsons, BC                | 203,741 <sup>(4)</sup>   | 0.38%                                    |
| Common                | David Farrell<br>Vancouver, BC              | 150,000 <sup>(5)</sup>   | 0.28%                                    |
| Common                | Nicholas Glass<br>Vancouver, BC             | 200,000 <sup>(6)</sup>   | 0.37%                                    |
| Common                | Ralph Rushton<br>Vancouver, BC              | 338,500 <sup>(7)</sup>   | 0.63%                                    |
| Common                | Bradford Cooke<br>North Vancouver, BC       | 150,000 <sup>(8)</sup>   | 0.28%                                    |
| Common                |   | 150,000 <sup>(9)</sup>   | 0.28%                                    |

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|        |  |                         |               |
|--------|--|-------------------------|---------------|
|        | Craig Bow<br>Beulah, Colorado, USA   |                         |               |
| Common | Cheryl Messier<br>North Vancouver, BC  | 150,000 <sup>(10)</sup> | 0.28%         |
| Common | David Cass<br>Vancouver, BC  | 20,000                  | 0.04%         |
| Common | Tim Osler<br>Vancouver, BC   | 640,845 <sup>(11)</sup> | 1.20%         |
| Common | <b>All Directors and Senior<br/>Management as a group (11<br/>individuals)</b> | <b>6,075,913</b>        | <b>10.96%</b> |

(1)

Based on 53,385,988 shares outstanding as at June 8, 2007, plus any Common Shares deemed to be beneficially owned by the individual (or, for the last row of the table, by the group) pursuant to options and warrants which are exercisable by the individual (or, for the last row of the table, by the group) within 60 days from the above date.

(2)

600,000 of these shares represent currently exercisable stock options; and 175,000 of these shares are escrow shares which are releasable subject to the terms of the Escrow Agreement dated April 15, 1998. 1,116,791 of the free trading shares are held by Mill Street Services Ltd., a private company owned by the Ridgway Family Trust, of which Simon Ridgway is the Trustee. 9,389 of the free trading shares are held by Elvietri Holdings, AVV, a private company owned by Simon Ridgway.

(3)

300,000 of these shares represent currently exercisable stock options; and 25,000 of these shares are escrow shares which are releasable subject to the terms of the Escrow Agreement dated April 15, 1998.

(4)

100,000 of these shares represent currently exercisable stock options; and 25,000 of these shares are escrow shares which are releasable subject to the terms of the Escrow Agreement dated April 15, 1998.

(5)

All of these shares represent currently exercisable stock options.

(6)

100,000 of these shares represent currently exercisable stock options.

(7)

250,000 of these shares represent currently exercisable stock options.

(8)

All of these shares represent currently exercisable stock options.

(9)

All of these shares represent currently exercisable stock options.

(10)

All of these shares represent currently exercisable stock options.

(11)

100,000 of these shares represent currently exercisable stock options; and 12,500 of these shares are escrow shares which are releasable subject to the terms of the Escrow Agreement dated April 15, 1998.

### **Stock Option Plan**

In May 2003, the Company established a Director and Employee Stock Option Plan, the material terms of which are as follows:

1.

the Plan reserves a rolling maximum of 10% of the issued capital of the Company at the time of granting of each option, with no vesting provisions;

2.

no more than 5% of the issued capital may be reserved for issuance to any one individual in any 12 month period;

3.

no more than 2% of the issued capital may be reserved for issuance to any Consultant (as defined by the TSX Venture Exchange) or to an optionee providing investor relations services in any 12 month period;

4.

the minimum exercise price of an option cannot be less than the Market Price (as defined by the TSX Venture Exchange) of the Company's shares less any allowable discount;

5.

options will be granted for a period of up to five years, or 10 years if the Company becomes a Tier 1 company on the TSX Venture Exchange;

6.

options are non-assignable and non-transferable; and

7.

there are provisions for adjustment in the number of shares issuable on exercise of options in the event of a share consolidation, split, reclassification or other relevant change in the Company's corporate structure or capitalization.

As at June 8, 2007, there were 4,200,000 shares reserved for issuance and subject to outstanding options granted under the Plan.

**Item 7.**

**Major Shareholders and Related Party Transactions.**

**A.**

**Major Shareholders.**

A major shareholder of the Company is a person that beneficially owns, directly or indirectly, more than 5% of the Company's Common Shares. The following table sets forth to the best of the Company's knowledge, as of June 8, 2007, the number of the Company's Common Shares beneficially owned by (a) each major shareholder of the Company, and (b) the percentage ownership of the outstanding Common Shares represented by such shares. The major shareholder listed below is deemed to be the beneficial owners of Common Shares underlying options and warrants which are exercisable within 60 days from the above date. Unless otherwise indicated, to the best of the Company's knowledge, the shareholder listed possesses sole voting and investment power with respect to the shares shown.

| <b>Shareholder Name</b> | <b>Number of Shares</b>  | <b>Percentage of Issued Shares<sup>(1)</sup></b> |
|-------------------------|--------------------------|--|
| Simon Ridgway<br>(1)    | 2,707,452 <sup>(2)</sup> | 5.02%  |

Based on 53,385,988 shares outstanding as at June 8, 2007, plus any Common Shares deemed to be beneficially owned by the shareholder pursuant to options and warrants which are exercisable within 60 days from the above date.

(2)

600,000 of these shares represent currently exercisable stock options; and 175,000 of these shares are escrow shares which are releasable subject to the terms of the Escrow Agreement dated April 15, 1998. 1,116,791 of the free trading shares are held by Mill Street Services Ltd., a private company owned by the Ridgway Family Trust, of which Simon Ridgway is the Trustee. 9,389 of the free trading shares are held by Elvietri Holdings, AVV, a private company owned by Simon Ridgway.

To the best of the Company's knowledge, there are no arrangements the operation of which may result in a change in control of the Company.

The Company is a publicly-owned corporation, the shares of which are owned by residents of Canada, the United States, and other countries. The Company is not controlled directly or indirectly by another corporation or any foreign government. As of June 8, 2007, there were 53,385,988 shares of the Company outstanding, of which approximately 2,813 U.S. holders of record or beneficial holders, held a total of 5,872,738 shares (11.0%). The number of beneficial holders was determined based on a review of the number of holders represented by Broadridge Investor Communications, a U.S. mailing service.



**B.**

**Related Party Transactions.**

Effective as at the Amalgamation date of July 1, 2004, the Company agreed to pay to Mill Street Services Ltd. \$16,000 per month for Mr. Ridgway's services as President of the Company. Mill Street Services Ltd. is a private company owned by the Ridgway Family Trust, of which Simon Ridgway is the Trustee. During 2006, Mill Street billed portions of this fee to other public companies of which Mr. Ridgway is a director for his services rendered to those companies.

The Company and PilaGold Inc. amalgamated and continued as one company pursuant to the provisions of the British Columbia Business Corporations Act on July 1, 2004. Certain of the directors and officers of the Company were directors, officers and/or shareholders of PilaGold Inc.

During the fiscal year ended December 31, 2006, the Company paid an aggregate of \$241,927 to directors and companies that have common directors with the Company for consulting and management fees.

**C.**

**Interests of Experts and Counsel.**

Not Applicable.

**Item 8.**

**Financial Information.**

**A.**

**Consolidated Statements and Other Financial Information.**

The financial statements as required under Item 17 are attached hereto and found immediately following Item 19 of this Annual Report. An auditors' report of Amisano Hanson with respect to the fiscal years ended December 31, 2006 and 2005 and the balance sheet as at December 31, 2006 and 2005, are included herein immediately preceding the consolidated financial statements.

There are no legal proceedings currently pending which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

The Company has no history of paying dividends and the Company does not contemplate that any dividends will be paid on its shares in the immediate or the foreseeable future. The present policy of the Company is to retain future earnings for use in its operations and the expansion of its business.

**B.**

**Significant Changes.**

There have been no significant changes in the Company since the date of the Company's annual financial statements.

**Item 9.**

**The Offer and Listing.**

The Company shares were listed and posted for trading on the TSX Venture Exchange (the "TSXV") (formerly the Canadian Venture Exchange and before that, the Vancouver Stock Exchange) on October 7, 1998 and currently trades on the TSXV. The TSXV trading symbol is RDU.

Effective October 4, 2002, the Company began trading on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the trading symbol RE1. Radius has the German Security ID number of 725224.

**A.****Offer and Listing Details.**

The following tables set forth the reported high and low closing bid prices (all expressed in Canadian dollars) on the TSXV for (a) the Company's five most recent fiscal years; (b) each quarterly period for the Company's past two fiscal years and for the first quarter of the Company's 2007 fiscal year, and (c) for each of the six months from December 2006 to May 2007.

**High and Low Price for the Five Most Recent Fiscal Years**

| <b>Fiscal Year ended</b> | <b>High</b> | <b>Low</b> |
|--------------------------|-------------|------------|
| <b>December 31</b>       |             |            |
| 2006                     | \$0.95      | \$0.31     |
| 2005                     | \$1.69      | \$0.51     |
| 2004                     | \$1.85      | \$0.88     |
| 2003                     | \$2.03      | \$0.63     |
| 2002                     | \$1.65      | \$0.63     |

**High and Low Prices for Each Quarterly Period for the Past Two Fiscal Years and For the First Quarter of Fiscal 2007**

| <b>Period Ended</b> | <b>High</b> | <b>Low</b> |
|---------------------|-------------|------------|
| March 31, 2007      | \$0.73      | \$0.39     |
| December 31, 2006   | \$0.59      | \$0.31     |
| September 30, 2006  | \$0.68      | \$0.44     |
| June 30, 2006       | \$0.95      | \$0.62     |
| March 31, 2006      | \$0.92      | \$0.62     |
| December 2005       | \$0.80      | \$0.51     |
| September 30, 2005  | \$1.50      | \$0.61     |
| June 30, 2005       | \$1.45      | \$1.15     |
| March 31, 2005      | \$1.69      | \$1.21     |

**High and Low Prices for the Most Recent Six Months**

| <b>Period</b> | <b>High</b> | <b>Low</b> |
|---------------|-------------|------------|
| May 2007      | \$0.66      | \$0.50     |
| April 2007    | \$0.58      | \$0.49     |
| March 2007    | \$0.60      | \$0.52     |
| February 2007 | \$0.73      | \$0.46     |
| January 2007  | \$0.56      | \$0.39     |
| December 2006 | \$0.56      | \$0.45     |

On May 31, 2007, the closing price of the Common Shares on TSXV was \$0.62 per Common Share. During the last three years, the Common Shares have not been subject to any trading suspensions.

**B.**

**Plan of Distribution.**

Not Applicable

**C.**

**Markets.**

The Company's shares were listed and posted for trading on the TSX Venture Exchange (the "TSXV") (formerly the Canadian Venture Exchange and before that, the Vancouver Stock Exchange) on October 7, 1998 and currently trades on the TSXV. The TSXV trading symbol is RDU.

Effective October 4, 2002, the Company's shares began trading on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the trading symbol RE1. Radius has the German Security ID number of 725224.

Effective December 22, 2004, the Company's shares began trading on the U.S. Over-the-Counter Bulletin Board under the trading symbol RDUFF.

**D.**

**Selling Shareholders.**

Not Applicable.

**E.**

**Dilution.**

Not Applicable

**F.**

**Expenses of the Issue.**

Not Applicable

**Item 10.**

**Additional Information.**

**A.**

**Share Capital.**

Not Applicable

**B.**

**Articles of Association.**

The Company's Articles do not contain any restrictions on the type of business in which the Company may engage.

