

RADIUS GOLD INC.
Form 20-F
June 30, 2008

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

[X]

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

For the fiscal year ended **December 31, 2007**

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:

001-32556

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

None

None

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

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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.

53,548,488 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 basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP []

International Financial Reporting Standards as issued

Other [X]

by the International Accounting Standards Board []

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 N/A

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GLOSSARY OF TECHNICAL TERMS

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

vein , veinlet (small)	A tabular mineral deposit formed within or adjacent to faults or fractures by the deposition of minerals from hydrothermal fluids.
AA	Atomic absorption.
Adit	A passage driven horizontally into a mountainside providing access to a mineral deposit from the surface of the working of a mine.
Ag	The elemental symbol for silver.
alteration	The chemical and mineralogical changes in a rock mass resulting from the passage of hydrothermal fluids.
Anomalous or anomalies	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.
anomaly	The geographical area corresponding to anomalous geochemical or geophysical values.
argillite	Unusually hard, fine-grained sedimentary rocks, such as shale, mudstone, siltstone, and claystone. Commonly black.
arsenopyrite	A sulphide of arsenic and iron.
As	The elemental symbol for arsenic.
Assay	An analysis to determine the presence, absence or quantity of one or more elemental components.
Au	The elemental symbol for gold.
Au Eq. g/t	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.
auriferous	Containing anomalous concentrations of gold.

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background	The average concentration of an element or typical geophysical response in an area.
breccia	A rock consisting of sharp fragments in fine grained material.
channel sample	A sample which has been collected by continuous sampling across a measured interval, and is considered to be representative of the area sampled.
Cretaceous.	The geologic period extending from 135 million to 63 million years ago.
development	Preparation of a mineral deposit for commercial production including installations of plant and machinery and the construction of all related facilities.
Diamond drill	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.
dip	The angle which a geological structure forms with a horizontal surface, measured perpendicular to the strike of the structure.
epidote	Calcium, aluminium, iron silicate mineral commonly occurring in hydrothermally altered carbonate-bearing rocks.
epithermal	A term applied to high-level hydrothermal systems which form at depths of ~1 km to surficial hot spring settings.
exploration	The prospecting, mapping, sampling, remote sensing, geophysical surveying, diamond drilling and other work involved in the searching for ore bodies.
FA	Fire assay.

fault	A fracture in a rock across which there has been displacement.
fracture	Breaks in a rock, usually planar.
Gangue	Minerals that occur with ore minerals, but are sub-economic to recover.

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Gold Dore	A gold and silver alloy produced at a mine prior to refinement into high purity metal.
GPS	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.
graben	A downthrown block between two parallel faults.
grab sample	A sample of selected rock chips collected from within a restricted area of interest.
grade	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.
g/t	Grams of per metric tonne. Usually used in association with gold or silver.
Heap leach	A process used for the recovery of metals from crushed ore in heaps using a suitable leaching solution.
ha or hectare	An area totaling 10,000 square metres.
Hg	The elemental symbol for mercury.

highly anomalous	An anomaly which is 50 to 100 times average background.
Host rock	The body of rock in which mineralization of economic interest occurs.
hydrothermal	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.
ICP	A type of assay technique.
intrusive	A rock mass formed below earth's surface from magma which has intruded into a preexisting rock mass

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limonite (limonitic)	A mixture of hydrated iron oxides and iron hydroxides. (Pertaining to or containing limonite.)
mesothermal	A hydrothermal ore deposit typically a vein system- formed at intermediate temperatures (200-300°C) and pressures/depths.
mineral resource,	Under CIM standards, a mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in
measured mineral resource,	or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The
indicated mineral resource,	location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific
inferred mineral resource	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

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.
mineralization	Minerals of value occurring in rocks.
Mt	A million tonnes.
ore	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.
Ounce / oz	Troy ounce, equal to approximately 31.103 grams.
outcrop	An exposure of rock at the earth's surface.
Paleozoic	The geological era ranging from 600 million to 230 million years ago.
phyllite	A cleaved metamorphic rock having affinities to both schists and slates.
Pleistocene	A division of the Tertiary period.
Pliocene	A division of the Tertiary period.
pseudomorph	One mineral occurring in the crystal form of another.
quartz	A common rock-forming mineral (SiO ₂) that is frequently a dominant constituent of veins, especially those containing gold and silver mineralization.
Quaternary	The latest period of geological time in the stratigraphic column from 0 to 2 million years ago.
RC	Reverse Circulation drilling.
rhyolite	A silica-rich volcanic rock chemically equivalent to granite. Usually light colored, very fine-grained or glassy-looking.
Sb	The elemental symbol for antimony.
scorodite	A hydrated iron arsenate, oxidation product of arsenopyrite.
sericite	A white variety of muscovite mica.
Silicification / silicified	Complete or partial replacement of a rock by quartz, often during hydrothermal alteration.
Stibnite	An antimony sulphide mineral.
stockwork	A densely packed network of small veins, veinlets or fissures which may be filled with mineralized material.
strike	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.
Tertiary	The geological period extending from the end of the Cretaceous (65 million years ago) to approximately 2 million years before the present time.
Tl	The elemental symbol for thallium.
Tonne	A metric tonne, 1000 kilograms or 2,204.6 pounds.
travertine	Calcium carbonate deposited by precipitation from carbonate-saturated waters, particularly from hot springs.
UTM	The UTM (Universal Transverse Mercator) system is a world-wide geographic coordinate system defined in meters.

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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.

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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 17 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, 2007, 2006 and 2005 and as at December 31, 2007, 2006 and 2005 was extracted from financial statements of the Company which were audited by BDO Dunwoody LLP (formerly 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.

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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 costs 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 exploration expenses are required under US GAAP for the years ended December 31, 2007, 2006 and 2005.

The following information has been reconciled for U.S. GAAP. See Note 17 to the Consolidated Financial Statements of the Company.

	(CDN\$ in 000, except per share data)				
	As at 12/31/07	As at 12/31/06	As at 12/31/05	As at 12/31/04	As at 12/31/03
Working Capital	6,896	10,830	13,765	17,071	14,795
Resource Properties (Cdn GAAP)	15,923	13,438	13,732	16,820	7,657
Resource Properties (US GAAP)	0	0	0	0	0
Long Term Debt (Cdn GAAP)	0	0	0	0	0
Long Term Debt (Cdn GAAP)	0	0	0	0	0
Shareholders' Equity (Cdn GAAP)	(23,109)	(24,599)	(27,881)	(34,265)	(22,606)
Shareholders' Equity (US GAAP)	(7,186)	(11,161)	(14,149)	(17,445)	(14,948)
Total Assets (Cdn GAAP)	23,481	24,823	28,168	34,612	23,108
Total Assets (US GAAP)	7,557	11,385	14,436	17,792	15,450
Revenue	0	0	0	0	0
Net Income(Loss) (Cdn GAAP)	(2,278)	(4,564)	(6,679)	(3,908)	(1,722)
Earnings(Loss) Per Share (Cdn GAAP)	(0.04)	(0.09)	(0.13)	(0.09)	(0.06)
Net Income(Loss) (US GAAP)	(4,762)	(4,199)	(3,442)	(13,070)	(2,666)
Earnings (Loss)Per Share (US GAAP)	(0.09)	(0.08)	(0.07)	(0.29)	(0.09)
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)	53,426	52,991	52,899	44,917	28,446
Wtd.Avg.No.Shares (US GAAP)	53,426	52,991	52,899	44,917	28,446

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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 25, 2008 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\$1.0134.

	Exchange Rate U.S. Dollars into Canadian Dollars	
	High	Low
Month ended May 31, 2008	\$1.0187	\$0.9840
Month ended April 30, 2008	\$1.0268	\$1.0021
Month ended March 31, 2008	\$1.0275	\$0.9841
Month ended February 28, 2008	\$1.0188	\$0.9717
Month ended January 31, 2008	\$1.0294	\$0.9905
Month ended December 31, 2007	\$1.0216	\$0.9784
		Average
Fiscal year ended December 31, 2007		\$1.0742
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

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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, Peru 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. For a description of recent political uncertainty over the Ecuadorian government's future intentions towards international mining investment, see Item 4, Information on the Company, Section D, Property and Equipment, Ecuador Cerro Colorado Project herein.

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 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. In 2007, the Company was granted options to acquire interests in several properties in Peru.

Currently, the Company has property interests in Guatemala, Nicaragua, Mexico, Peru and Ecuador. Its exploration activities are largely focused in Nicaragua, Peru and Mexico, with some ongoing activity in Guatemala. (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, S.A. de C.V.	May 2, 2005	Mexico	100%
Radius Peru S.A.C.	May 4, 2007	Peru	100%

D.

Property and Equipment

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

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Central America

South America

Guatemala

In Guatemala, exploration concessions are granted for an initial period of three years. Thereafter, an extension of two years may be obtained, and then a final extension of two years, for a total of seven years. Thereafter, the concession is either converted to an exploitation concession, or forfeited.

In order to keep its properties in Guatemala in good standing, the Company must pay filing fees to the Guatemala government, paid annually in advance, equal to US\$48.81 per square kilometer, or fraction thereof, for the first three years after the granting of a concession, and US\$97.62 per square kilometer, or fraction thereof, for the fourth and fifth years, if so extended, and US\$146.43 per square kilometer, or fraction thereof, for the sixth and seventh years, if so extended. The Company must also file annual exploration reports.

1.

Tambor Project

The Tambor Property consists of 5 exploration concessions located in south-central Guatemala as set out in the following map:

- 9 -

The concessions are described as follows:

<u>Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date</u>
Santa Margarita (includes former concession Unidad Tipo)	100.00	February 4, 2009
Carlos Antonio	335.00	November 11, 2009
El Injerto	45.00	extension to October 31, 2009 requested
La Laguna	187.50	October 29, 2009
Progreso VII	<u>3,712.19</u>	November 6, 2008
	6,379.69	

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.

In January 2004, the Company obtained a National Instrument 43-101 Technical Report compliant gold resource estimate on the Tambor Project for Radius. 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 of the Technical Report.

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.

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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 the calculation of a resource estimate on Tambor which was completed in January 2004 (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.

During late 2006, the Company initiated the planning and development of an underground exploration adit on the Guapinol zone 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 was to provide information on the structural controls, continuity and grade of the high grade gold mineralization and hence the potential to develop additional resources. In July 2007, the exploration adit intersected the target vein as planned 202.1m into the hill. The width of the vein exposure in the main tunnel was 3.2m, with a dip of 75° for a true width of 3.09m. Diamond drill hole PDD-03-033, first reported in Radius's news release dated August 13, 2003, returned 80.5g/t Au over 5.3m from a quartz vein. The vein was sampled on both sidewalls of the adit and gave results of:

74.5 g/t Au over 3.40m (includes 0.2m of quartz veining on HW) from the vein on the east tunnel wall (est. true width 3.28m)

77.7 g/t Au over 2.40m from the vein on the west tunnel wall (est. true width 2.32m)

In order to understand the continuity of the mineralized structure and plunge of the vein, four crosscuts were excavated underground: 2 parallel and to the west of the main drift (CW-1 & 2), and 2 parallel and to the east of the main drift (CE1 & 2). All four cross cuts intercepted the zone and confirmed the continuity of the shoot and demonstrated the assumed easterly-dipping plunge to the high grade mineralized.

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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.

The 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. The definitions of the measured, indicated and inferred resources conform to CIM Guidelines as defined in CIM Standards on the Mineral Resources and Reserves Definitions and Guidelines, dated August 20, 2000.

To assess the mineable continuity of a deposit and hence how far resources may reasonably be projected, the estimate used indicator variograms at an approximate mining cutoff. Using reasonable economic criteria in effect when the

resource estimate was prepared in late 2003 of: a gold price of \$250 per ounce; gold recovery of 70% for a heap leach operation; and an operating cost of \$4.00 per tonne, results in a calculated economic cutoff grade of 0.5 g/t Au. For purposes of the initial resource assessment, a cutoff grade of 0.3 g/t Au was selected.

A cutoff grade of 0.3 g/t Au is considered appropriate for resource estimation because of the demonstrated continuity of gold mineralization at this grade. Material included in the resource having a grade between 0.3 g/t Au and 0.5 g/t Au can be considered internal dilution that may need to be mined with the ore. The average grade of the resource estimate at the 0.3 g/t Au cutoff is 2.83 g/t Au, well above the economic cutoff grade. It should be noted that selection of a final cutoff for the deposit will require detailed metallurgical testing.

The 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.**

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Tambor: Indicated Resource Estimate

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

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

Area	Tonnes	Grade (g/t Au)	Contained Gold (Ounces)
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
Total	2,547,000	2.641	216,200

Core drilling in 2003 defined a NI43-101 resource estimate of 57,800 ounces gold in the indicated category, and 216,200 ounces gold in the inferred category (see Radius press release dated December 10, 2003). This resource was established within a 1km strike length of a soil anomaly that is consistent for over 14 km.

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Sample Collection, Preparation and Analysis

A rigorous Quality Assurance/Quality Control approach was adopted by Goldfields throughout the programme and all data supplied to Radius was reviewed by a Qualified Person according to Ni 43-101 to ensure reliable results. Samples were prepared at Rocky Mountain Geochemical/BSi Inspectorate Laboratories in Guatemala City. BSi is a subsidiary of Inspectorate America Corporation, a ISO 9002-certified laboratory. Rock samples were crushed to minus 10 mesh and a 300 gramme sub-sample was pulverized to minus 200 mesh. These Pulps were flown to Reno, Nevada for analysis at Rocky Mountains geochemical laboratory. Gold was assayed by a 30g Fire Assay/Atomic Absorption and for 30 additional elements by aqua regia ICP. All rock samples returning >1 g/t Au were subsequently re-assayed by 30 gramme fire assay with gravimetric finish. Sample standards, blanks and duplicates account for approximately 10 percent of samples which were inserted into the sample stream, and duplicate samples were also sent to a second laboratory for gold check analysis. Goldfields also completed metallic sieve analysis on selected mineralized intervals from Guapinol South drilling and results indicated that normal for assays are good indicators of the total gold content of the samples.

Future Exploration

In February 2008, the Company announced the results of metallurgical testwork performed on a 90kg sample collected from underground workings. The results were very encouraging and confirm the free milling, coarse grained nature of the gold at Tambor and its amenability to gravity pre-concentration as the principal method of recovery, followed by either cyanidation or flotation. The sample head grade ranged from 36 g/t to 40.7 g/t Au.

In June 2008, the Company has signed a binding Letter of Intent with Kappes, Cassiday & Associates (KCA) to develop the Tambor Project. The agreement calls for an initial 150 tonne per day operation from both underground and surface pits, exploiting gold mineralization hosted by a series of high-grade mesothermal quartz veins and stockworks. Metallurgical test work by both Gold Fields and Radius indicates that most of the gold is coarse and free milling, and recoveries of up to 66 percent can be achieved using gravity concentration alone.

KCA can earn a 51% interest in Tambor by spending a total of \$6.5M on the property within 4 years through staged annual expenditure commitments, or by putting the property into commercial production within 4 years. When KCA has earned its 51%, a joint venture will be formed between KCA and Radius.

Once commercial production has been achieved, KCA will receive preferential payback of 75% (Radius 25%) of after-tax cash flow from initial production until it receives an amount equal to its investment, less \$2 million. At that point, Radius will receive 75% of the after-tax cash flow (KCA 25%) until it too receives the amount of preferential cash flow received by KCA, after which revenues will be split on a 51:49 basis (KCA:Radius).

The first phase of work to be conducted by KCA at Tambor will entail the commencement of permitting activities and some surface exploration.

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

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2.

Banderas Project

The Company holds a 100% interest in the Banderas Project which consists of two exploration concessions more particularly described as follows:

<u>Concession Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date</u>
La Joya II	9,449.52	February 26, 2009
El Dorado	<u>2,000.00</u>	July 5, 2009
	11,449.52	

During the year ended December 31, 2004, the Company entered into an agreement with Glamis, giving Glamis an option to explore and develop the 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 the Banderas Project and wrote-off \$3,993 of these costs to operations. The Company is not currently planning to do any exploration work on this project.

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

Nicaragua

In Nicaragua, concessions are granted for 25 years. In order to keep its properties in good standing the Company must pay yearly filing fees as follows:

<u>Year</u>	<u>US\$ per hectare per year</u>
1	\$0.25
2	\$0.75
3, 4	\$1.50
5, 6	\$3.00
7, 8	\$4.00
9, 10	\$8.00
11 - 25	\$12.00

One-half of each yearly payment must be paid in January and the second half in July. The Company must also file annual exploration reports.

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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:

The concession covers 5,356 hectares and expires on November 9, 2029.

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.

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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.

By letter agreement dated February 18, 2008 the Company signed an agreement, subject to due diligence, to option the San Pedro project in Nicaragua to Vanessa Ventures Ltd. (Vanessa). Under the terms of the agreement, Vanessa can acquire a 50% interest in the Project by spending a cumulative US\$3,000,000 on exploration expenditures on the Project over a period of four years. Once Vanessa has exercised its option, Vanessa can earn an additional 20% by funding a bankable feasibility study, or may opt to further develop the property under a 50:50 joint venture with the Company. In the event that either party elects not to contribute, then standard dilution clauses will apply and if either party's interest drops below 10%, this will be converted into a 1% net smelter royalty.

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 Natividad property consists of two granted concessions, as set out in the below map:

The concessions are described as follows:

<u>Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date</u>
Natividad	1,301.10	February 11, 2029
El Milagro II	<u>3,347.47</u>	February 19, 2029
	4,648.57	

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 withdrew from the joint venture and completed rehabilitation of the camp and drill pads. The property and all data have been returned to the Company. The Company is currently reviewing its options with respect to further work on this property.

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, consisting of three granted concessions and two concession applications, as set out in the following map:

The concessions are described as follows:

Granted Concession

<u>Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date / Application Date</u>
Andrea	5,800.30	Expires February 24, 2031
San Gabriel	2,790.00	Expires September 6, 2031
La Pita	1,682.46	Expires April 19, 2031

Concession Applications

El Jade	5,786.32	Application date: September 22, 2006
Las Nubes	<u>26,586.00</u>	Application date: January 23, 2007
	42,645.08	

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 short drill plan is anticipated at La India during 2008. All work is being funded from Radius's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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 concession located within the Region Autonoma Atlantico Norte (RAAN) in north-eastern Nicaragua, as set out in the following map:

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The concessions are described as follows:

<u>Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date</u>
La Amapola	13,809.90	April 19, 2032
El Trebol	<u>28,383.17</u>	April 19, 2031
	42,193.07	

Trébol is a gold-bearing epithermal system discovered by Radius during stream sediment sampling and reconnaissance exploration rock sampling in the RAAN. Mineralization is associated with a trend of anastomosing low-lying ridges that can be traced over 6 kilometers in strike length, which form part of a larger prospective terrain of topographic anomalies. Mineralization is associated with a range of silicification textures including chalcedonic banded/colloform quartz veining, breccias and stockworks, typical of low sulphidation epithermal systems. Rock

exposures at Trébol are severely restricted due to dense vegetation and soil cover. Trench sampling results from an initial 4 trenches located in the southwestern part of the trend were reported in May 2007 and included assays of 18.0m @ 1.34 g/t Au (TRSD-03), and 10.5m @ 9.1 g/t Au (TRSD-04) which included 0.75m @ 13.1 g/t Au and 0.75m @ 66.2 g/t Au with abundant visible gold observed associated with manganese and iron oxides. Further trench results were released since, including the results from trenches TRSD-03 and TRSD-04 that were extended. A total of 17 trenches have now been excavated to date over a strike length of approximately 7 km.