Section 17 of the Company's Articles provides that, A director or senior officer who holds a disclosable interest (as that term is used in the Business Corporations Act) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the Business Corporations Act. A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

Section 13.5 of the Articles provides that the directors may from time to time determine the remuneration of directors. However, a disclosable interest does not include compensation to be paid to a director, and therefore such interest is not required to be disclosed pursuant to Section 17 of the Articles. Management believes that, in the absence of an independent quorum, a director cannot vote compensation to himself or herself.

The borrowing powers of the directors are addressed in Part 8, which states that, The Company, if authorized by the directors, may:

(1)

borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

(2)

issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;

(3)

guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(4)

mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

There is no provision in the Company's Articles regarding a mandatory age for retirement of directors. There is no requirement for a director to hold shares of the Company.

All of the authorized shares of common stock of the Company are of the same class and, once issued, rank equally as to dividends, voting powers, and participation in assets. Holders of common stock are entitled to one vote for each share held of record on all matters to be acted upon by the shareholders. Holders of common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors, in its discretion, out of funds legally available therefor.

Upon liquidation, dissolution or winding up of the Company, holders of common stock are entitled to receive pro rata the assets of Company, if any, remaining after payments of all debts and liabilities. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds.

Any modification, amendment or variation of such shareholder rights or provisions are governed by the British Columbia Business Corporations Act and must be approved by a vote of at least 2/3 of the votes cast at a shareholders meeting. Unless the British Columbia Business Corporations Act or the Company's Articles otherwise provide, any action to be taken by a resolution of the members may be taken by an ordinary resolution or by a vote of a majority of the shares represented at the shareholders' meeting.

The conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are convoked, including the conditions of admission are described in the Articles of the Company in Section 10 Meetings of Shareholders.

Section 10.1 states that, Unless an annual general meeting is deferred or waived in accordance with the Business Corporations Act, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

Section 10.4 states that, The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(1)

if and for so long as the Company is a public company, 21 days;

(2)

otherwise, 10 days.

The conditions of admission are described in Section 11.5 where it is stated that, The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

There are no limitations on the rights to own securities.

There is no provision of the Company's Articles, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

There are no conditions imposed by the Articles governing changes in the capital, where such conditions are more stringent than is required by law.

**C.**

**Material Contracts.**

Other than as disclosed elsewhere in this Annual Report, the Company has not entered into any material contracts, other than contracts entered into in the ordinary course of business, during the two year period immediately preceding the filing of this Annual Report, except:

**D.**

**Exchange Controls.**

The Company is not aware of any Canadian federal or provincial laws, decrees, or regulations that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-Canadian holders of the common shares. There are no limitations on the right of non-Canadian owners to hold or vote the common shares imposed by Canadian federal or provincial law or by the charter or other constituent documents of the Company.

**E.**

**Taxation**

The following summary of the material Canadian federal income tax consequences are stated in general terms and are not intended to be advice to any particular shareholder. Each prospective investor is urged to consult his or her own tax advisor regarding the tax consequences of his or her purchase, ownership and disposition of Common Shares. The tax consequences to any particular holder of Common Shares will vary according to the status of that holder as an individual, trust, corporation or member of a partnership, the jurisdiction in which that holder is subject to taxation, the place where that holder is resident and, generally, according to that holder's particular circumstances. This summary is applicable only to holders who are resident in the United States, have never been resident in Canada, deal at arm's length with the Company, hold their Common Shares as capital property and who will not use or hold the Common Shares in carrying on business in Canada. Special rules, which are not discussed in this summary, may apply to a United States holder that is an issuer that carries on business in Canada and elsewhere.

This summary is based upon the provisions of the Income Tax Act of Canada and the regulations thereunder (collectively, the Tax Act or ITA ) and the Canada-United States Tax Convention (the Tax Convention ) as at the date of this Annual Report and the current administrative practices of Canada Customs and Revenue Agency. This summary does not take into account provincial income tax consequences.

Management urges each holder to consult his own tax advisor with respect to the income tax consequences applicable to him in his own particular circumstances.

### **Canadian Income Tax Consequences**

The summary below is restricted to the case of a holder (a Holder ) of one or more Common Shares who for the purposes of the Tax Act is a non-resident of Canada, holds his Common Shares as capital property and deals at arm's length with the Company.

#### ***Dividends***

A Holder will be subject to Canadian withholding tax ( Part XIII Tax ) equal to 25%, or such lower rates as may be available under an applicable tax treaty, of the gross amount of any dividend paid or deemed to be paid on his Common Shares. Under the Tax Convention, the rate of Part XIII Tax applicable to a dividend on Common Shares paid to a Holder who is a resident of the United States is, if the Holder is a company that beneficially owns at least 10% of the voting stock of the Company, 5% and, in any other case, 15% of the gross amount of the dividend. The Company will be required to withhold the applicable amount of Part XIII Tax from each dividend so paid and remit the withheld amount directly to the Receiver General for Canada for the account of the Holder.

#### ***Disposition of Common Shares***

A Holder who disposes of Common Shares, including by deemed disposition on death, will not be subject to Canadian tax on any capital gain thereby realized unless the common share constituted taxable Canadian property as defined by the Tax Act. Generally, a common share of a public corporation will not constitute taxable Canadian property of a Holder unless he held the common share as capital property used by him carrying on a business in Canada, or he or persons with whom he did not deal at arm's length alone or together held or held options to acquire, at any time within the 60 months preceding the disposition, 25% or more of the issued shares of any class of the capital stock of the Company.

A Holder who is a resident of the United States and realizes a capital gain on disposition of Common Shares that was taxable Canadian property will nevertheless, by virtue of the Treaty, generally be exempt from Canadian tax thereon unless (a) more than 50% of the value of the Common Shares is derived from, or from an interest in, Canadian real estate, including Canadian mineral resources properties, (b) the Common Shares formed part of the business property of a permanent establishment that the Holder has or had in Canada within the 12 months preceding disposition, or (c) the Holder (i) was a resident of Canada at any time within the ten years immediately preceding the disposition, and for a total of 120 months during any period of 20 consecutive years, preceding the disposition, and (ii) owned the Common Shares when he ceased to be resident in Canada.

A Holder who is subject to Canadian tax in respect of a capital gain realized on disposition of Common Shares must include one half of the capital gain ( taxable capital gain ) in computing his taxable income earned in Canada. The Holder may, subject to certain limitations, deduct one half of any capital loss ( allowable capital loss ) arising on disposition of taxable Canadian property from taxable capital gains realized in the year of disposition in respect to taxable Canadian property and, to the extent not so deductible, from such taxable capital gains of any of the three preceding years or any subsequent year.

### **United States Federal Income Tax Consequences**

The following is a discussion of material United States Federal income tax consequences, under the law, generally applicable to a U.S. Holder (as defined below) of Common Shares. This discussion does not cover any state, local or foreign tax consequences.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, published Internal Revenue Service (IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possible on a retroactive basis, at any time. In addition, the discussion does not consider the potential effects, both adverse and beneficial, or recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of Common Shares of the Company. Each holder and prospective holder of Common Shares of the Company is advised to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of Common Shares of the Company applicable to their own particular circumstances.

### ***U.S. Holders***

As used herein, a ( U.S. Holder ) includes a holder of Common Shares of the Company who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described in Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a functional currency other than the U.S. dollar, shareholders who hold Common Shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their Common Shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own Common Shares as capital assets. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire Common Shares.

### ***Distribution of Common Shares***

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States Federal Income tax liability or, alternatively, individuals may be deducted in computing the U.S. Holder's United States Federal taxable income by those individuals who itemize deductions. (See more detailed discussion at Foreign Tax Credit below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Dividend income will be taxed at marginal tax rates applicable to ordinary income while preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.



In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss.

Dividends paid on the common shares of the Company will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from the Company (unless the Company qualifies as a foreign personal holding company or a passive foreign investment company, as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Company. The availability of this deduction is subject to several complex limitations which are beyond the scope of this discussion.

Under current Treasury Regulations, dividends paid on the Company's common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of the Company's common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 31% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

### ***Foreign Tax Credit***

For individuals whose entire income from sources outside the United States consists of qualified passive income, the total amount of creditable foreign taxes paid or accrued during the taxable year does not exceed \$300 (\$600 in the case of a joint return) and an election is made under section 904(j), the limitation on credit does not apply.

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of Common Shares of the Company may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign income taxes (or taxes in lieu of income tax) paid by (or withheld from) the U.S. Holder during the year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his/her or its worldwide taxable income in the determination of the application of this limitation. The various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. Dividends distributed by the Company will generally constitute passive income or, in the case of certain U.S. Holders, financial services income for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and management urges holders and prospective holders of common shares of the Company to consult their own tax advisors regarding their individual circumstances.

### ***Disposition of Common Shares***

A U.S. Holder will recognize gain or loss upon the sale of Common Shares of the Company equal to the difference, if any, between (I) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the Common Shares of the Company. Preferential tax rates apply to long-term capital gains of U.S. Holders, which are individuals, estates or trusts. This gain or loss will be capital gain or loss if the Common Shares are capital assets in the hands of the U.S. Holder, which will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders which are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted, but individuals may not carry back capital losses. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

### ***Other Considerations***

In the following circumstances, the above sections of the discussion may not describe the United States Federal income tax consequences resulting from the holding and disposition of Common Shares of the Company.

### ***Foreign Personal Holding Company***

If at any time during a taxable year more than 50% of the total combined voting power or the total value of the Company's outstanding shares is owned, actually or constructively, by five or fewer individuals who are citizens or residents of the United States and 60% (50% after the first tax year) or more of the Company's gross income for such year was derived from certain passive sources (e.g. from interest income received from its subsidiaries), the Company would be treated as a foreign personal holding company. In that event, U.S. Holders that hold Common Shares of the Company would be required to include in gross income for such year their allocable portions of such passive income to the extent the Company does not actually distribute such income.

The Company does not believe that it currently has the status of a foreign personal holding company. However, there can be no assurance that the Company will not be considered a foreign personal holding company for the current or any future taxable year.

### ***Foreign Investment Company***

If 50% or more of the combined voting power or total value of the Company's outstanding shares are held, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31), and the Company is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that the Company might be treated as a foreign investment company as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares of the Company to be treated as ordinary income rather than capital gains.

### ***Passive Foreign Investment Company***

As a foreign corporation with U.S. Holders, the Company could potentially be treated as a passive foreign investment company ( PFIC ), as defined in Section 1297 of the Code, depending upon the percentage of the Company's income which is passive, or the percentage of the Company's assets which is held for the purpose of producing passive income.

Certain United States income tax legislation contains rules governing PFICs, which can have significant tax effects on U.S. shareholders of foreign corporations. These rules do not apply to non-U.S. shareholders. Section 1297 (a) of the Code defines a PFIC as a corporation that is not formed in the United States and, for any taxable year, either (I) 75% or more of its gross income is passive income, which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the company is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of passive income is 50% or more. The taxation of a US shareholder who owns stock in a PFIC is extremely complex and is therefore beyond the scope of this discussion. Management urges US persons to consult with their own tax advisors with regards to the impact of these rules.

### ***Controlled Foreign Corporation***

A Controlled Foreign Corporation (CFC) is a foreign corporation more than 50% of whose stock by vote or value is, on any day in the corporation's tax year, owned (directly or indirectly) by U.S. Shareholders. If more than 50% of the voting power of all classes of stock entitled to vote is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom own actually or constructively 10% or more of the total combined voting power of all classes of stock of the Company could be treated as a controlled foreign corporation under Subpart F of the Code. This classification would affect many complex results, one of which is the inclusion of certain income of a CFC, which is subject to current U.S. tax. The United States generally taxes United States Shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States Shareholders are generally treated as having received a current distribution out of the CFC's Subpart F income and are also subject to current U.S. tax on their pro rata shares of the CFC's earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of the Corporation which is or was a United States Shareholder at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of earnings and profits of the Company (accumulated in corporate tax years beginning after 1962, but only while the shares were held and while the Company was controlled) attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to the United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States Shareholders. The PFIC provisions continue to apply in the case of PFIC that is also a CFC with respect to the U.S. Holders that are less than 10% shareholders. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion.

The amount of any backup withholding will not constitute additional tax and will be allowed as a credit against the U.S. Holder's federal income tax liability.

### ***Filing of Information Returns***

Under a number of circumstances, United States Investor acquiring Common Shares of the Company may be required to file an information return with the Internal Revenue Service Center where they are required to file their tax returns with a duplicate copy to the Internal Revenue Service Center, Philadelphia, PA 19255. In particular, any U.S. Holder

who becomes the owner, directly or indirectly, of 10% or more of the Common Shares of the Company will be required to file such a return. Other filing requirements may apply, and management urges U.S. Holders to consult their own tax advisors concerning these requirements.

**F.**

**Dividends and Paying Agents.**

Not Applicable

**G.**

**Statement by Experts.**

Not Applicable

**H.**

**Documents on Display.**

The documents concerning the Company which are referred to in this Annual Report may be inspected at the Company's executive offices, located at Suite 830, 355 Burrard Street, Vancouver, BC.

**I.**

**Subsidiary Information.**

Not Applicable

**Item 11.**

**Quantitative and Qualitative Disclosures About Market Risk.**

There are no market risks which can be expected to materially affect the Company's business.

**Mineral Prices**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot be accurately predicted.

**Foreign Currency Translation**

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

**Item 12.**

**Description of Securities Other than Equity Securities.**

Not Applicable

**PART II**

**Item 13.**

**Defaults, Dividend Arrearages and Delinquencies.**

None.

**Item 14.**

**Material Modifications to the Rights of Security Holders and Use of Proceeds.**

None.

**Item 15.**

**Controls and Procedures**

**Disclosure Controls and Procedures**

The Company's management, including the President, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days before the filing of this annual report. Based on that review and evaluation, the President has concluded that the Company's disclosure controls and procedures are effective in providing management with all material information required to be disclosed in this annual report on a timely basis.

**Changes in Internal Controls Over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over the financial reporting of the Company. The management of the Company, including the President, has reviewed whether or not there have been significant changes in internal controls or in other factors that could significantly affect the internal controls of the Company subsequent to the date of their most recent evaluation. Based on that review, the President has concluded that there have been no such significant changes.

**Item 16.**

[Reserved]

**Item 16A.**

**Audit Committee Financial Expert**

The Board of Directors of the Company has determined that there is one audit committee financial expert (as defined by the SEC) on the Company's audit committee, namely David Farrell, a Director of the Company. Mr. Farrell has gained the attributes of an audit committee financial expert through his experience overseeing and assessing the performance of the public accountants who have audited the Company's financial statements;

**Item 16B.**

**Code of Ethics**

The Company has not adopted a formal written code of ethics given its relatively small size. Directors and officers of the Company are subject to the laws of the Province of British Columbia, Canada, whereby they are required to act honestly, in good faith and in the best interests of the Company. Also, the Board of Directors of the Company is comprised of two lawyers who are available to the management of the Company to provide a high standard of care in the activities of the Company and to provide guidance when needed.

**Item 16C.****Principal Accountant Fees and Services**

Amisano Hanson, Chartered Accountants, has served as the Company's principal accountant since January 9, 2004. The chart below sets forth the total amount billed the Company by Amisano Hanson for services performed during the Company's fiscal years ended December 31, 2006 and 2005, and breaks down these amounts by category of service:

|                              | <b>Years ended December 31</b> |                 |
|------------------------------|--------------------------------|-----------------|
|                              | <b>2006</b>                    | <b>2005</b>     |
| Audit:                       | \$52,750                       | \$30,000        |
| Audit Related:               | 0                              | 0               |
| Tax (tax return preparation) | \$6,100                        | 0               |
| All Other Fees               | 0                              | 0               |
| <b>Total</b>                 | <b>\$58,850</b>                | <b>\$30,000</b> |

Audit Fees are the aggregate fees billed for the audit of the Company's consolidated annual financial statements in connection with statutory and regulatory filings or engagements.

**Audit Committee's pre-approval policies and procedures**

The Audit Committee nominates and engages the independent auditors to audit the financial statements, and approves all audit, audit-related services, tax services and other services provided by the Company's outside auditors. Any services provided by the auditors that are not specifically included within the scope of the audit must be pre-approved by the audit committee prior to any engagement. The audit committee is permitted to approve certain fees for audit-related services, tax services and other services pursuant to a *de minimus* exception before the completion of the engagement. In 2006, none of the fees paid to the auditors were approved pursuant to the *de minimus* exception.

**Item 16D.****Exemptions from the Listing Standards for Audit Committees.**

Not Applicable

**Item 16E.****Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

None

**PART II**

**Item 17.**

**Financial Statements.**

The Company's Consolidated Financial Statements are stated in Canadian Dollars and are prepared in accordance with Canadian GAAP, the application of which, in the case of the Company, conforms in all material respects for the periods presented with U.S. GAAP, except as discussed in Note 16 to the Consolidated Financial Statements of the Company.

The Consolidated Financial Statements of the Company as required under Item 16 of Form 20-F attached hereto are individually listed under Item 19, and are found immediately following the text of this Annual Report. The audit report of Amisano Hanson, Chartered Accountants, and the comments by auditors for U.S. readers on Canada U.S. reporting difference, are included herein immediately preceding the Consolidated Financial Statements.

**Item 18.**

**Financial Statements.**

Not Applicable

**Item 19.**

**Exhibits.**

**Financial Statements**

The Consolidated Financial Statements of the Corporation and exhibits listed below are filed with this Annual Report on Form 20-F in the United States.

The following financial statements are attached to and form part of this Annual Report:

*Consolidated Financial Statements of the Company*

-

Report of Independent Registered Public Accounting Firm of Amisano Hanson, Chartered Accountants

-

Consolidated Balance Sheets as at December 31, 2006 and 2005

-

Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004

-

Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004

-

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2006, 2005 and 2004

-  
Consolidated Schedule of Mineral Properties for the year ended December 31, 2006

-  
Consolidated Schedule of Mineral Properties for the year ended December 31, 2005

-  
Notes to the Consolidated Financial Statements of the Company

**Exhibits**

The following exhibits are attached to and form part of this Annual Report:

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| 1 <sup>(1)</sup>   | Certificate of Amalgamation and Articles of the Company dated July 1, 2004.  |
| 2 <sup>(2)</sup>   | Escrow Agreement dated April 14, 1998 among the Company, Pacific Corporate Trust Company, as escrow agent, and certain shareholders of the Company named therein |
| 8 <sup>(3)</sup>   | List of Subsidiaries   |
| 31.1               | Section 302 Certification of the President, C.E.O. and C.F.O.  |
| 32.1               | Section 906 Certification of the President, C.E.O. and C.F.O.  |

(1)  
Incorporated by reference to the Company's Form 20-F Registration Statement dated July 13, 2005.

(2)  
Incorporated by reference to the Company's Form 20-F Registration Statement dated November 15, 2000.

(3)  
See Item 4, Organizational Structure, herein.



**RADIUS GOLD INC.**

(An Exploration Stage Company)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

(Expressed in Canadian Dollars)

**A PARTNERSHIP OF INCORPORATED PROFESSIONALS**

**AMISANO HANSON**

**CHARTERED ACCOUNTANTS**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders,

Radius Gold Inc.

(An Exploration Stage Company)

We have audited the consolidated balance sheets of Radius Gold Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three year period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and cash flows for each of the years in the three year period ended December 31, 2006, in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada  
April 9, 2007

**AMISANO HANSON**  
Chartered Accountants

750 WEST PENDER STREET, SUITE 604

TELEPHONE: 604-689-0188

VANCOUVER CANADA

FACSIMILE: 604-689-9773

V6C 2T7

E-MAIL: amishan@telus.net

**RADIUS GOLD INC.**

(An Exploration Stage Company)

**CONSOLIDATED BALANCE SHEETS**

December 31, 2006 and 2005

(Stated in Canadian Dollars)

|  | <u>2006</u> | <u>2005</u>  |
|--|-------------|--------------|
| <b><u>ASSETS</u></b>                   |             |              |
| <b>CURRENT</b>                         |             |              |
| Cash and cash equivalents              | \$ 933,697  | \$ 1,423,554 |
| Marketable securities Note 3           | 9,023,890   | 11,936,277   |
| Advances and receivables Notes 5 and 7 | 838,139     | 305,864      |

|   |                      |                      |
|---|----------------------|----------------------|
| GST receivable                                      | 13,688               | 26,052               |
| Due from related parties Note 7                     | 147,870              | 256,649              |
| Prepaid expenses and deposits                       | <u>96,744</u>        | <u>102,641</u>       |
|   | 11,054,028           | 14,051,037           |
| PROPERTY AND EQUIPMENT Note 4                       | 330,962              | 384,720              |
| MINERAL PROPERTIES Notes 5 and 7, and<br>Schedule 1 | <u>13,438,248</u>    | <u>13,731,865</u>    |
|   | <u>\$ 24,823,238</u> | <u>\$ 28,167,622</u> |

**LIABILITIES**

|   |               |               |
|---|---------------|---------------|
| Current   |               |               |
| Accounts payable and accrued liabilities Note 7 | \$ 213,689    | \$ 286,527    |
| Due to related parties Note 7                   | <u>10,510</u> | <u>35,129</u> |
|   | 224,199       | 286,527       |

**SHAREHOLDERS EQUITY**

|   |                      |                      |
|---|----------------------|----------------------|
| SHARE CAPITAL Note 6                      |                      |                      |
| Authorized:                               |                      |                      |
| Unlimited common shares without par value |                      |                      |
| Issued:                                   |                      |                      |
| 53,385,988 shares (2005: 53,310,988)      | 42,486,069           | 42,402,819           |
| CONTRIBUTED SURPLUS                       | <u>3,443,487</u>     | <u>2,244,987</u>     |
|   | 45,929,556           | 44,647,806           |
| DEFICIT                                   | <u>(21,330,517)</u>  | <u>(16,766,711)</u>  |
|   | <u>24,599,039</u>    | <u>27,881,095</u>    |
|   | <u>\$ 24,823,238</u> | <u>\$ 28,167,622</u> |

**Commitments - Notes 5, 6 and 10****ON BEHALF OF THE BOARD:**

signed \_\_\_\_\_, Director

signed \_\_\_\_\_, Director

Simon Ridgway

Mario Szotlender

SEE ACCOMPANYING NOTES

**RADIUS GOLD INC.**

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

for the years ended December 31, 2006, 2005 and 2004

(Stated in Canadian Dollars)

|                                     | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-------------------------------------|-------------|-------------|-------------|
| EXPENSES                            |             |             |             |
| Amortization                        | 58,780      | 50,096      | 55,379      |
| Consulting fees Note 7              | 18,301      | 38,710      | 69,870      |
| Donations                           | 20,748      | 25,360      | -           |
| Legal and accounting fees           | 86,561      | 158,705     | 291,233     |
| Management fees and salaries Note 7 | 60,000      | 60,000      | 45,000      |
| Non-cash stock compensation charge  | 1,230,750   | 40,850      | 1,173,784   |
| Office and miscellaneous            | 36,609      | 46,888      | 33,521      |
| Public relations                    | 132,828     | 222,073     | 703,715     |
| Property investigations             | 24,835      | 11,790      | -           |
| Rent and utilities                  | 26,965      | 37,102      | 37,454      |
| Repairs and maintenance             | 7,158       | 17,220      | 13,194      |