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The trench results confirm the observation that gold grades are generally consistent within each trench but average values vary from trench to trench over the strike length of the zone. All trenches generally start and end in altered and mineralized rock.

In early September 2007, widespread devastation was caused throughout the region by Hurricane Felix, a Category 5 storm, destroying trees and buildings, including Radius's exploration camp. No field personnel of the Company were injured. The storm caused the Company to temporarily cease its operations until the region and local community could recover from the disaster. The Company assisted in recovery efforts by providing transport and materials to help re-construct buildings.

Exploration work resumed in January 2008 and consisted of installation of new access routes and construction of a new camp. In April 2008, the results of four additional trenches were received as follows:

<u>Trench</u>	<u>Metres</u>	<u>g/t Au</u>
TRSD-14	22.00	0.57
includes	6.00	1.00
TRSD-15	33.80	3.40
includes	15.00	6.10
TRSD-16	13.00	0.19
TRSD-17	20.00	0.87

These new trench results confirm the observation that gold grades are generally consistent within each trench but average values vary from trench to trench over the strike length of the zone. All trenches generally start and end in altered and mineralized rock. The extent and genesis of the mineralized system is as yet unknown.

In early May 2008, the Company commenced an initial drill program at Trebol, designed to test for continuity of the surface mineralisation underneath selected trenches and to understand better the geologic context of the mineralization. Drilling will be undertaken initially in the south-western part of the zone in the vicinity of Trench 4 (35.25m at 4.9 g/t Au including 17.6 g/t Au over 8.35m) and Trench 15 (33.8m at 3.4 g/t Au, including 15m at 6.1 g/t Au). These trenches are located approximately 1km apart along the same silicified ridge.

All work is being funded from the Company's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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.

5.

La Flor Property

The La Flor Property consists of one granted concession located within the RAAN of north-eastern Nicaragua, as set out in the following map:

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The concession is described as follows:

<u>Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date</u>
La Flor	15,604.85	April 19, 2032

In September 2007, work began on the La Flor concession which is located to the south and contiguous with the Trébol concession in the RAAN. Work is ongoing, and includes trenching and mapping of known veins focused around the historic Linda Ventura vein, and prospecting and trenching of known mineralized areas elsewhere on the claims.

La Flor contains several trends of low sulphidation, quartz-adularia veins hosted within Tertiary-aged volcanic andesites and pyroclastic rocks. The eastern-most trend, Linda Ventura, is approximately 6m wide and comprises central banded chalcedony-adularia in a surrounding quartz-stockwork envelope. The main vein has been traced for 1.1km, and additional veins were exposed by trenching. The best trench sampled to date averaged 6m @ 4.82 g/t Au, however a detailed soil survey indicates that the strike length of the vein system to be limited. Results from a soil survey elsewhere in the property were encouraging with several gold-in-soil anomalies defined, and a trenching and sampling program is planned.

All work is being funded from Radius's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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

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6.

Estrella de Oro Property

The Estrella de Oro Property consists of one granted concession as set out in the following map:

The concession is described as follows:

<u>Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date</u>
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Manuelita	46,220.00	October 5, 2032
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The Estrella de Oro property, located 17 km west of the town of Siuna within Nicaragua's Golden Triangle region, was acquired by Radius in 2007. An all-weather dirt road transects the central part of the property.

In the Cerro Estrella area, old mine workings are present along two parallel, north-easterly trending structural zones comprised of quartz veins and breccias hosted within crystal and lithic tuffs. The most southerly vein contains visible gold and is approximately 12m in width, and exposed over some 400m in old trenches and pits. Rock channel samples of vein material taken by Radius assayed from trace to 21.5 g/t Au over 2m and 22.4 g/t Au over 1m. The zone remains open to the northeast and southwest.

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Permits were received and exploration work commenced in January 2008 consisting of trenching and sampling of the old workings, plus soil surveys to define the extensions of the known mineralized zones. Initial results of trenching received in February 2008 were as follows:

-

TR-LE-001

15.2m @ 6.73 g/t Au, incl. 2.72m @ 10.24 g/t Au and 1.3m @ 44.17 g/t Au

•

TR-LE-002

12.3m @ 1.55 g/t Au

•

TR-LE-003

9.3m @ 3.77 g/t Au, incl. 3.62m @ 7.15 g/t Au

•

TR-LE-004

4.9m @ 8.55 g/t Au

The results confirm that the gold mineralization is associated with a sequence of steeply-dipping to sub-vertical quartz veins showing variable widths, and hosted within strongly altered volcanic tuffs.

Of interest is that during the exploration work, the remains of old mine machinery were recovered from the adits, indicating that the historical operations at Estrella were on a larger scale than previously thought yet there is little reference to this former mine in the records.

Permitting is underway for a drill program planned for mid year. All work is being funded from Radius's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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

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.

The Company has been actively exploring the states of Chiapas and Oaxaca since late 2006. Target identification and compilation work is ongoing, consisting of structural and clay-iron alteration analysis of remote sensing imagery, compilation of available geochemical databases and mineral occurrences, with emphasis on follow-up of targets by prospecting and stream sediment geochemistry. Generative work resulted in five areas assessed in 2007 and the Company currently holds four granted concessions and two concession applications as follows:

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<u>Name</u>	<u>Size (Hectares)</u>	<u>Expiry Date</u>
Tlacolula	16,465	Expires August 2, 2057
Tlacolula 2	66,165	Expires November 21, 2057
Tapanatepec	21,150	Application
Tapanatepec 2	21,150	Application
Reduccion Nvo. Jerusalem	7,725	Expires July 9, 2057
Penjamo	7,100	Expires October 11, 2057
Las Tigrillas	2,075	Expires June 21, 2057
<u>Tlacolula, Oaxaca</u>		

The Tlacolula and Tlacolula 2 concessions are set out in the following map:

The Tlacolula property is located on the fringes of the Taviche epithermal district and within an area within the vicinity of several advanced staged projects including the Cobre Grande Cu-Mo-Zn-Ag skarn deposit and the San Jose Ag-Ag-Au deposit. Reconnaissance work in 2007 led to the staking of two concessions for a total of 82,630 hectares. First-pass exploration within the Tlacolula claims has resulted in the discovery of two epithermal zones at San Pablo Güila (Ag) and Teotitlan del Valle (Au).

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At San Pablo Güila this work identified a >1km long N-NW trending zone of argillic alteration in andesites some 30 to 40m wide, with veins and breccia zones composed of mainly calcite and lesser quartz. Disseminated pyrargyrite,

acanthite, and pyrite are observed in the veins and in the breccias. Sampling of stream sections gave up to 130.8 g/t Ag over 21.5m (incl. 183.4 g/t Ag over 12.1m, with 1.3 kg Ag over 0.3m received from sampling over a small adit. Twelve trenches were dug and sampled along a 670m strike length of the vein zone, in addition to contiguous sampling done earlier along stream walls and local exposures. The sampling confirmed the presence of high grade silver mineralization associated with the calcite vein zones. The best trench results are from SPG-7, which passes over the adit with the 1,335 g/t Ag/0.3m sample; it averaged 199 g/t Ag/12.4m with two high values of 494 g/t Ag /1.2m and 466 g/t Ag /1.1m. The zone appears to continue to the north and requires further definition by trenching. Gold values are low, generally <0.1 g/t.

The San Pablo Güila mineralization is high priority for drilling. Several other areas require follow-up, including at Teotitlan del Valle, an area of gold-bearing quartz veins ranging from 0.35 to 1.3m wide, with local vein zones up to 5.15m wide, which were identified by follow-up of regional drainage geochemical anomalies. The best gold values exceed +10 g/t Au with 29 g/t Ag/0.8m, while the best Ag value is 53.1 g/t Ag with 0.33 g/t Au/5.15m. There are several veins, up to 800m in strike length, which due to poor exposure, are evident mainly in the numerous small pits and collapsed adits. This suggests the possibility of additional veins in the area.

As the district is mainly silver, a joint venture partner is being sought to advance this property and several companies have signed confidentiality agreements in order to review the data.

Tapanatepec, Oaxaca Chiapas

In south-eastern Oaxaca, in the Tehuantepec Isthmus region where two adjacent claim applications totalling 38,505 hectares have been filed, prospecting identified an area of gold stream sediment anomalies, quartz veins and magnetite skarns. Title to the claims is pending.

The area is underlain by a Tertiary granodiorite, a Paleozoic granite, and a Paleozoic to Cretaceous, partly metamorphosed terrigenous sediments and volcanoclastics with limestone interbeds. A stream sediment sampling program resulted in several gold anomalies, with a high value of 0.825 g/t Au. Details on the various areas will be reported once Radius has secured title.

Reduccion Nvo. Jerusalem, Chiapas

In the Nuevo Jerusalem area, reconnaissance stream sediment sampling in late 2006 showed the presence of anomalous gold in some of the streams, as well as visible gold in pan concentrate in a few of the anomalous drainages. A claim was applied for and later reduced in size. With more detailed stream sediment sampling, eight anomalous stream sediment samples ranging from 69 ppb to 2,130 ppb Au, were defined.

The area is underlain by Eocene siltstones, sandstones, and red beds, with overlying Pliocene andesitic crystal rich tuffs forming cliffs and peaks. In the wide valleys characteristic of the area, there are 1-2m thick poorly consolidated Quaternary conglomerates containing rounded clasts of Paleozoic granodiorite, metamorphic milky quartz, and local gneiss among other lithologies. It is interpreted as a re-worked conglomerate.

Prospecting and chip sampling has not shown a hard rock source for the anomalies; rare, rounded clasts derived from the conglomerate are anomalous in gold. Sampling of the conglomerates in three anomalous drainages have shown anomalous gold, indicating that the re-worked conglomerates are the source of the gold. The significance of this

observation requires assessment.