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|  |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
| Salaries and wages                                   | 133,244               | 178,014               | 178,766               |
| Telephone and fax                                    | 14,923                | 14,908                | 15,222                |
| Transfer agent and regulatory fees                   | 17,120                | 24,262                | 51,058                |
| Travel and accommodation                             | 61,654                | 100,580               | 98,513                |
| Write-off of mineral properties                      | <u>3,052,802</u>      | <u>5,917,734</u>      | <u>1,350,205</u>      |
|  | <u>(4,983,278)</u>    | <u>(6,944,292)</u>    | <u>(4,116,914)</u>    |
| <b>OTHER INCOME (EXPENSES)</b>                       |                       |                       |                       |
| Foreign currency exchange                            | 42,413                | (76,231)              | (256,135)             |
| Investment income                                    | 352,037               | 268,470               | 431,676               |
| Other income   | 25,022                | 72,655                | 6,234                 |
| Gain on settlement of old debt                       | <u>-</u>              | <u>-</u>              | <u>26,800</u>         |
|  | <u>419,472</u>        | <u>264,894</u>        | <u>208,575</u>        |
| Net loss for the year                                | <u>\$ (4,563,806)</u> | <u>\$ (6,679,398)</u> | <u>\$ (3,908,339)</u> |
| BASIC AND DILUTED LOSS PER COMMON SHARE              | <u>\$ (0.09)</u>      | <u>\$ (0.13)</u>      | <u>\$ (0.09)</u>      |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | <u>52,991,262</u>     | <u>52,898,829</u>     | <u>44,916,963</u>     |

**RADIUS GOLD INC.**

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2006, 2005 and 2004

(Stated in Canadian Dollars)

2006                      2005                      2004

OPERATING ACTIVITIES

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|  |                          |                            |                            |
|--|--------------------------|----------------------------|----------------------------|
| Net loss for the year  | \$ (4,563,806)           | \$ (6,679,398)             | \$ (3,908,339)             |
| Items not involving cash:                                    |                          |                            |                            |
| Amortization   | 58,780                   | 50,096                     | 55,379                     |
| Write off of exploration costs                               | 3,052,802                | 5,917,734                  | 1,350,205                  |
| Non-cash stock compensation charge                           | 1,230,750                | 40,850                     | 1,173,784                  |
| Changes in non-cash working capital items:                   |                          |                            |                            |
| Advances and receivables                                     | (532,275)                | 395,168                    | (482,081)                  |
| GST receivable   | 12,364                   | 4,941                      | 7,359                      |
| Prepaid expenses   | 5,897                    | (31,145)                   | (12,710)                   |
| Accounts payable and accrued liabilities                     | <u>(37,709)</u>          | <u>(60,867)</u>            | <u>(257,763)</u>           |
| Net cash used in operating activities                        | <u>(773,197)</u>         | <u>(362,621)</u>           | <u>(2,074,166)</u>         |
| <b>INVESTING ACTIVITIES</b>                                  |                          |                            |                            |
| Acquisition of equipment                                     | (5,022)                  | (60,864)                   | (253,876)                  |
| Mineral properties   | (2,759,185)              | (2,830,001)                | (3,304,848)                |
| Due from related parties                                     | 108,779                  | (175,809)                  | 126,355                    |
| Due to related parties                                       | (24,619)                 | -                          | (275,812)                  |
| Marketable securities  | 2,912,387                | 219,863                    | (12,156,140)               |
| Net cash acquired on amalgamation                            | <u>-</u>                 | <u>-</u>                   | <u>6,491,647</u>           |
| Net cash provided by (used in) investing activities          | <u>232,340</u>           | <u>(2,846,811)</u>         | <u>(9,372,674)</u>         |
| <b>FINANCING ACTIVITY</b>                                    |                          |                            |                            |
| Proceeds on issuance of common shares                        | <u>51,000</u>            | <u>255,140</u>             | <u>1,040,199</u>           |
| Net cash provided by financing activities                    | <u>51,000</u>            | <u>255,140</u>             | <u>1,040,199</u>           |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b> | <b>(489,857)</b>         | <b>(2,954,292)</b>         | <b>(10,406,641)</b>        |
| Cash and cash equivalents, beginning of year                 | <u>1,423,554</u>         | <u>4,377,846</u>           | <u>14,784,487</u>          |
| <b>CASH AND CASH EQUIVALENTS END OF YEAR</b>                 | <b>\$ <u>933,697</u></b> | <b>\$ <u>1,423,554</u></b> | <b>\$ <u>4,377,846</u></b> |
| Supplementary disclosure of cash flow information:           |                          |                            |                            |
| Cash paid for interest                                       | <u>\$ -</u>              | <u>\$ -</u>                | <u>\$ -</u>                |
| Cash paid for income taxes                                   | <u>\$ -</u>              | <u>\$ -</u>                | <u>\$ -</u>                |
| Cash and cash equivalents is comprised of:                   |                          |                            |                            |
| Cash   | \$ 933,697               | \$ 1,173,554               | \$ 836,337                 |

|                       |                  |                    |                    |
|-----------------------|------------------|--------------------|--------------------|
| Term deposits         | _____ -          | _____ 250,000      | _____ 3,541,509    |
|                       | \$ _____ 933,697 | \$ _____ 1,423,554 | \$ _____ 4,377,846 |
| Non-cash Transactions | Note 8           |                    |                    |

**RADIUS GOLD INC.**

(An Exploration Stage Company)

STATEMENTS OF SHAREHOLDERS' EQUITY

for the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

|  | Common Stock  |               | Share                | Contributed    | Deficit      |              |
|--|---------------|---------------|----------------------|----------------|--------------|--------------|
|  | Issued        |               | Subscriptions        | Surplus        | Accumulated  |              |
|  | <u>Shares</u> | <u>Amount</u> | <u>Subscriptions</u> | <u>Surplus</u> | during the   | <u>Total</u> |
|  |               |               |                      |                | Exploration  |              |
|  |               |               |                      |                | <u>Stage</u> |              |
| Balance, December 31, 2003   | 38,395,242    | \$            | \$                   | \$             | \$           | \$           |
|  |               | 27,539,692    | -                    | 234,500        | (5,168,074)  | 22,606,118   |
| Accounting change for<br>stock-based compensation                        | -             | -             | -                    | 1,010,900      | (1,010,900)  | -            |
| Amalgamation<br>\$1.11   | at 0,284,452  | 11,415,742    | -                    | -              | -            | 11,415,742   |
| Pursuant to property acquisition<br>agreement at \$1.49                  | 1,300,000     | 1,937,000     | -                    | -              | -            | 1,937,000    |
| Issued for cash pursuant to the<br>exercise of share purchase<br>options |               |               |                      |                |              |              |



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|   |            |            |   |           |                    |                    |
|---|------------|------------|---|-----------|--------------------|--------------------|
| at \$0.60   | 35,000     | 21,000     | - | -         | -                  | 21,000             |
| at \$0.65   | 117,000    | 76,050     | - | -         | -                  | 76,050             |
| at \$0.68   | 69,000     | 46,920     | - | -         | -                  | 46,920             |
| at \$0.90   | 30,000     | 27,000     | - | -         | -                  | 27,000             |
| at \$0.95   | 55,000     | 52,250     | - | -         | -                  | 52,250             |
| at \$0.99   | 79,444     | 78,650     | - | -         | -                  | 78,650             |
| at \$1.10   | 65,000     | 71,500     | - | -         | -                  | 71,500             |
| Issued for cash pursuant to the exercise of share purchase warrants |            |            |   |           |                    |                    |
| at \$0.25   | 2,649,800  | 662,450    | - | -         | -                  | 662,450            |
| at \$0.55   | 11,250     | 6,188      | - | -         | -                  | 6,188              |
| Non-cash compensation charge  | -          | -          | - | 1,173,784 | -                  | 1,173,784          |
| Transfer of contributed surplus on exercise of options              | -          | 128,350    | - | (128,350) | -                  | -                  |
| Less: issue costs   | -          | (1,810)    | - | -         | -                  | (1,810)            |
| Net loss for the year   | =          | =          | = | =         | <u>(3,908,339)</u> | <u>(3,908,339)</u> |
| Balance, December 31, 2004  | 53,091,188 | 42,060,982 | - | 2,290,834 | (10,087,313)       | 34,264,503         |

/cont d

Continued

**RADIUS GOLD INC.**

(An Exploration Stage Company)

STATEMENTS OF SHAREHOLDERS' EQUITY

for the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

Deficit  
Accumulated

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|   | Common Stock      |                   |                      |                  | during the          |                    |
|---|-------------------|-------------------|----------------------|------------------|---------------------|--------------------|
|   | Issued            |                   | Share                | Contributed      | Exploration         |                    |
|   | <u>Shares</u>     | <u>Amount</u>     | <u>Subscriptions</u> | <u>Surplus</u>   | <u>Stage</u>        | <u>Total</u>       |
| Issued for cash pursuant to the exercise of share purchase options  |                   |                   |                      |                  |                     |                    |
| at \$0.90   | 40,000            | 36,000            | -                    | -                | -                   | 36,000             |
| at \$0.99   | 50,000            | 49,500            | -                    | -                | -                   | 49,500             |
| at \$1.00   | 35,000            | 35,000            | -                    | -                | -                   | 35,000             |
| at \$1.30   | 37,800            | 49,140            | -                    | -                | -                   | 49,140             |
| Issued for cash pursuant to the exercise of share purchase warrants |                   |                   |                      |                  |                     |                    |
| at \$1.50   | 57,000            | 85,500            | -                    | -                | -                   | 85,500             |
| Non-cash compensation charge  | -                 | -                 | -                    | 40,850           | -                   | 40,850             |
| Transfer of contributed surplus on exercise of options              | -                 | 86,697            | -                    | (86,697)         | -                   | -                  |
| Net loss for the year   | =                 | =                 | =                    | =                | <u>(6,679,398)</u>  | <u>(6,679,398)</u> |
| Balance, December 31, 2005  | 53,310,988        | 42,402,819        | -                    | 2,244,987        | (16,766,711)        | 27,881,095         |
| Issued for cash pursuant to the exercise of share purchase options  |                   |                   |                      |                  |                     |                    |
| at \$0.68   | 75,000            | 51,000            | -                    | -                | -                   | 51,000             |
| Non-cash compensation charge  | -                 | -                 | -                    | 1,230,750        | -                   | 1,230,750          |
| Transfer of contributed surplus on exercise of options              | -                 | 32,250            | -                    | (32,250)         | -                   | -                  |
| Net loss for the year   | =                 | =                 | =                    | =                | <u>(4,563,806)</u>  | <u>(4,563,806)</u> |
| Balance, December 31, 2006  | <u>53,385,988</u> | <u>\$</u>         | <u>£</u>             | <u>\$</u>        | <u>\$</u>           | <u>\$</u>          |
|   |                   | <u>42,486,069</u> | -                    | <u>3,443,487</u> | <u>(21,330,517)</u> | <u>24,599,039</u>  |

**RADIUS GOLD INC.**

(An Exploration Stage Company)