Las Tigrillas

The Las Tigrillas claim is located 145km southeast of Tuxtla Gutierrez, and 32km from the Guatemala border. In late 2006, a first pass reconnaissance program in southern Chiapas identified quartz veining with arsenopyrite and stibnite in sandstones and siltstones, with values up to 4.7g/t Au. A 2,075 hectare claim application covering these Au-bearing quartz veins was filed and has since been titled. Quartz veining occurs in zones varying from 2-3m up to 20m wide, with detailed follow-up work not yet completed.

Penjamo

Reconnaissance of the area southwest of Tuxtla Gutierrez gave in a 54.2 g/t Au sample from quartz veining in sandstones and siltstones. Stream sediment sampling also resulted in several gold anomalous samples ranging from 0.045 to 0.986 g/t Au. A 7,100 hectare claim was applied for and titled, and follow-up work is pending.

Other Areas

At the La Industria area, located 35km southwest of Tuxtla Gutierrez, prospecting found several collapsed old pits, as well as float quartz veining and of massive pyrrhotite with minor chalcopyrite, that assayed from trace to 9.52 g/t Au. An application for a concession was made, and later titled. However, further sampling and mapping, including a stream sediment survey and several trenches, failed to produce favourable results and the concession application was relinquished.

The Company also acquired the La Luz 21,425 hectare claim located 110km southeast of the city of Tuxtla Gutierrez. Most of the claim area is underlain by the Lower Paleozoic granodioritic to monzonitic Chiapas batholith, with Triassic-Jurassic conglomerates, sandstones and siltstones on the northeast portion. Initial stream sediment sampling gave three anomalous gold values. More detailed follow-up sampling did not confirm the anomalous values and prospecting did not suggest favourable geology, and the claim was dropped.

All work on the Company's Mexico properties is being funded from Radius's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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

Peru

In Peru, concessions are granted for one year and are extendable indefinitely in one-year increments upon paying the annual fees to the government. The Company established an exploration office in Lima, Peru during 2007 in order to actively review opportunities and acquire properties for exploration. The Company has rights to the following properties in Peru:

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1.

Rubi Property

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In August 2007, the Company signed an option agreement to acquire 100% of the Rubi Property, Peru which consists of eight granted concessions as follows:

<u>Name</u>	<u>Size (Hectares)</u>
San Antonio	200
Ashka	400
San Sebastian	260
San Sebastian 3	200
San Sebastian 4	655
San Sebastian 5	302
San Sebastian 6	100
Minas Rubi No. 01	<u>600</u>
	2,717

In order to keep the option in good standing, the Company is required to pay \$1,650,000 to the property owner, issued 500,000 common shares to the property owner, and incur exploration expenditures on the Rubi Property totaling \$1,750,000, over a period three years.

The Company may then exercise its option to acquire the 100% interest in the Rubi Property by paying to the property owner on or before the fourth anniversary of the Agreement Date, US\$5 per ounce of gold equivalent defined in reserves or a minimum of US\$4.0 million. Additional reserves defined after this payment will also be subject to a US\$5 per ounce of gold equivalent to the owner. If the option is exercised, the property owner would retain a 1.5% net smelter return royalty.

In connection with the granting of this option, the Company paid to each of Miroslav Kalinaj and John Sutcliffe a finder's fee of \$10,000 and 25,000 shares. These individuals are at arms-length to the Company.

The Company will be required to produce 500 metric tons of minerals per day as a minimum upon commercial production. If the production quota is not met, the Company will make the following payments towards the NSR as follows:

During the fifth year of the option	US\$100,000
During the sixth year of the option	US\$200,000
During the seventh year of the option	US\$300,000

The Rubi Property covers a 9km long north-south corridor where gold and silver-bearing veins outcrop within three broad areas called the San Andres, Virgen de Chapi and Minas Rubi areas. On the Minas Rubi area, a series of oxidized epithermal quartz-carbonate Au-Ag veins and breccias are hosted within porphyritic andesites. The veins outcrop on a low hill approximately 1 km x 0.5 km in area, with mineralization traceable at least 1 km to the north. Surface pits and shallow underground workings are extensive, with numerous veins and at least three vein trends evident with individual veins at surface reaching widths of over 4m. Initial surface channel sampling of veins by the Company returned assays ranging from trace to 20.8 g/t Au and 356 g/t Ag over 2m, and 3 g/t Au and 373 g/t Ag over 3.9m.

Initial exploration conducted on the property from September to December 2007 incorporated regional scale mapping over the property, and prospect-scale mapping in the Minas Rubi, San Andres, Minas Chapi and San Sebastien areas, including rehabilitation of underground tunnels at Rubi and underground channel sampling. A total of 594 rock channel samples were taken and analyzed for Fire Assay gold and multi-element ICP at Chemex Laboratories in Lima.

In the Minas Rubi area, the main target area, a more robust series of quartz-calcite veins shows a deep oxidation profile to approximately 80m depth, undoubtedly controlled by regional north-south faulting. Secondary mineralization as hydrothermal breccia bodies were mapped south-east of Minas Chapi and San Sebastien Areas, and as isolated areas of silicification and oxidation north and east of San Andres. A total of 222 surface rock chip channel samples were taken and 49 underground samples. Best results in Au and Ag are concentrated in the northern part of the property along the Chorla Rica vein and associated structures. Gold grades from trace up to 12.4 g/t Au and 663 g/t Ag were received and average around 1 to 2 metres in width. Samples taken underground in old re-habilitated adits showed a continuation of gold and silver mineralization from surface. The near-surface strongly oxidized parts of the Chirulin and Rio Azul veins were formerly exploited by Banco Minero and recently by informal miners. Results indicate a modest target size potential at Rubi and a partner is being sought to advance the property by drilling.

All work on the Rubi Property is being funded from Radius's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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

2.

Artemisas Property

In November 2007, the Company signed an option agreement with Kingsgate Peru S.R.L. to acquire 70% of the Artemisas Property, Peru which consists of four granted concessions as follows:

<u>Name</u>	<u>Size (Hectares)</u>
Artemisa 2005	1,000
Artemisa 1	300
Artemisa 2	1,000
Artemisa 3 2006	<u>1,000</u>
	3,300

A formal option agreement was executed effective January 11, 2008 (the Agreement Date). In order to keep the option in good standing, the Company is required to incur exploration expenditures on the Property totaling \$2,000,000 over a period of three years from the Agreement Date, with 50% of costs to be expended on drilling. Once Radius has vested its 70%, a joint venture will be formed where both parties fund their share of exploration on a pro-rata basis. If either party dilutes to less than a 10% interest, it will be converted into a 1% net smelter royalty.

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Gold mineralization at Artemisas is hosted within a sequence of Jurassic and Cretaceous-aged sandstones, shales and fine grained quartzites belonging to the Hualhuani Formation. Strongly silicified hydrothermal breccias are developed both as bedding-parallel mantos and along steeply dipping fault zones, some of which were exploited for gold in colonial times. Surface channel samples gave values from trace to 11.6 g/t Au over 2m. Gold mineralization exhibits a strong structural and lithological control and is associated with 0.5m to 3m wide zones of strong silicification, brecciation and fracturing with secondary iron oxides after sulphides. Host rocks are equivalent to the Chimu Formation in northern Peru that hosts several important gold deposits such as Santa Rosa, La Arena and Llagunas Norte.

The Company is currently involved in talks with local communities to permit access to the claims in order to commence work. Once granted, the technical program will commence and comprise geological mapping and sampling, followed by drilling of best targets. All work is being funded from Radius's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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

3.

Charpal Property

In January 2008, the Company signed an option agreement to acquire 100% of the Charpal Property, Peru which consists of two granted concessions as follows:

<u>Name</u>	<u>Size (Hectares)</u>
El Charpal - 94	199
Los Ganzos	<u>57</u>
	256

In order to keep the option in good standing, the Company is required to make cash payments to the property owner totaling \$850,000 over a period of three years from the Agreement Date, of which \$30,000 has been paid to date.

The Charpal property is located some 910 km south-east of Lima within the Yauli-Andahuallas batholith that hosts a newly recognized porphyry copper-gold and skarn/sedimentary belt that includes the Las Chancas deposit (200 MT @ 1% Cu, 0.12 g/t Au), located about 13km west of the property. At Charpal, epithermal mineralization is associated with a package of dipping sedimentary rocks of Jurassic-Cretaceous age that forms a broad north-south trending ridge, which have been intruded by a series of dacite stocks. A system of gold-bearing hydrothermal breccias, veins and replacement bodies along faults are developed in limonitic sandstones, and contain artesinal workings over the length

of the ridge, which runs for some 10km. Rock chip channel samples taken at Charpal gave trace to 6.05g/t Au, associated with a hydrothermal breccia body some 200 x 300m in aerial extent. Of note is that 600m west of the property at several hundred meters lower elevation, low-grade porphyry copper mineralization was intersected during drilling by a major mining company, and could represent the periphery of a major porphyry copper-gold system centered underneath the gold workings along the main ridge at Charpal.

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Other companies with neighboring claims to Charpal include Yamana Gold, Southwestern Gold and Grupo Mexico (Las Chancas), and several local private owners. The Charpal acquisition is in line with Radius's ground acquisition strategy in the region, and is located 20km southwest of the Company's Artemisas property.

All work is being funded from Radius's existing cash resources, and the work is supervised by the Company's Vice-President of Exploration.

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

Ecuador

Cerro Colorado Project

The Cerro Colorado 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. 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.

3.

The Bola Rumi zone is situated 5km south of Cerro Colorado and consists of silica replacements within schistose Paleozoic or younger rocks. Quartz replacements occur for roughly 1km along strike. The Bola Rumi target also contains the highest silver values returned from Cerro Colorado. This is quite distinct from the other anomalies, where Ag values are low (<5g/t).