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CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES

for the year ended December 31, 2006

(Stated in Canadian Dollars)

|  | Guatemala<br>Mineral<br>Concessions | Nicaragua<br>General<br>Exploration | Mexico<br>General<br>Exploration | Americas<br>General<br>Exploration | Canada<br>General<br>Exploration | Ecuador<br>Cerro<br>Colorado | Tanzania<br>General<br>Exploration | Year Ended<br>December<br>31,<br>2006 |
|--|-------------------------------------|-------------------------------------|----------------------------------|------------------------------------|----------------------------------|------------------------------|------------------------------------|---------------------------------------|
| <b><u>ACQUISITION COSTS</u></b>          |                                     |                                     |                                  |                                    |                                  |                              |                                    |                                       |
| Balance, beginning of year               | \$3,864,669                         | \$ -<br>19,315                      | \$ -                             | \$ -                               | \$ -                             | \$ -                         | \$ -                               | \$ 3,986,273                          |
| Cash                                     | 278,195                             | --                                  | -                                | ---                                | -                                | 113,130                      | -                                  | 391,325                               |
| Write-off acquisition costs              | -                                   | (19,315)                            | -                                | (102,289)                          | --                               | -                            | -                                  | (121,604)                             |
| Balance, end of year                     | 4,142,864                           | --                                  | -                                | ---                                | -                                | 113,130                      | -                                  | 4,255,994                             |
| <b><u>DEFERRED EXPLORATION COSTS</u></b> |                                     |                                     |                                  |                                    |                                  |                              |                                    |                                       |
| Balance, beginning of year               | \$ 5,470,075                        | \$ 897,668<br>2,848,219             | \$ 307,330                       | \$ 185,314<br>29,524               | \$ -                             | \$ -                         | \$ -                               | \$ 9,745,599                          |
| Property Payment/Investigation           | 26,280                              | 13,224                              | -                                | 764                                | --                               | -                            | -                                  | 41,680                                |
| Automobile                               | 4,773                               | 51,135                              | 19,357                           | 5,425                              | --                               | -                            | 22                                 | 799                                   |
| Camp, food and supplies                  | 6,491                               | 22,058                              | 22,867                           | 6,142                              | --                               | -                            | -                                  | 85,140                                |
| Drafting, maps and printing              | 203                                 | 1,027                               | 8,567                            | 167                                | --                               | -                            | -                                  | 10,440                                |
| Exploration administration               | 4,303                               | 30,486                              | 9,435                            | 743                                | --                               | -                            | -                                  | 102                                   |
| Environment                              | -                                   | 6,856                               | -                                | ---                                | -                                | -                            | -                                  | 6,640                                 |
| Geochemistry                             | 301                                 | 16,762                              | 34,553                           | 35,438                             | --                               | -                            | -                                  | 252,320                               |
| Geological consulting                    | 77,043                              | 267,590                             | 259,309                          | 108,982                            | 4,129                            | 3,904                        | 1,390                              | 896,500                               |

Note 7

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|                                      |              |                      |           |           |          |          |            |             |               |
|--------------------------------------|--------------|----------------------|-----------|-----------|----------|----------|------------|-------------|---------------|
| Other consulting                     | 16,365       | <del>39,032</del>    | 21,966    | 3,223     | --       | -        | -          | 102         | 125,763       |
| Legal and accounting                 | 7,427        | <del>21,290</del>    | 45,223    | 1,425     | --       | -        | -          | -           | 82,373        |
| Licences, rights and taxes           | 24,703       | <del>56,482</del>    | 5,384     | 23,989    | --       | -        | -          | -           | 126,357       |
| Linecutting & trenching              | 4,265        | <del>94,766</del>    | 9,538     | -         | --       | -        | -          | -           | 37,140        |
| Materials                            | 868          | <del>54,494</del>    | 4,288     | 2,829     | --       | -        | -          | -           | 17,850        |
| Maintenance                          | 3,413        | <del>4,588</del>     | 2,285     | 1,202     | --       | -        | -          | -           | 16,839        |
| Miscellaneous                        | 2,326        | <del>1,236</del>     | 527       | 4,088     | --       | -        | -          | -           | 10,547        |
| Medical expenses                     | 7,263        | <del>10,088</del>    | 10,051    | 2,184     | --       | -        | 185        | -           | 36,532        |
| Rent and utilities                   | 40,678       | <del>37,893</del>    | 4,132     | 1,233     | --       | -        | -          | -           | 83,573        |
| Rental equipment                     | 13,410       | --                   | 1,235     | -         | --       | -        | -          | -           | 14,645        |
| Salaries and wages                   | 40,698       | <del>86,100</del>    | 25,954    | 11,152    | --       | -        | -          | -           | 194,940       |
| Shipping                             | 888          | <del>8,905</del>     | 3,352     | 311       | --       | -        | -          | -           | 18,550        |
| Telephone and communications         | 4,766        | <del>17,605</del>    | 8,412     | 3,647     | --       | -        | -          | 2           | 38,511        |
| Travel and accommodation             | 7,435        | <del>44,086</del>    | 35,440    | 9,096     | --       | -        | 622        | 5,436       | 118,122       |
|                                      | 283,898      | <del>682,198</del>   | 531,875   | 222,084   | 4,129    | 4,734    | 7,837      | 2,367,863   |               |
| Less write-offs                      | -            | <del>(873,605)</del> | (839,205) | (407,850) | -        | -        | (7,837)    | (2,931,198) |               |
| Balance, end of year                 | 5,753,973    | <del>5,827,807</del> | -         | -         | 4,129    | 4,734    | -          | 9,182,254   |               |
| TOTAL MINERAL PROPERTIES END OF YEAR | \$ 9,896,837 | \$ 682,112           | \$ -      | \$ -      | \$ 4,129 | \$ 4,734 | \$ 117,864 | \$ -        | \$ 13,438,248 |

Schedule I (cont d)

**RADIUS GOLD INC.**

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES

for the year ended December 31, 2005

(Stated in Canadian Dollars)

Dominican

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|                              | Guatemala   |                    | Nicaragua    |                    | Mexico        |             | Argentina        | Colombia    | Republic         | Year ended         |
|------------------------------|-------------|--------------------|--------------|--------------------|---------------|-------------|------------------|-------------|------------------|--------------------|
|                              | General     | Mineral            | General      | Mineral            | General       | Mineral     | General          | General     | Camila           | December           |
|                              | Exploration | Concessions        | Exploration  | Concessions        | Exploration   | Concessions | Exploration      | Exploration |                  | 31,                |
|                              |             |                    |              |                    |               |             |                  |             |                  | 2005               |
| Acquisition Costs            |             |                    |              |                    |               |             |                  |             |                  |                    |
| Balance, beginning of year   | \$          | \$                 | \$           | \$                 | \$            | \$          | \$               | \$          | \$               | \$                 |
|                              | =           | <u>5,268,540</u>   | <u>8,540</u> | <u>2,572,232</u>   | =             | =           | =                | =           | <u>366,191</u>   | <u>8,391,571</u>   |
| Cash                         | -           | -                  | -            | -                  | -             | -           | 231,913          | -           | -                | 231,913            |
| Write-off acquisition costs  | =           | <u>(1,408,507)</u> | <u>(178)</u> | <u>(2,552,917)</u> | =             | =           | <u>(129,624)</u> | =           | <u>(366,191)</u> | <u>(4,637,211)</u> |
| Balance, end of year         | =           | <u>3,864,669</u>   |              | <u>19,315</u>      | =             | =           | <u>102,289</u>   | =           | =                | <u>3,986,273</u>   |
| Deferred Exploration Costs   |             |                    |              |                    |               |             |                  |             |                  |                    |
| Balance, beginning of year   | =           | <u>5,752,907</u>   |              | <u>2,081,035</u>   | <u>46,006</u> | =           | =                | =           | <u>13,179</u>    | <u>8,428,027</u>   |
| Automobile                   | 1,139       | 232                | 46,572       | 50,803             | 32,917        | 7,002       | 25               | -           | -                | 139,091            |
| Camp, food and supplies      | 2,118       | -                  | 37,064       | 41,305             | 10,005        | 3,249       | -                | -           | -                | 93,741             |
| Drafting, maps and printing  | 54          | -                  | 2,351        | 212                | 941           | 389         | 57               | -           | -                | 4,104              |
| Drilling                     | -           | -                  | -            | 113,474            | -             | -           | -                | -           | -                | 113,474            |
| Exploration administration   | 3,614       | 4                  | 19,235       | 5,264              | 3,352         | 1,930       | -                | -           | -                | 33,399             |
| Environment                  | -           | -                  | -            | 6,601              | -             | -           | -                | -           | -                | 6,601              |
| Geochemistry                 | 321         | -                  | 66,524       | 169,701            | 5,592         | 14,834      | -                | -           | -                | 256,972            |
| Geological consulting Note 7 | 23,722      | 1,329              | 6,744        | 401,378            | 97,481        | 156,025     | 48               | -           | -                | 997,148            |
| Other consulting             | 13,424      | -                  | 21,062       | 23,021             | 4,269         | 2,064       | -                | -           | -                | 63,840             |
| Legal and accounting         | 20,696      | -                  | 22,603       | 6,088              | 12,283        | 4,616       | -                | 4,370       | -                | 70,656             |
| Licences, rights and taxes   | 3,526       | -                  | 33,930       | 89,271             | 1,217         | 23,273      | -                | -           | -                | 151,217            |
| Materials (recovery)         | (610)       | 20                 | 5,603        | 29,399             | 4,333         | 231         | -                | -           | -                | 38,976             |
| Maintenance                  | 17          | 51                 | 3,738        | 5,649              | 123           | -           | -                | -           | -                | 9,578              |
| Miscellaneous                | 1,085       | 2,587              | 836          | 1,751              | 300           | 18-         | -                | -           | -                | 11,577             |
| Medical expenses             | 2,687       | -                  | 11,221       | 11,554             | 2,338         | 6,462       | 207              | -           | -                | 34,937             |
|                              | -           | -                  | 381          | 1,549              | -             | 11,750      | -                | -           | -                | 13,680             |

|                              |               |                    |                  |                |                    |              |                  |
|------------------------------|---------------|--------------------|------------------|----------------|--------------------|--------------|------------------|
| Property investigation       |               |                    |                  |                |                    |              |                  |
| Rent and utilities           | 4,247         | 9220,781           | 20,107           | 3,385          | 1,005-             | -            | 50,447           |
| Rental equipment             | -             | - -                | -                | -              | 4,826-             | -            | 4,826            |
| Salaries and wages           | 8,155         | 1,169,243          | 96,330           | 15,325         | 2,405-             | -            | 208,627          |
| Shipping                     | 1,183         | 4767,896           | 6,060            | 537            | 2121 -             | -            | 16,405           |
| Telephone and communications | 108           | 12 18,806          | 24,046           | 3,418          | 1,14516            | -            | 47,567           |
| Travel and accommodation     | <u>365</u>    | = <u>72,570</u>    | <u>50,386</u>    | <u>63,508</u>  | <u>29,192,9065</u> | =            | <u>231,224</u>   |
|                              | <u>85,851</u> | <u>6,80778,160</u> | <u>1,153,949</u> | <u>261,324</u> | <u>2709632461</u>  | <u>4,370</u> | <u>2,598,087</u> |

SEE ACCOMPANYING NOTES

/cont d

Schedule 1 (cont d)

**RADIUS GOLD INC.**

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES

for the year ended December 31, 2005

(Stated in Canadian Dollars)

|                 |                 |                 |                 |          |                    |            |
|-----------------|-----------------|-----------------|-----------------|----------|--------------------|------------|
| Guatemala       | Nicaragua       | Mexico          | Argentina       | Colombia | Dominican Republic | Year ended |
| General Mineral | General Mineral | General Mineral | General Mineral | General  |                    | December   |
|                 |                 |                 |                 |          |                    | 31,        |

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|                             | <u>Exploration</u> | <u>Concessions</u> | <u>Exploration</u> | <u>Concessions</u> | <u>Exploration</u> | <u>Concessions</u> | <u>Exploration</u> | <u>Camila</u>   | <u>2005</u>        |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------|--------------------|
|                             | <u>85,851</u>      | <u>5,719,753</u>   | <u>3,067,067</u>   | <u>3,234,984</u>   | <u>307,330</u>     | <u>270,897</u>     | <u>2,461</u>       | <u>17,549</u>   | <u>11,026,114</u>  |
| Less:<br>write-offs         | <u>(85,851)</u>    | <u>(249,656)</u>   | <u>(399)</u>       | <u>(386,765)</u>   | =                  | <u>(85,333)</u>    | =                  | <u>(17,549)</u> | <u>(1,280,523)</u> |
| Balance, end<br>of the year | =                  | <u>5,470,097</u>   | <u>3,668</u>       | <u>2,848,219</u>   | <u>307,330</u>     | <u>185,568</u>     | <u>2,461</u>       | =               | <u>9,745,591</u>   |
| Totals                      | \$                 | \$                 | \$                 | \$                 | \$                 | \$                 | \$                 | \$              | \$                 |
|                             | =                  | <u>9,334,874</u>   | <u>4,668</u>       | <u>2,867,534</u>   | <u>307,330</u>     | <u>287,897</u>     | <u>2,461</u>       | =               | <u>13,731,864</u>  |

SEE ACCOMPANYING NOTES

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2006, 2005 and 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) and PilaGold Inc. (PilaGold) which became effective on July 1, 2004.

The Company is engaged in acquisition and exploration of mineral properties located primarily in Central and South America. 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 or disposition thereof.

2.

## **Significant Accounting Policies**

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles which conform, in all material respects, with those generally accepted in the United States of America, except as explained in Note 14. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement and within the framework of the significant accounting policies summarized below.

a)

### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

i)

Minerales Sierra Pacifico S.A. and Exploraciones Mineras de Guatemala S.A., companies incorporated under the laws of Guatemala;

ii)



Minerales de Nicaragua S.A. and Desarrollo Geologico Minerao, S.A., companies incorporated under the laws of Nicaragua;

iii)

Recursos Del Cibao, S.A., a company incorporated under the laws of the Dominican Republic;

iv)

Radius Panamá Corporation, Weltern Resources Corp. and Corporación Geológica de Panamá, companies incorporated under the laws of Panamá.

v)

Radius (Cayman) Inc. and Pavon (Cayman) Inc., companies incorporated under the laws of Cayman Island; and

vi)

Geometalos Del Norte-Geonorte, a company incorporated under the laws of Mexico.

All significant inter-company transactions have been eliminated upon consolidation.

b)

Cash and Cash Equivalents

Cash and cash equivalents included highly liquid investments with original maturities of three months or less.

c)

Marketable Securities

Marketable securities are recorded at the lower of cost or market value.

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

2.

**Significant Accounting Policies** (cont d)

d)

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

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

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

e)

Property, Equipment and Amortization

Property and equipment are recorded at cost. Equipment is amortized over their estimated useful lives using the following methods:

Leasehold improvements

5 years straight-line

Trucks

5 years straight-line

Computer equipment

30% declining balance

Geophysical equipment

20% declining balance

Furniture and equipment

20% declining balance

Website

30% declining balance

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

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

2.

**Significant Accounting Policies** (cont d)

f)

Financial Instruments

Under the provisions of the Canadian Institute of Chartered Accountants 3855 Financial Instruments Recognition and Measurement the financial assets and liabilities of the Company are designated as other financial assets and liabilities, accordingly they are initially measured at fair value, which is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties under no compulsion to act.

Subsequent to initial measurement at fair value, any gain or loss experienced on derecognition or impairment of the asset or liability is recorded in the statement of income.

The Company's financial instruments comprise cash and cash equivalents, marketable securities, advances and other receivables, due from related parties, accounts payable and accrued liabilities and due to related party. Cash and cash equivalents, marketable securities, advances and other receivables, accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term nature. The fair value of the amount due to and from related parties has not been disclosed due to the fact that the cash flow stream is not determinable.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, exchange or credit risks arising from these financial instruments.

g)

Basic and Diluted Loss Per Share

Basic loss per share ( LPS ) is calculated by dividing loss applicable to common shareholders by the weighted average number of common shares outstanding for the year. Diluted LPS reflects the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. Due to the losses, potentially dilutive securities were excluded from the calculation of diluted LPS, as they were anti-dilutive. Therefore, there is no difference in the calculation of basic and diluted LPS.

h)

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income taxes assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

i)

Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

2.

**Significant Accounting Policies** (cont d)

j)

## Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 6, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. 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 share purchase options.

k)

## Asset Retirement Obligation

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put to use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset.

At December 31, 2006, the fair value of the mineral properties site restoration costs is not significant.

l)

## Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

3.

**Marketable Securities**

The carrying value of marketable securities approximate their market value at December 31, 2006.

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

4.

**Property and Equipment**

|                         |             | 2006<br>Accumulated |            |
|-------------------------|-------------|---------------------|------------|
|                         | <u>Cost</u> | <u>Amortization</u> | <u>Net</u> |
| Land                    | \$ 103,077  | \$ -                | \$ 103,077 |
| Leasehold improvements  | 15,322      | 13,417              | 1,905      |
| Trucks                  | 195,765     | 122,427             | 73,338     |
| Computer equipment      | 87,305      | 49,219              | 38,086     |
| Furniture and equipment | 170,511     | 82,725              | 87,786     |
| Geophysical equipment   | 36,445      | 10,942              | 25,503     |
| Website                 | 4,800       | 3,533               | 1,267      |
|                         | \$ 613,225  | \$ 282,263          | \$ 330,962 |

|                         | 2005        |                     |            |
|-------------------------|-------------|---------------------|------------|
|                         | Accumulated |                     |            |
|                         | <u>Cost</u> | <u>Amortization</u> | <u>Net</u> |
| Land                    | \$ 103,077  | \$ -                | \$ 103,077 |
| Leasehold improvements  | 15,322      | 10,353              | 4,969      |
| Trucks                  | 195,765     | 94,554              | 101,211    |
| Computer equipment      | 78,818      | 37,331              | 41,487     |
| Furniture and equipment | 170,511     | 69,551              | 100,960    |
| Geophysical equipment   | 36,445      | 5,160               | 31,285     |
| Website                 | 4,800       | 3,069               | 1,731      |
|                         | \$ 604,738  | \$ 220,018          | \$ 384,720 |

## 5.

### **Mineral Properties**

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. The properties in which the Company has committed to earn an interest are located primarily in Guatemala and Nicaragua, and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Guatemala and Nicaragua, respectively.

#### A)

##### Guatemala

#### i)

##### El Tambor

The El Tambor Property consists of 6 exploration concessions located in south-central Guatemala.



a)

Unidad Tipo, Santa Margarita, El Injerto and Carlos Antonio

In 2002, the Company acquired a 100% interest in the La Laguna concession, and in 2004, the Company acquired a 100% interest (subject to a 2.5% net smelter returns royalty) in the Unidad Tipo, the Santa Margarita, Tizate, El Injerto and Carlos Antonio concessions. In 2006, the Company terminated its rights to the Tizate concession.

### **Radius Gold Inc.**

An Exploration Stage Company

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For the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

5.

### **Mineral Properties (cont d)**

i)

El Tambor (cont d)

b)

Progreso VII Concessions

The Company acquired the right to a 100% interest (subject to a 4% net smelter returns royalty) in the Progreso II to VII Concessions under an exploration lease and option to purchase agreement dated May 7, 2002, and amended October 14, 2004, with Entre Mares De Guatemala, S.A. The Company incurred the minimum aggregate exploration costs required to be made by May 6, 2006 of US\$800,000, and in June 2006 purchased the Progreso VII Concession for US\$250,000 (paid). It had been mutually agreed to drop the Progreso II to VI concessions from the company's right to purchase. One-half of the 4% royalty may be purchased by the Company for US\$2.0 million.

The Company entered into an agreement dated November 29, 2001 with Orogen Holding (BVI) Limited ( Orogen ), an affiliate of Gold Fields Explorations Inc., pursuant to which Orogen acquired the right to acquire a 55% beneficial interest in the Tambor Project in consideration for incurring exploration expenses of at least US\$5,000,000. Orogen subsequently conducted exploration work on the Tambor Project in the approximate amount of US\$3,250,000.

Pursuant to an agreement dated November 19, 2003 with Orogen, the Company re-acquired from Orogen all of its interest in the Tambor Project in consideration for the issuance and delivery of 1,300,000 common shares of the Company (issued) to Orogen.

#### Option Agreement with Fortuna Ventures Inc. ( Fortuna )

During the year ended December 31, 2004, the Company granted an option to Fortuna to earn a 60% interest in the El Tambor project in consideration of Fortuna incurring exploration expenditures totalling US\$4,000,000 over four years. During the year ended December 31, 2005, this agreement was terminated by Fortuna.

During the year ended December 31, 2004, the Company explored additional areas around El Tambor. During the year ended December 31, 2005, the Company decided to discontinue further exploration on these additional areas of the project, based on its exploration results to date, and has written off \$133,393 in costs.

ii)

Marimba and Holly/Banderas

a)

Marimba

At December 31, 2006, the Company held a 100% interest in the Marimba Project, which consisted of two exploration concessions, located in southeastern Guatemala covering approximately 23,500 hectares.

During the year ended December 31, 2005, the Company decided, based on its exploration results to date, to do no further exploration on the property, and wrote-off \$1,515,242 in costs to operations. Subsequent to December 31, 2006, the Company terminated its rights to the property concessions.

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**5.**

**Mineral Properties** (cont d)

A)

Guatemala (cont d)

ii)

Marimba and Holly/Banderas (cont d)

b)

Holly/Banderas

The Company holds a 100% interest in the Holly/Banderas Project which consists of two exploration concessions covering approximately 48,048 hectares.

During the year ended December 31, 2005, the Company explored additional areas around Holly/Banderas and wrote-off \$3,993 of these costs to operations.

Option Agreement with Glamis Gold Ltd. ( Glamis )

During the year ended December 31, 2004, the Company entered into an agreement with Glamis, giving Glamis an option to explore and develop the Holly/Banderas and Marimba properties. The agreement gave Glamis the right to acquire a 51% interest in the properties by spending US\$4 million over a four-year period. During the year ended December 31, 2006, Glamis terminated its option on these properties.

iii)

#### Regional Exploration

During the year ended December 31, 2005, deferred exploration costs incurred by the Company on various properties in Guatemala totalling \$85,851 (2004: \$893,643) were written off to operations, as management is not planning any further work on those properties.

B)

#### Nicaragua

i)

#### Nicaragua Concessions

Since 2003, the Company has conducted exploration on a number of mineral concessions in Nicaragua. As at December 31, 2006, the Company had been granted title to 11 of the concessions with the remaining 13 applications for title pending.

a)

#### El Pavon

#### Joint Venture Agreement with Meridian Gold Inc. ( Meridian )

The Company entered into a joint venture agreement with Meridian on September 22, 2004, with an effective date of May 25, 2005, giving Meridian the option to acquire a 60% interest in El Pavon which consists of 5 of the Company's

granted concessions and 4 of the applications towards earning the interest, Meridian spend a minimum of US\$3.5 million in exploration expenditures within the first two years of the agreement. In 2006, Meridian terminated its option to earn an interest in the Pavon property.

Advances and other receivables as at December 31, 2006 includes \$735,523 (2005: \$182,119) spent by the Company on behalf of Meridian for exploration costs incurred under this agreement.