The extensive distribution of silica zones at Cerro Colorado with anomalous Au, As, Hg, Sb and Cu values related to silica-alunite alteration are indicative of a high sulphidation epithermal system and is prospective for gold and silver.

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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.

Given 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. Throughout 2007, work at Cerro Colorado focused on community relations to try securing permission from the local community to drill the project, however little progress was made. In April 2008, Ecuador's Constituent Assembly adopted a Mining Mandate that invoked an immediate 180-day suspension of activities on virtually all mining concessions in Ecuador. The mandate also declared that any concessions that have not received investment in exploration or which have not submitted an Environment Impact Assessment or conducted the prior consultation process, including those pending an administrative resolution, will be deemed cancelled. The exact implications of the mandate in relation to the Cerro Colorado project are being investigated, and the Company will continue to monitor the Ecuadorian mining scene closely over the next few months.

Community permissions have not been obtained at the time of writing, and no field work is planned until community permissions are granted. Any work to be conducted will be funded from Radius's existing cash resources.

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

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, 2007, 2006 and 2005 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 17 to the Consolidated Financial Statements.

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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 17. 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;

vi)

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

vii)

Radius Peru, S.A.C., a company incorporated under the laws of Peru on May 4, 2007.

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

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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 market value and have been classified as available-for-sale. The portfolio of marketable securities consists of short term notes with a yield range of 4.02% - 4.38%, Government of Canada bonds with a yield range of 3.82% - 4.75%, corporate bonds with a yield range of 4.33% - 6.18%, pool fund bonds with a yield range of 4.62% - 4.87%, and preferred equities with a yield range of 4.38% - 5.69%.

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

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

f)

Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earning per share reflect the potential dilution of securities that

could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended December 31, 2007, 2006 and 2005, potentially dilutive common shares (relating to options outstanding at year-end) totalling 5,150,000 (2006: 3,475,000; 2005: \$4,778,332) were not included in the computation of loss per share because their effect was anti-dilutive.

g)

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.

h)

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.

i)

Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 8, 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 valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

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j)

Asset Retirement Obligation

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred 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, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset.

At December 31, 2007, the fair value of the mineral properties site restoration costs is not significant.

k)

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, 2007 compared to December 31, 2006

For the fiscal year ended December 31, 2007, the Company had a consolidated net loss of \$2,277,659 (\$0.04 per share) compared to a net loss of \$4,563,806 (\$0.09 per share) for the fiscal year ended December 31, 2006. Corporate expenses (not including amortization, stock-based compensation and Other Expenses) in 2007 were slightly greater than the 2006 corporate expenses. Categories of corporate expenses which were significantly greater in 2007 are office, salaries and travel. The total interest income earned in 2007 is approximately 30% less than in 2006, due to investments which matured during 2007.

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.

Mineral Properties

Year Ended December 31, 2007

Guatemala - During the fiscal year ended December 31, 2007, \$742,866 was spent on exploration of mineral properties in Guatemala. Of that amount, the major expenditure categories include \$423,769 for underground development, \$67,918 for geological consulting fees and \$43,660 for salaries.

Nicaragua - During the fiscal year ended December 31, 2007, the Company incurred \$1,234,968 in acquisition and exploration costs in Nicaragua. Of that amount, the major exploration expenditure categories include \$319,303 for geological consulting fees, \$134,361 for salaries and \$102,330 for other consulting. Deferred exploration costs totalling \$427,260 were written-off during the year, for properties on which no further work is warranted.

Mexico - During the fiscal year ended December 31, 2007, the Company spent \$657,258 in exploration costs in Mexico. Of that amount, the major expenditure categories include \$294,341 for geological consulting fees, \$112,358 for licences, rights and taxes, and \$39,960 for geochemistry. Deferred acquisition and exploration costs totalling \$357,619 were written off during the year, for properties on which no further work is warranted.

Peru - During the fiscal year ended December 31, 2007, \$614,634 was spent on acquisition and exploration costs in Peru. Of that amount, the major exploration expenditure categories include \$126,917 for other consulting, \$135,633 for geological consulting fees and \$35,698 for travel and accommodation.

Other - During the fiscal year ended December 31, 2007, the Company spent \$19,382 in exploration costs on the Cerro Colorado property in Ecuador, and \$554 on property investigations.

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.

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Nicaragua - During the fiscal year ended December 31, 2006, the Company incurred \$1,305,102 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 \$753,911 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.

Per Share Losses

Both the net losses and the losses per share have decreased from the fiscal 2005 to 2006 to 2007. The decreases over the three years were due mainly to the decreasing size of property write-offs. As the Company's weighted average number of shares has not changed significantly over the past three years, the loss per share has decreased as the net losses have decreased.

Outlook

Management expects that the Company will have sufficient working capital to meet its corporate and exploration commitments over a minimum of 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, 2007 compared to December 31, 2006

The Company's cash and marketable securities decreased from approximately \$9.96 million at December 31, 2006 to \$7.0 million at December 31, 2007. During the year ended December 31, 2007, the Company spent approximately \$3.23 million in exploration and equipment costs and \$695,000 on corporate expenses. Working capital at December 31, 2007 was \$6.90 million compared to \$10.83 million at December 31, 2006.

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 \$2.76 million in exploration and equipment costs and \$641,000 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.

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**

The Company has no Off-Balance Sheet Arrangements.

F.**Tabular Disclosure of Contractual Obligations**

The following table lists as of December 31, 2007 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>4th year</i>	<i>5th year</i>
<i>Contractual Obligations</i>						
Long-Term Debt Obligations	0	0	0	0	0	0
Capital (Finance) Lease Obligations	0	0	0	0	0	0
Operating Lease Obligations ⁽¹⁾	\$394,333	\$129,598	\$130,245	\$134,203	0	0
Purchase Obligations	0	0	0	0	0	0
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under Canadian GAAP	0	0	0	0	0	0
Total	\$394,333	\$129,598	\$130,245	\$134,203	0	0

(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>
2007	Stock Option Exercises	12,500	\$0.56	\$7,000
	Property Agreements	50,000	\$0.58	\$29,000
	Property Agreements	100,000	\$0.64	\$64,000
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
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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

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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

Item 6.

Directors, Senior Management and Employees.

A.

Directors and Senior Management.

The following table lists as of June 25, 2008 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 and Chief Executive Officer

September 30, 1997

Mario Szotlender,
Caracas, Venezuela

Director

December 13, 1999

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, Chief Executive Officer and Director

Mr. Simon Ridgway is an exploration financier with 16 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 and Guatemala. He is a director of three other publicly-traded resource companies.

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Mario Szotlender - Director

Mr. Szotlender holds a degree in international relations and is fluent in several languages. He has successfully directed Latin American affairs for numerous private and public companies over the past 20 years, specializing in developing new business opportunities and establishing relations within the investment community. He has been involved in various mineral exploration and development joint ventures (precious metals and diamonds) in Central and South America, including heading several mineral operations in Venezuela, such as Las Cristinas in the 1980's.

He was President of Mena Resources Inc. until it was purchased by Rusoro Mining Ltd., of which he also was President. In addition to being a Director of the Company, Mr. Szotlender is a Director of Endeavour Silver Corp. (listed on the Toronto Stock Exchange and AMEX) and Fortuna Silver Mines Inc. (listed on the TSX Venture Exchange). He also consults to other public companies, and to several private exploration companies.

David Farrell Director

Mr. David Farrell is Managing Director - Mergers & Acquisitions of Endeavour Financial, an integrated merchant and investment banking firm providing finance and advisory services to global natural resource companies. At Endeavour, Mr. Farrell 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, Mr. Farrell 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 practices 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. He is a director of Northland Resources Inc., a publicly-traded resource company.

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.

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Bradford Cooke - Director

Bradford Cooke, P. Geo., is a professional geologist with over 30 years experience in the mining industry. Mr. Cooke has participated in the discovery of several mineral deposits, including uranium in Labrador, gold and tungsten in B.C., gold in Suriname and silver in Mexico. He has raised over CA\$250 million in equity and joint venture financings for resource projects since 1988. Bradford received his B.Sc. Geology (Honors) degree in 1976 and a M.Sc. Geology degree in 1984. From 1976 to 1987, he worked as a project geologist for Noranda Mines, Shell Minerals, Chevron Minerals and as a geological consultant to junior mining companies. Mr. Cooke founded Canarc Resource Corp. in 1988 and Endeavour Silver Corp. in 2003. Today, Canarc is developing one of the largest high grade gold deposits in western Canada and Endeavour is one of the fastest growing primary producers of silver worldwide.

Craig Bow - Director

Dr. Craig Bow is a precious-metals-oriented geologist with over 25 years experience in North American and international exploration. Dr. Bow has worked for Gold Fields Exploration as a Senior Geologist and Exploration Manager, North America as well as for Newcrest Resources as Exploration Manager, South America. Prior to Newcrest, he directed the Cyprus Amax entry into Cu/Au exploration in north/central Peru and Colombia (Rio Blanco and Murindo porphyry projects) and contributed to the evolution of the Stillwater PGE project from an initial exploration stage to positive production decision.

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 Iron Creek Capital Corp., a publicly-traded resource company.

David Cass - Vice-President, Exploration

Mr. David 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. Mr. Cass is a member of the Association of Professional Engineers and Geoscientists of British Columbia, and a Fellow of the Society of Economic Geologists.

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 two other publicly-traded resource companies.

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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, 2007, the Company paid to its executive officers the following amounts:

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Simon Ridgway ⁽¹⁾	President & Chief Executive Officer	\$132,000
Ralph Rushton	Vice-President, Corporate Development	\$ 41,628
David Cass ⁽²⁾	Vice-President, Exploration	\$129,350
Cheryl Messier	Chief Financial Officer	\$ 80,883

(1)

Paid to Mill Street Services Ltd, a private company owned by the Ridgway Family Trust, of which Simon Ridgway is the Trustee.