## **Radius Gold Inc.**

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### **5.**

#### **Mineral Properties (cont d)**

B)

Nicaragua (cont d)

ii)

Kuikuinita Project

In 2002, the Company acquired an option to earn a 70% interest in the Kuikuinita project which consists of three exploration concessions located in northeastern Nicaragua.

In order to earn the interest the Company was required to make cash payments totalling US\$315,000 and incur US\$2,000,000 in exploration expenditures. During the year ended December 31, 2005, the Company decided, based on its exploration results to date, to do no further exploration on the property, and wrote-off \$1,681,592 in costs to

operations.

iii)

#### Mena Properties

In 2003, the Company was granted an option to earn a 70% interest in a series of mineral concessions in Nicaragua. During 2005, three groups of concessions remained subject to this option, namely, Kisilala, Columbus and San Ramon. In order to earn the interest, the Company was required to make cash payments totalling US\$625,000 and incur US\$2,000,000 in exploration expenditures over three year period for each concession.

By agreement dated July 20, 2004 and amended February 20, 2005, Coastport Capital Inc. ( Coastport ) was granted an option to acquire a 50% interest in the San Ramon concessions from the Company. In order to exercise the option, Coastport was required to incur exploration expenditures of \$200,000 by December 1, 2004 (incurred), a total of US\$1 million by December 31, 2005, and a total of US \$2 million by July 1, 2006.

As at December 31, 2005, Coastport determined that it would not continue with its option on the San Ramon concession.

Advances and other receivables as at December 31, 2006, include \$44,343 (2005: \$44,343) spent by the Company on behalf of Coastport for exploration costs incurred under this agreement.

During the year ended December 31, 2005, the Company decided, based on its exploration results to date, to do no further exploration on the Kisilala, Columbus and San Ramon properties and wrote-off \$1,258,510 in costs to operations.

iv)

#### Regional Exploration

During the year ended December 31, 2006, the Company incurred and wrote-off costs on various properties in Nicaragua totalling \$1,650,886 (2005: 640,877; 2004: \$456,562) as management is not planning any further work on these properties.

C)

Dominican Republic

The Company had applied for by staking two concessions covering approximately 19,165 hectares known as the Camila project located in southern Dominican Republic.

During the year ended December 31, 2005, the Company decided, based on its exploration results to date, to do no further exploration on the property, and wrote-off \$383,740 in costs to operations.

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5.

**Mineral Properties** (cont d)

D)

Mexico

i)

Amatista Project

During the year ended December 31, 2005, the Company acquired the right to earn a 100% interest in the Amatista epithermal gold-silver project, a 13,735 hectare mineral exploration property within the historical mining area of San Francisco. The owner will retain a 2% net smelter return royalty, which may be purchased for US\$2,000,000. The

Company can earn 100% of the property by making cash payments totalling US\$425,000 and issuing 200,000 common shares and incur US\$1,750,000 in exploration expenditures.

During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the property, and has written off \$314,700 (2005: \$Nil) in costs to operations.

ii)

La Fruita and El Mole Concessions

During the year ended December 31, 2005, the Company acquired by staking at a cost of \$43,407, the La Fruita and El Mole concessions.

During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the property, and has written off \$136,887 (2005: \$Nil) in costs to operations.

iii)

Regional Exploration

Since late 2004, the Company has explored various other properties in Mexico. As at December 31, 2006, \$897,257 (2005: \$188,329; 2004: \$Nil) in costs were written-off to operations as management is not planning any further work on these properties.

E)

Argentina

Since 2005, the Company has incurred data acquisition and geological consulting costs in connection with property investigations in Argentina.

During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the property, and has written off \$29,524 (2005: \$Nil) in costs to operations.



F)

Colombia

During the year ended December 31, 2005, the Company incurred data acquisition and geological consulting costs in connection with property investigations in Colombia.

During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the property, and has written off \$15,711 (2005: \$Nil) in costs to operations.

**Radius Gold Inc.**

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Notes to the Consolidated Financial Statements

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5.

**Mineral Properties** (cont d)

G)

Canada

During the year ended December 31, 2006, the Company incurred data acquisition and geological consulting costs in connection with property investigations in Canada.

H)

Ecuador

On November 7, 2006, the Company was granted the option to acquire a 70% interest in the Cerro Colorado Property, Ecuador. The property consists of two concessions located in Southern Ecuador.

In order to earn the interest the Company is required to:

a)

Make the following cash payments:

i)

US\$100,000 on signing of the agreement (paid);

ii)

US\$125,000 upon drilling on the project;

iii)

US\$150,000 on or before the first anniversary of the drill date;

iv)

US\$300,000 on or before the second anniversary of the drill date;

v)

US\$325,000 on or before the third anniversary of the drill date.

b)

Incur exploration expenditures of US\$3,000,000 on or prior to the third anniversary of the commencement of drilling on the project.

c)

Fund and deliver a feasibility study on or before the fifth anniversary of the drill date.

The Company has the right to terminate the agreement at anytime upon 90 days written notice or November 7, 2009, if the drill date has not occurred.

D)

Tanzania

During the year ended December 31, 2006, the Company incurred data acquisition and geological consulting costs in connection with property investigations in Tanzania and has decided to do no further exploration on the property, and has written off \$7,837 in costs to operations.

**6.**

**Share Capital**

Commitments

Escrow Shares

As at December 31, 2006, there are 375,000 common shares held in escrow (2005: 375,000), 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 is not less than 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:

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Notes to the Consolidated Financial Statements

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**6.**

**Share Capital** (cont d)

Commitments (cont d)

Stock Options (cont d)

A summary of the status of the stock option plan as of December 31, 2006, 2005 and 2004 and changes during the years ending on those dates is presented below:

|                                | 2006                         | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------|------------------------------|--|
|                                | <u>Number of<br/>Options</u> |  |
| Outstanding, beginning of year | 2,558,332                    | \$ 0.97                                  |
| Granted                        | 2,735,000                    | 0.70                                     |
| Exercised                      | (75,000)                     | 0.68                                     |
| Expired/cancelled              | (1,743,332)                  | 1.09                                     |
| Outstanding, end of year       | 3,475,000                    | \$ 0.70                                  |

|                                | 2005           |              |
|--------------------------------|----------------|--------------|
|                                | Number of      | Weighted     |
|                                | <u>Options</u> | Average      |
|                                |                | Exercise     |
|                                |                | <u>Price</u> |
| Outstanding, beginning of year | 3,691,219      | \$ 1.05      |
| Granted                        | 95,000         | 0.68         |
| Exercised                      | (162,800)      | 1.04         |
| Expired/cancelled              | (1,065,087)    | 1.20         |
| Outstanding, end of year       | 2,558,332      | \$ 0.97      |

|                                | 2004           |              |
|--------------------------------|----------------|--------------|
|                                | Number of      | Weighted     |
|                                | <u>Options</u> | Average      |
|                                |                | Exercise     |
|                                |                | <u>Price</u> |
| Outstanding, beginning of year | 2,220,000      | \$ 0.91      |
| Amalgamation with PilaGold     | 486,663        | 1.41         |
| Granted                        | 1,855,000      | 1.13         |
| Exercised                      | (450,444)      | 0.83         |
| Expired/cancelled              | (420,000)      | 1.31         |
| Outstanding, end of year       | 3,691,219      | \$ 1.05      |

**Radius Gold Inc.**

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## 6.

**Share Capital** (cont d)Commitments (cont d)

## Stock Options (cont d)

At December 31, 2006, there were 3,475,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each purchase option held:

| Number    | Exercise Price (\$) | Expiry Date   |
|-----------|---------------------|---------------|
| 670,000   | 0.68                | Jan 7, 2008   |
| 50,000    | 1.00                | Sept 2, 2009  |
| 20,000    | 0.68                | Sept 29, 2010 |
| 2,735,000 | 0.70                | Feb 21, 2011  |
| 3,475,000 |                     |               |

The Company uses the fair value based method of accounting for stock options granted to consultants, directors, officers and employees. A non-cash compensation charge of \$1,230,750 (2005: \$40,850; 2004: \$1,173,784) associated with the granting of options to directors and employees has been recognized in the financial statements for the year ended December 31, 2006, with a corresponding increase to contributed surplus.

The weighted fair value of share purchase options granted during the year ended December 31, 2006 of \$0.45 (2005: \$0.43; 2004: \$0.63) per option is estimated on the grant date using the Black-Scholes option valuation model. The assumptions used in calculating fair value for the years ended December 31 are as follows:

|   | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|---|-------------|-------------|-------------|
| <b>Expected dividend yield</b>                      | 0.0%        | 0.0%        | 0.0%        |
| Expected volatility based on historical share price | 76.29%      | 75.56%      | 61-68%      |
| Risk-free interest rate                             | 4.02%       | 3.92%       | 2.25-4.11%  |

|                        |         |         |           |
|------------------------|---------|---------|-----------|
| Expected term in years | 5 years | 5 years | 1-5 years |
|------------------------|---------|---------|-----------|

7.

**Related Party Transactions**

The Company incurred the following expenditures charged by officers and companies which have common directors with the Company:

|                         | Years ended December 31, |                   |                   |
|-------------------------|--------------------------|-------------------|-------------------|
|                         | <u>2006</u>              | <u>2005</u>       | <u>2004</u>       |
| Expenses                |                          |                   |                   |
| Consulting fees         | \$ 21,346                | \$ 25,676         | \$ 15,215         |
| Management fees         | 60,000                   | 60,000            | 45,000            |
| Mineral property costs: |                          |                   |                   |
| Consulting fees         | <u>160,581</u>           | <u>92,400</u>     | <u>99,000</u>     |
|                         | <u>\$ 241,927</u>        | <u>\$ 178,076</u> | <u>\$ 159,215</u> |

**Radius Gold Inc.**

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7.

**Related Party Transactions (cont d)**

These expenditures were measured by the exchange amount which is the amount agreed upon by the transacting

parties.

Advances and other receivables include \$48,528 (2005: \$20,193) due from directors and officers of the Company. These were funds advanced for Company expenses and any balance owed will be paid back in the normal course of business.

Due from related parties of \$147,870 (2005: \$256,649) are amounts due from companies which have a common director with the Company and arose from shared administrative costs. The balance owing is repayable in the normal course of business.

Accounts payable and advances include \$17,570 (2005: \$Nil) payable to a director of the Company and to an officer of the Company.

Due to related parties of \$10,510 (2005: \$35,129) are amounts due to a company which have a common director with the Company and arose from shared administrative costs. The amount is repayable in the normal course of business.

## **8.**

### **Non-cash Transaction**

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 year ended December 31, 2004, the Company issued 1,300,000 common shares with a value of \$1,937,000 as payment on the El Tambor Gold Project (Note 5).

## **9.**

### **Income Taxes**

The significant components of the Company's future income tax are as follows:



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|                           | <u>2006</u>        | <u>2005</u>        | <u>2004</u>        |
|---------------------------|--------------------|--------------------|--------------------|
| Future income tax assets: |                    |                    |                    |
| Non-capital losses        | \$ 2,680,000       | \$ 2,700,000       | \$ 2,600,000       |
| Resource expenditures     | 3,450,000          | 3,520,000          | 3,530,000          |
| Capital losses            | 20,000             | 20,000             | -                  |
| Timing differences        | <u>(4,560,000)</u> | <u>(4,680,000)</u> | <u>(5,670,000)</u> |
|                           | 1,590,000          | 1,560,000          | 460,000            |
| Valuation allowance       | <u>(1,590,000)</u> | <u>(1,560,000)</u> | <u>(460,000)</u>   |
|                           | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |

Management considers it more likely-than-not that the amounts will not be utilized and accordingly a full valuation allowance has been applied against the future tax assets.

The Company has accumulated resource deductions of approximately \$10,100,000, capital losses of approximately \$120,000, and non-capital losses of approximately \$7,800,000 which is available to offset taxable income of future years. Non-capital losses begin expiring in 2007.

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**10.**

**Commitments**

The Company has entered into operating lease agreements for its office premises. The Company also sub leases rental space to other companies on a month to month basis which are netted against rental expense. The annual lease commitment under the lease is as follows:

|      |                |
|------|----------------|
| 2007 | \$             |
|      | 125,927        |
| 2008 | 129,885        |
| 2009 | 130,245        |
| 2010 | <u>134,203</u> |
|      | \$             |
|      | <u>520,260</u> |

**11.**

**Comparative Figures**

Certain of the comparative figures for the years ended December 31, 2005 and 2004, have been reclassified to conform with the current year's presentation.

**12.**

**Financial Instruments**

a)

Credit risk:

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.

b)

Foreign currency risk:

The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2006, cash totalling \$336,559 (2005: \$980,603) was held in US dollars, \$8,450 (2005: \$10,854) in Nicaragua Cordoba, \$2,415 (2005: \$6,233) in Guatemala Quetzal and \$20,001 (2005: \$7,789) in Mexican Pesos.

13.

### **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 assets are located in Canada, Caymans, Ecuador, Guatemala, Nicaragua, Mexico and Dominican Republic.

### **Radius Gold Inc.**

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13.

### **Segmented Information** (cont d)

Details of identifiable assets by geographic segments are as follows:

December 31, 2006

December 31, 2005

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|                                |               |               |
|--------------------------------|---------------|---------------|
| Total Assets                   |               |               |
| Canada                         | \$ 10,787,157 | \$ 13,059,538 |
| Caymans                        | 85,195        | 761,493       |
| Ecuador                        | 117,864       | -             |
| Guatemala                      | 10,017,783    | 9,451,121     |
| Nicaragua                      | 3,705,119     | 4,055,501     |
| Mexico                         | 108,325       | 680,287       |
| Panama                         | -             | 120,908       |
| Other                          | -             | 36,985        |
| Dominican Republic             | 1,795         | 1,789         |
|                                | \$ 24,823,238 | \$ 28,167,622 |
| Property & Equipment           |               |               |
| Canada                         | \$ 34,874     | \$ 49,934     |
| Guatemala                      | 55,220        | 72,529        |
| Nicaragua                      | 218,416       | 232,617       |
| Mexico                         | 22,453        | 29,640        |
|                                | \$ 330,962    | \$ 384,720    |
| Mineral Properties Acquisition |               |               |
| Ecuador                        | \$ 113,130    | \$ -          |
| Guatemala                      | 4,142,864     | 3,864,669     |
| Nicaragua                      | -             | 19,315        |
| Mexico                         | -             | 102,289       |
|                                | \$ 4,255,994  | \$ 3,986,273  |
| Deferred Exploration Costs     |               |               |
| Ecuador                        | \$ 4,734      | \$ -          |
| Canada                         | 4,129         | -             |
| Guatemala                      | 5,753,973     | 5,470,075     |
| Mexico                         | -             | 492,645       |
| Other                          | -             | 36,985        |
| Nicaragua                      | 3,419,418     | 3,745,887     |
|                                | \$ 9,182,254  | \$ 9,745,592  |

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14.

**Reconciliation to United States of America Generally Accepted Accounting Principles**

Accounting practices under Canadian ( CDN GAAP ) and of United States of America generally accepted accounting principles ( US GAAP ), as they affect the Company, are substantially the same, except for the following:

a)

Marketable Securities

Under CDN GAAP marketable securities are recorded at lower of cost or market. Under US GAAP the Company classifies its marketable securities as available-for-sale and they are carried in the financial statements at their fair value equal to their quoted market price at year end. Marketable securities are classified as long-term if management does not intend to dispose of them within the subsequent year. Realized gains and losses are reported in earnings for the year while unrealized holding gains and losses are excluded from income and reported as a separate component of stockholders equity.

b)

Resource Properties

Under Canadian GAAP resource property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. Under US GAAP, resource property acquisition costs are considered tangible assets and must be capitalized unless the resource properties do not have proven reserves. The Company has expensed resource property cost as incurred and will capitalize resource property acquisition costs when it has been determined that a resource property can be economically developed as a result of a final feasibility study establishing proven and probable reserves. Costs incurred prospectively to develop the property are capitalized as incurred and are amortized using the units of production method over the estimated life of the ore body based on estimated recoverable ounces mined from proven and probable reserves. Therefore, additional expenses are required under US GAAP for the years ended December 31, 2006, 2005 and 2004.

c)

#### Comprehensive Loss

US GAAP requires disclosure of comprehensive loss which, for the Company, is net loss under US GAAP plus the change in cumulative translation adjustment under US GAAP. The concept of comprehensive loss does not come into effect under fiscal years beginning on or after October 1, 2006 for Canadian GAAP.

d)

#### New Accounting Standards

In June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes . The interpretation clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes . Specifically, the pronouncement prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on the related derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition of uncertain tax position. The interpretation is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 is not expected to have a material impact on the Company s consolidated financial position, results of operations or cash flows; however, the Company is still analyzing the effects of FIN 48.

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(Expressed in Canadian Dollars)

14.

**Reconciliation to United States of America Generally Accepted Accounting Principles** (cont d)

d)

## New Accounting Standards (cont d)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This Statement defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure related to the use of fair value measures in financial statements. The Statement is to be effective for the Company's financial statements issued in 2008; however, earlier application is encouraged. The Company is currently evaluating the timing of adoption and the impact that adoption might have on its financial position or results of operations.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108). Due to diversity in practice among registrants, SAB 108 expressed SEC staff views regarding the process by which misstatements in financial statements are evaluated for purposes of determining whether financial statement restatement is necessary. SAB 108 is effective for fiscal years ending after November 15, 2006, and early application is encouraged. The Company does not believe SAB 108 will have a material impact on its financial position or results from operations.

On February 15, 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for the Company's financial statements issued in 2008. The Company is currently evaluating the impact that the adoption of SFAS No. 159 might have on its financial position or results of operations.

e)

Reconciliation of net loss determined in accordance with CDN GAAP to net loss determined under US GAAP are as follows:

|  | Years ended December 31, |                  |                  |
|--|--------------------------|------------------|------------------|
|  | <u>2006</u>              | <u>2005</u>      | <u>2004</u>      |
| Net loss for the year as reported using CDN GAAP | \$ (4,563,806)           | \$ (6,679,398)   | \$ (3,908,339)   |
| Adjustments to resource properties               | (2,759,185)              | (2,830,001)      | (10,511,840)     |
| Foreign currency translation                     | (19,187)                 | 104,276          | 100,481          |
| Write-down of marketable securities              | 71,561                   | 44,452           | -                |
| Adjustment for realized gain                     | -                        | 104,557          | -                |
| Write-off of exploration costs                   | <u>3,052,802</u>         | <u>5,917,734</u> | <u>1,350,205</u> |
| Net loss for the year per US GAAP                | \$ (4,217,815)           | \$ (3,338,380)   | \$ (12,969,493)  |

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|   |                      |                      |                       |
|---|----------------------|----------------------|-----------------------|
| Unrealized gain (loss) from marketable securities         | (71,561)             | (44,452)             | 104,557               |
| Foreign currency translation                              | <u>19,187</u>        | <u>(104,276)</u>     | <u>(100,481)</u>      |
| Comprehensive loss for the year per US GAAP               | <u>\$(4,270,189)</u> | <u>\$(3,487,108)</u> | <u>\$(12,965,417)</u> |
| Basic loss per share per US GAAP                          | <u>\$ (0.08)</u>     | <u>\$ (0.07)</u>     | <u>\$ (0.29)</u>      |
| Weighted average number of shares outstanding per US GAAP | <u>52,991,262</u>    | <u>52,898,829</u>    | <u>44,916,963</u>     |

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the years ended December 31, 2006, 2005 and 2004

(Expressed in Canadian Dollars)

**14.**

**Reconciliation to United States of America Generally Accepted Accounting Principles** (cont d)

e) (cont d)

The effects of the differences in accounting under CDN GAAP and US GAAP on the balance sheets and statements of cash flows are as follows:

| <u>Balance Sheets</u>               | <u>2006</u>         | <u>2005</u>         |
|-------------------------------------|---------------------|---------------------|
| Total assets per CDN GAAP           | \$24,823,238        | \$28,167,622        |
| Adjustments for resource properties | <u>(13,438,248)</u> | <u>(13,731,865)</u> |
| Total assets per US GAAP            | 11,384,990          | 14,435,757          |



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|  |                     |                     |
|--|---------------------|---------------------|
| Total liabilities per CDN and US GAAP      | <u>(224,199)</u>    | <u>(286,527)</u>    |
|  | <u>\$11,160,791</u> | <u>\$14,149,230</u> |
| Deficit, per CDN GAAP                      | \$(21,330,517)      | \$(16,766,711)      |
| Adjustments to resource properties         | (13,438,248)        | (13,731,865)        |
| Foreign currency translation               | 185,570             | 204,757             |
| Write-down of marketable securities        | <u>116,013</u>      | <u>44,452</u>       |
| Deficit, per US GAAP                       | <u>(34,467,182)</u> | <u>(30,249,367)</u> |
| Contributed surplus per CDN GAAP           | 3,443,487           | 2,244,987           |
| Foreign currency translation loss          | (185,570)           | (204,757)           |
| Unrealized loss from marketable securities | <u>(116,013)</u>    | <u>(44,452)</u>     |
| Comprehensive income per US GAAP           | <u>3,141,904</u>    | <u>1,995,778</u>    |
| Share capital per Canadian and US GAAP     | <u>42,486,069</u>   | <u>42,402,819</u>   |
|  | <u>\$11,160,791</u> | <u>\$14,149,230</u> |

| <u>Statements of Cash Flows</u>                                    | Years ended December 31, |                      |                       |
|--|--------------------------|----------------------|-----------------------|
|  | <u>2006</u>              | <u>2005</u>          | <u>2004</u>           |
| Cash flows used in operating activities per CDN GAAP               | \$(773,197)              | \$(362,621)          | \$(2,074,166)         |
| Adjustments for mineral properties                                 | <u>(2,759,185)</u>       | <u>(2,830,001)</u>   | <u>(3,304,848)</u>    |
| Cash flows used in operating activities per US GAAP                | <u>(3,532,382)</u>       | <u>(3,192,622)</u>   | <u>(5,379,014)</u>    |
| Cash flows provided by (used in) investing activities per CDN GAAP | 232,340                  | (2,846,811)          | (9,372,674)           |
| Adjustments for mineral properties                                 | <u>2,759,185</u>         | <u>2,830,001</u>     | <u>3,304,848</u>      |
| Cash flows used in investing activities per US GAAP                | <u>2,991,525</u>         | <u>(16,810)</u>      | <u>(6,067,826)</u>    |
| Cash flows from financing activity per Canadian and US GAAP        | <u>51,000</u>            | <u>255,140</u>       | <u>1,040,199</u>      |
| Decrease in cash per US GAAP                                       | <u>\$(489,857)</u>       | <u>\$(2,954,292)</u> | <u>\$(10,406,641)</u> |

SIGNATURE PAGE

Pursuant to the requirements of Section 12g of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 29, 2007

By /s/ Simon Ridgway

Simon Ridgway,

President and Chief Executive Officer