(2)

Paid to Condor Pacific Consulting Inc., a private company owned by David Cass and his wife.

The following stock options were granted to the Company's executive officers during the fiscal year ended December 31, 2007:

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<u>Name</u>	<u>Position</u>	<u>No. of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Simon Ridgway	President & Chief Executive Officer	300,000	\$0.56	Sept. 5, 2012
Ralph Rushton	Vice-President, Corp. Development	150,000	\$0.56	Sept. 5, 2012
David Cass	Vice-President, Exploration	500,000	\$0.52	April 16, 2012
Cheryl Messier	Chief Financial Officer	100,000	\$0.56	Sept. 5, 2012

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 25, 2008 by the current directors and officers:

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Optionees	Number of Shares Subject	Exercise Price (\$)	Expiration Date
Simon Ridgway	280,000	\$0.70	February 21, 2011
	<u>300,000</u>	\$0.56	September 5, 2012
	580,000		
Mario Szotlender	180,000	\$0.70	February 21, 2011
	<u>100,000</u>	\$0.56	September 5, 2012
	280,000		
David Farrell	150,000	\$0.70	February 21, 2011
	<u>100,000</u>	\$0.56	September 5, 2012
	250,000		
Nicholas Glass	100,000	\$0.70	February 21, 2011
	<u>50,000</u>	\$0.56	September 5, 2012
	150,000		
Ralph Rushton	250,000	\$0.70	February 21, 2011
	<u>150,000</u>	\$0.56	September 5, 2012
	400,000		
Bradford Cooke	150,000	\$0.70	February 21, 2011
	<u>100,000</u>	\$0.56	September 5, 2012
	250,000		

Craig Bow	150,000	\$0.70 February 21, 2011
	<u>100,000</u>	\$0.56 September 5, 2012
	250,000	
Cheryl Messier	150,000	\$0.70 February 21, 2011
	<u>100,000</u>	\$0.56 September 5, 2012
	250,000	
David Cass	500,000	\$0.52 April 16, 2012
Tim Osler	100,000	\$0.70 February 21, 2011
	<u>50,000</u>	\$0.56 September 5, 2012
	150,000	
TOTAL:	3,060,000	

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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 August 12, 2008.

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 Craig Bow, 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.

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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, 2007, the Company had 40 employees, 8 in the Vancouver office and 32 in Guatemala, Nicaragua, Mexico and Peru. 19 employees provide administrative or management services and 21 employees provide geological services. None of the employees is represented by a union.

E.

Share Ownership.

The following table sets forth, as of June 25, 2008, 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.

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Title of Class	Name and Address of Beneficial Owner	Amount and Nature	Percentage of Class⁽¹⁾
Common	Simon Ridgway Vancouver, BC	3,214,952 ⁽²⁾	5.94%
Common	Mario Szotlender Caracas, Venezuela	1,345,375 ⁽³⁾	2.50%
Common	David Farrell Vancouver, BC	250,000 ⁽⁴⁾	0.46%
Common	Nicholas Glass Vancouver, BC	150,000 ⁽⁵⁾	0.28%
Common	Ralph Rushton Vancouver, BC	533,500 ⁽⁶⁾	0.99%
Common	Bradford Cooke North Vancouver, BC	250,000 ⁽⁷⁾	0.46%

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Common	Craig Bow Beulah, Colorado, USA	250,000 ⁽⁸⁾	0.46%
Common	Cheryl Messier North Vancouver, BC	259,000 ⁽⁹⁾	0.48%
Common	David Cass Vancouver, BC	545,000 ⁽¹⁰⁾	1.01%
Common	Tim Osler Vancouver, BC	757,345 ⁽¹¹⁾	1.41%
Common	All Directors and Senior Management as a group (10 individuals)	7,555,172	13.35%

(1)

Based on 53,548,488 shares outstanding as at June 25, 2008, 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)

580,000 of these shares represent currently exercisable stock options. 1,644,291 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)

280,000 of these shares represent currently exercisable stock options.

(4)

All of these shares represent currently exercisable stock options.

(5)

All of these shares represent currently exercisable stock options.

(6)

400,000 of these shares represent currently exercisable stock options.

(7)

All of these shares represent currently exercisable stock options.

(8)

All of these shares represent currently exercisable stock options.

(9)

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

(10)

500,000 of these shares represent currently exercisable stock options.

(11)

150,000 of these shares represent currently exercisable stock options.

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 25, 2008, there were 5,225,000 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 25,

2008, 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.

Shareholder Name	Number of Shares	Percentage of Issued Shares⁽¹⁾
Simon Ridgway (1)	3,214,952 ⁽²⁾	5.94%

Based on 53,548,488 shares outstanding as at June 25, 2008, 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.

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(2)

580,000 of these shares represent currently exercisable stock options. 1,644,291 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 25, 2008, there were 53,548,488 shares of the Company outstanding, of which approximately 2,698 U.S. holders of record or beneficial holders, held a total of 5,892,738 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 2007, 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, 2007, the Company paid an aggregate of \$450,043 to officers and companies which have common directors with the Company for consulting, management and administrative 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. In early 2008, the Company's auditor, Amisano Hanson, was acquired by BDO Dunwoody LLP, Chartered Accountants, which continued at the Company's auditor. An auditor's report of BDO Dunwoody LLP with respect to the fiscal years ended December 31, 2007 and 2006 and the balance sheets as at December 31, 2007 and 2006, 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.

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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 2008 fiscal year, and (c) for each of the six months from December 2007 to May 2008.

High and Low Price for the Five Most Recent Fiscal Years

Fiscal Year ended December 31	High	Low
2007	\$0.78	\$0.39
2006	\$0.95	\$0.31
2005	\$1.69	\$0.51
2004	\$1.85	\$0.88
2003	\$2.03	\$0.63

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

Period Ended	High	Low
March 31, 2008	\$0.58	\$0.35
December 31, 2007	\$0.66	\$0.40
September 30, 2007	\$0.78	\$0.50
June 30, 2007	\$0.72	\$0.49
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

High and Low Prices for the Most Recent Six Months

Period	High	Low
May 2008	\$0.30	\$0.25
April 2008	\$0.36	\$0.27
March 2008	\$0.45	\$0.35
February 2007	\$0.43	\$0.35
January 2008	\$0.58	\$0.36
December 2007	\$0.51	\$0.40

On June 25, 2008, the closing price of the Common Shares on TSXV was \$0.305 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

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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.

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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.

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.

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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.

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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.

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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.

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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.

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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 December 31, 2007. 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.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with

respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's framework for evaluating the effectiveness of its internal controls is based upon the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As at December 31, 2007, management assessed the effectiveness of our internal controls over financial reporting and concluded that such internal controls over financial reporting are effective and that there were no material weaknesses in our internal controls over financial reporting.

Attestation Report of the Registered Accounting Firm.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Form 20-F annual report.

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Changes in Internal Controls Over Financial Reporting

There has been no change in the Company's internal controls over financial reporting that occurred during the period covered by this Form 20-F, that has materially affected or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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 standards of the American Stock Exchange) 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. In early 2008, Amisano Hanson was acquired by BDO Dunwoody LLP, Chartered Accountants, which continued as the Company's auditors. The chart below sets forth the total amount billed the Company by Amisano Hanson (now BDO Dunwoody LLP) during the Company's fiscal years ended December 31, 2007 and 2006, and breaks down these amounts by category of service:

	Years ended December 31	
	2007	2006
Audit:	\$43,586	\$52,750
Audit Related:	0	0
Tax (tax return preparation)	0	\$6,100
All Other Fees	\$1,200	0
Total	\$44,786	\$58,850

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.

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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 2007, \$1,200 was paid to the auditors were approved pursuant to the *de minimus* exception, for their services in preparing an escrow release calculation for filing with the TSXV.

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 III

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 17 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 BDO Dunwoody LLP, 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, 2007 and 2006

-

Consolidated Statements of Operations and Deficit for the years ended December 31, 2007, 2006 and 2005

-

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2007, 2006 and 2005

-

Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005

-

Consolidated Schedule of Mineral Properties for the year ended December 31, 2007

-

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

-

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 ⁽¹⁾	Certificate of Amalgamation and Articles of the Company dated July 1, 2004.
2 ⁽²⁾	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 ⁽³⁾	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.

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RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

(Expressed in Canadian Dollars)

BDO Dunwoody LLP #604 750 West Pender Street
Chartered Accountants Vancouver, BC, Canada V6C 2T7
Telephone: (604) 689-0188
Fax: (604) 689-9773

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors of,

Radius Gold Inc.

(An Exploration Stage Company)

We have audited the consolidated balance sheets of Radius Gold Inc. (An Exploration Stage Company) as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for each of the years in the three year period ended December 31, 2007. 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). 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2007, in accordance with Canadian generally accepted accounting principles.

(signed) BDO Dunwoody LLP

Chartered Accountants

Vancouver, Canada

April 23, 2008, except for Notes 15 and 17 which
are dated as of June 13, 2008

COMMENTS BY AUDITORS FOR U.S. READERS

ON CANADA UNITED STATES REPORTING DIFFERENCES

The reporting standards of the Public Company Accounting Oversight Board (United States) (PCAOB) for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the financial statements. PCAOB reporting standards also require the addition of an explanatory paragraph when changes in an accounting policy, such as those described in Note 3, have a material effect on the consolidated financial statements. Although we conducted our audit in accordance with both Canadian generally accepted auditing standards and the standards of the PCAOB, our report to the shareholders on the Consolidated Financial Statements dated April 23, 2008, except for Note 17 which is dated as of June 13, 2008, is expressed in accordance with Canadian reporting standards which do not permit a reference to such conditions and events in the auditors' report when these are adequately disclosed in the financial statements.

(signed) BDO Dunwoody LLP

Chartered Accountants

Vancouver, Canada

April 23, 2008, except for Notes 15 and 17 which
are dated as of June 13, 2008

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 and 2006

(Expressed in Canadian Dollars)

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 2,378,514	\$ 933,697
Marketable securities (Note 4)	4,624,095	9,023,890
Advances and receivables (Notes 6 and 7)	79,309	838,139
GST receivable	27,919	13,688
Due from related parties (Note 7)	50,498	147,870
Prepaid expenses and deposits	<u>107,275</u>	<u>96,744</u>
	7,267,610	11,054,028
PROPERTY & EQUIPMENT (Note 5)	289,888	330,962
MINERAL PROPERTIES (Notes 6, 7, and 15)	<u>15,923,030</u>	<u>13,438,248</u>
	<u>\$ 24,480,528</u>	<u>\$ 24,823,238</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 371,962	\$ 213,689
Due to related parties (Note 7)	<u>-</u>	<u>10,510</u>
	<u>371,962</u>	<u>224,199</u>
<u>SHAREHOLDERS EQUITY</u>		
SHARE CAPITAL (Note 8)	42,587,194	42,486,069

CONTRIBUTED SURPLUS (Note 8)	4,164,587	3,443,487
DEFICIT	(23,608,176)	(21,330,517)
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 12)	<u>(35,039)</u>	<u>-</u>
	<u>23,108,566</u>	<u>24,599,039</u>
	<u>\$ 23,480,528</u>	<u>\$ 24,823,238</u>

Nature of Operations and Ability to Continue as a
Going Concern (Note 1)

Commitments (Notes 8 and 14)

Subsequent event (Note 15)

APPROVED BY THE DIRECTORS:

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, 2007, 2006 and 2005

(Expressed in Canadian Dollars)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
EXPENSES			
Amortization	\$ 62,097	\$ 58,780	\$ 50,096
Consulting fees (Note 7)	54,112	18,301	38,710
Donations	998	20,748	25,360
Legal and accounting fees	64,405	86,561	158,705
Management fees and salaries (Note 7)	60,000	60,000	60,000

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Non-cash compensation charge (Note 8)	722,225	1,230,750	40,850
Office and miscellaneous	68,612	36,609	46,888
Public relations	113,770	132,828	222,073
Property investigations	-	24,835	11,790
Rent and utilities	24,358	26,965	37,102
Repairs and maintenance	11,469	7,158	17,220
Salaries and wages (Note 7)	179,817	133,244	178,014
Telephone and fax	15,876	14,923	14,908
Transfer agent and regulatory fees	19,891	17,120	24,262
Travel and accommodation	<u>81,849</u>	<u>61,654</u>	<u>100,580</u>
	<u>1,479,479</u>	<u>1,930,476</u>	<u>1,026,558</u>
OTHER INCOME (EXPENSES)			
Foreign currency exchange	(310,141)	42,413	(76,231)
Loss on disposal of property and equipment	(9,183)	-	-
Loss on settlement of advances receivable	(22,172)	-	-
Investment income (net)	241,327	352,037	268,470
Other income	86,868	25,022	72,655
Write off of mineral properties costs	<u>(784,879)</u>	<u>(3,052,802)</u>	<u>(5,917,734)</u>
	<u>(798,180)</u>	<u>(2,633,330)</u>	<u>(5,652,840)</u>
Net loss for the year	(2,277,659)	(4,563,806)	(6,679,398)
Deficit, beginning of the year	<u>(21,330,517)</u>	<u>(16,766,711)</u>	<u>(10,097,313)</u>
Deficit, end of the year	<u>\$(23,608,176)</u>	<u>\$(21,330,517)</u>	<u>\$(16,766,711)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.13)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>53,425,577</u>	<u>52,991,262</u>	<u>52,898,829</u>

See Accompanying Notes

RADIUS GOLD INC.

(An Exploration Stage Company)

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 and 2005

(Expressed in Canadian Dollars)

	2007	2006	2005
NET LOSS FOR THE YEAR	\$ (2,277,659)	\$ (4,563,806)	\$ (6,679,398)
Other comprehensive income, net of tax			
Unrealized loss on available for sale marketable securities	<u>(71,475)</u>	<u>-</u>	<u>-</u>
COMPREHENSIVE LOSS	\$ (2,349,134)	\$ (4,563,806)	\$ (6,679,398)

See Accompanying Notes

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 and 2005

(Expressed in Canadian Dollars)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES			
Net loss for the year	\$ (2,277,659)	\$ (4,563,806)	\$ (6,679,398)
Items not involving cash:			
Amortization	62,097	58,780	50,096
Loss on disposal of advances receivable	9,183	-	-
Loss on settlement of advances receivable	22,172	-	-
Write off of deferred exploration costs	784,879	3,052,802	5,917,734
Non-cash stock compensation charge (Note 8)	722,225	1,230,750	40,850
Changes in non-cash working capital items:			
Advances and other receivables	736,658	(532,275)	395,168
GST receivable	(14,231)	12,364	4,941
Prepaid expenses	(10,531)	5,897	(31,145)
Accounts payable and accrued liabilities	<u>109,490</u>	<u>(37,709)</u>	<u>(60,867)</u>
Net cash provided (used in) operating activities	<u>144,283</u>	<u>(773,197)</u>	<u>(362,621)</u>
INVESTING ACTIVITIES			
Marketable securities	4,364,756	2,912,387	219,863
Due from related parties	97,372	108,779	(175,809)
Expenditures on mineral properties	(3,127,878)	(2,759,185)	(2,830,001)
Proceeds from disposal of property and equipment	67,846	-	-
Purchase of property and equipment	<u>(98,052)</u>	<u>(5,022)</u>	<u>(60,864)</u>
Net cash provided by (used in) investing activities	<u>1,304,044</u>	<u>232,340</u>	<u>(2,846,811)</u>
FINANCING ACTIVITY			
Due to related parties	(10,510)	(24,619)	-
Proceeds on issuance of common shares	<u>7,000</u>	<u>51,000</u>	<u>255,140</u>
Net cash provided by financing activities	<u>(3,510)</u>	<u>26,381</u>	<u>255,140</u>
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,444,817	(489,857)	(2,954,292)
Cash and cash equivalents - beginning of year	<u>933,697</u>	<u>1,423,554</u>	<u>4,377,846</u>

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CASH AND CASH EQUIVALENTS	END OF YEAR	\$ 2,378,514	\$ 933,697	\$ 1,423,554
Supplementary disclosure of cash flow information:				
Cash paid for interest		\$ -	\$ -	\$ -
Cash paid for income taxes		\$ -	\$ -	\$ -
Cash and cash equivalents is comprised of:				
Cash		\$ 2,378,514	\$ 933,697	\$ 1,173,554
Term deposits		-	-	250,000
		\$ 2,378,514	\$ 933,697	\$ 1,423,554

Non-cash Transactions Note 9

See Accompanying Notes

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES COSTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Stated in Canadian Dollars)

	Guatemala Mineral Concessions	Nicaragua Exploration Concessions	Mexico General Exploration Concessions	Canada Mineral Exploration Concessions	Peru General Exploration Concessions	Peru Cerro Colorado	Year Ended December 31, 2007
ACQUISITION COSTS							
Balance, beginning of year	\$4,142,864	\$ -	\$ -	\$ 113,130	\$ -	\$ -	\$ 4,255,994
Shares	-	29,000	-	-	-	64,000	93,000
Cash	-	53,482	-	-	-	146,566	200,048
	-	82,482	-	-	-	210,566	293,048

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Balance, end of year	4,142,864	82,482	-	113,130	-	210,566	4,549,042
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**DEFERRED
EXPLORATION
COSTS**

Balance, beginning of year	\$ 5,753,974	\$ 23,069,580	\$ -	\$ -	\$ -	\$ -	\$ 9,182,254
				4,142,934	-		

Property Payment/Investigation	23,060	1,809	-	6,750	-	16,135	47,754
Automobile	9,970	91,605	10,197	11,884	- - 2,426	17,957	143,949
Camp, food and supplies	12,761	2,697,738	8,618	9,034	805 542	4,716	104,508
Drafting, maps and printing	184	1,943	2,260	4,157	- - 162	451	9,157
Exploration administration	5,503	25,909	1,279	1,279	- - 1,955	3,375	39,299
Environment	-	14,219	-	- - -	2,501	-	16,720
Geochemistry	6,614	6,088,824	19,980	19,980	- - 3,077	13,579	102,139
Geological consulting (Note 7)	67,918	4,279,810	130,571	163,776	55,474 77,303	58,330	826,323
Other consulting	23,004	102,330	12,731	15,243	- - 24,136	102,781	280,226
Legal and accounting	8,311	31,868	18,397	20,522	- - 10,034	9,661	98,793
Licences, rights and taxes	13,882	86,576	14,582	97,776	- - 3,233	2,362	218,412
Linecutting & trenching	22,317	27,260	2,034	3,607	- - -	850	56,068
Underground development	423,769	- -	-	- - -	-	-	423,769
Materials	8,983	26,370	753	765	- - 1,335	6,191	44,397
Maintenance	2,840	18,299	430	456	- - -	382	22,407
Miscellaneous	3,239	2,626	343	917	- - 60	438	7,623
Medical expenses	6,890	45,616	3,045	3,421	- - 262	37	25,927
Road building	-	11,265	-	- - -	-	-	11,265
Rent and utilities	31,090	35,629	4,561	4,561	- - -	-	75,840
Rental equipment	748	6,762	90	90	- - -	-	7,690
Salaries and wages (Note 7)	43,660	8,206,477	12,040	12,040	- - 2,419	-	204,520
Shipping	3,613	1,658,873	3,199	3,641	- - 906	336	23,226
Telephone and communications	5,917	27,027	3,636	3,636	- - 177	261	39,223
Travel and accommodation	18,593	2,538,553	15,863	15,870	3,253 27,123	8,575	147,378

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	742,866	6,089,988	264,609	392,645	3,821,651	246,417	2,976,613
Write-off exploration Costs	-	(413,392)	(264,609)	(93,010)	-	-	(784,879)
Balance, end of year	6,496,840	4,144,644	-	299,639	3,161,576	246,417	11,373,988
TOTAL MINERAL PROPERTIES END OF YEAR	\$ 10,639,703	\$ 4,227,125	\$ -	\$ -	\$ 299,639	\$ 456,983	\$ 15,923,030

See Accompanying Notes

RADIUS GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES COSTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Stated in Canadian Dollars)

	Guatemala Mineral Concessions	Nicaragua Exploration Concessions	Mexico General Exploration	Mexico Mineral Concessions	Argentina General Exploration	Canada General Exploration	Ecuador Cerro Colorado	Tanzania General Exploration	Year Ended December 31, 2006
ACQUISITION COSTS									
Balance, beginning of year	\$3,864,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,986,273
Cash	278,195	19,315	-	-	-	-	113,130	-	391,320
Write-off acquisition costs	-	(19,315)	-	(102,289)	-	-	-	-	(121,604)

Balance, end of year	4,142,864	--	-	---	-	113,130	-	4,255,994
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**DEFERRED
EXPLORATION
COSTS**

Balance, beginning of year	\$ 5,470,075	\$ 897,668 2,848,219	\$ 307,330	\$ 185,314 29,541	\$ -	\$ -	\$ -	\$ 9,745,594
Property Payment/Investigation	26,280	13,224	-	764 --	-	-	-	41,680
Automobile	4,773	51,515	19,357	5,425 --	-	22	799	97,027
Camp, food and supplies	6,491	22,058	22,867	6,142 --	-	-	-	85,140
Drafting, maps and printing	203	1,028	8,567	167 --	-	-	6	10,440
Exploration administration	4,303	30,488	9,435	743 --	-	-	102	56,340
Environment	-	6,856	-	---	-	-	-	6,640
Geochemistry	301	14,726	34,553	35,438 --	-	-	-	252,320
Geological consulting Note 7	77,043	262,590	259,309	108,982	4,129	3,904	1,390	896,500
Other consulting	16,365	39,587	21,966	3,223 --	-	-	102	125,760
Legal and accounting	7,427	21,290	45,223	1,425 --	-	-	-	82,370
Licences, rights and taxes	24,703	56,482	5,384	23,989 --	-	-	-	126,350
Linecutting & trenching	4,265	9,476	9,538	---	-	-	-	37,140
Materials	868	5,419	4,288	2,829 --	-	-	-	17,850
Maintenance	3,413	4,588	2,285	1,202 --	-	-	-	16,830
Miscellaneous	2,326	1,236	527	4,088 --	-	-	-	10,540
Medical expenses	7,263	10,088	10,051	2,184 --	-	185	-	36,530
Rent and utilities	40,678	37,589	4,132	1,233 --	-	-	-	83,570
Rental equipment	13,410	--	1,235	---	-	-	-	14,640
Salaries and wages	40,698	86,100	25,954	11,152 --	-	-	-	194,940
Shipping	888	8,590	3,352	311 --	-	-	-	18,550
Telephone and communications	4,766	17,605	8,412	3,647 --	-	-	2	38,510
Travel and accommodation	7,435	44,086	35,440	9,096 --	-	622	5,436	118,120
	283,898	682,198	531,875	222,082	4,129	4,734	7,837	2,367,860

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Less write-offs	-	(873,605)	(839,205)	(407,501)	-	-	(7,837)	(2,931,198)
Balance, end of year	5,753,973	5,837,107	-	---	4,129	4,734	-	9,182,250
TOTAL MINERAL PROPERTIES END OF YEAR		\$ \$ 682,112	\$ -	\$ -	\$ \$ 117,864	\$ -	\$ -	\$ - \$13,438,240
	9,896,837	2,737,306		--	4,129			

See Accompanying Notes

Radius Gold Inc.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

1. Nature of Operations and Ability to Continue as a Going Concern

Radius Gold Inc. (The Company) was formed by the amalgamation of Radius Explorations Ltd. and PilaGold Inc. 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.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2007, the Company had not yet achieved profitable operations, has accumulated losses of \$23,608,176 since inception, and is expected to incur further losses in the development of its business, all of which raises substantial doubt about its ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. Significant Accounting Policies

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. 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;

Radius Gold Inc.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

2.

Significant Accounting Policies (cont d)

a)

Principles of Consolidation (cont d)

i)

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

ii)

Radius Peru, S.A.C., a company incorporated under the laws of Peru on May 4, 2007.

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 market value as they are considered available for sale.

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, 2007 and 2006

(Expressed in Canadian Dollars)

2.

Significant Accounting Policies (cont d)

f)

Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earning per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended December 31, 2007, 2006 and 2005, potentially dilutive common shares (relating to options outstanding at year-end) totalling 5,150,000 (2006: 3,475,000; 2005: 4,778,332) were not included in the computation of loss per share because their effect was anti-dilutive.

g)

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.

h)

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.

i)

Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 8, 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 valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

j)

Asset Retirement Obligation

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period it is incurred 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, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset.

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Notes to the Consolidated Financial Statements

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2.

Significant Accounting Policies (cont d)

j)

Asset Retirement Obligation (cont d)

At December 31, 2007, the fair value of the mineral properties site restoration costs is not significant.

k)

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.

Change in Accounting Policies

Financial Instruments and Comprehensive Income

On January 1, 2007, The Company adopted CICA Section 1530 Comprehensive Income, Section 3251 Equity, Section 3855 Financial Instruments Recognition and Measurement, Section 3861 Financial Instruments Disclosure and Presentation, and Section 3865 Hedges. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for the periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative

financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company has made the following classifications:

The marketable securities have been classified as available-for-sale . They are initially recorded at cost which is equal to their fair value. Subsequent changes to the market value of the investments are recorded as changes to other comprehensive income.

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3.

Change in Accounting Policies (cont d)

Under adoption of these new standards, the Company classified advances and other receivables and due from related parties as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities and

due to related parties are classified as other financial liabilities, which are measured at amortized cost.

As a result of adopting these new standards at January 1, 2007, the Company recorded an unrealized gain of \$36,436 (Note 12) for the change in accounting for financial assets classified as available-for-sale and measured at fair value instead of cost. This increase is reported as a one-time cumulative effect to other comprehensive income.

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective December 31, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

Future Accounting Changes

Capital Disclosures and financial Instruments Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments Disclosures, and Handbook Section 3863, Financial instruments Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on December 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Accounting Changes

In July 2006, the Accounting Standards Board (AcSB) issued a replacement of The Canadian Institute of Chartered Accountants Handbook (CICA Handbook) Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company s results of operations and financial condition will depend on the nature of future accounting changes.

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3.

Change in Accounting Policies (cont d)

International Financial Reporting Standards (IFRS) In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies.

The AcSB strategic plan outlines the convergence of Canadian GAAP and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4.

Marketable Securities

Marketable securities are recorded at market value as they are considered available for sale. Included in marketable securities is 7,406 common shares of a company with directors in common. The portfolio of marketable securities consists of short term notes with a yield range of 4.02% - 4.38%, Government of Canada bonds with a yield range of 3.82% - 4.75%, Canadian provincial government bonds with a yield range of 4.07% - 6.13%, corporate bonds with a yield range of 4.33% - 6.17%, pool fund bonds with a yield range of 4.62% - 4.87%, and preferred equities with a yield range of 4.38% - 5.69%.

5.

Property and Equipment

	2007		
	Accumulated		
	<u>Cost</u>	<u>Amortization</u>	<u>Net</u>
Land	\$ 44,838	\$ -	\$ 44,838
Leasehold improvements	15,322	15,322	-
Trucks	361,521	201,849	159,672
Computer equipment	131,412	76,136	55,276
Furniture and equipment	39,756	31,377	8,379
Geophysical equipment	36,477	15,652	20,795
Website	4,800	3,872	928
	\$ 634,096	\$ 344,208	\$ 289,888

	2006		
	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

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6.

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.

A)

GUATEMALA

i)

El Tambor

The El Tambor Property consists of 5 exploration concessions located in south-central Guatemala covering approximately 6,380 hectares.

a)

La Laguna, 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, and in 2007, the land covered by the Santa Margarita and Unidad Tipo concessions were combined as one concession called Santa Margarita.

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). During the year ended December 31, 2006 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. During the year ended December 31, 2005, the Company wrote-off \$133,393 in costs.

ii)

Marimba and Holly/Banderas

a)

Marimba

During the year ended December 31, 2007, the Company terminated its 100% interest in the Marimba Project, which consisted of two exploration concessions, located in south-eastern Guatemala. All costs relating to the Project were written off as at December 31, 2005, totalling \$1,515,242.

b)

Holly/Banderas

The Company holds a 100% interest in the Holly/Banderas Project which consists of two exploration concessions covering approximately 11,450 hectares.

Option Agreement with Glamis Gold Ltd. (Glamis)

In 2004, the Company granted to 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.

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Notes to the Consolidated Financial Statements

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6.

Mineral Properties (cont d)

A)

GUATEMALA (CONT D)

iii)

Regional exploration

During the year ended December 31, 2005 deferred exploration costs incurred by the Company on various properties in Guatemala totalling \$89,843 were written-off to operations.

B)

Nicaragua

Since 2003, the Company has conducted exploration on a number of mineral concessions in Nicaragua. As at December 31, 2007, the Company held title to 11 concessions and had 10 concession applications for title pending.

i)

Natividad (El Pavon)

The Natividad Project currently consists of two granted concessions covering approximately 4,649 hectares.

Joint Venture Agreement with Meridian Gold Inc. (Meridian)

The Company entered into a joint venture agreement with Meridian effective May 25, 2005, giving Meridian the option to acquire a 60% interest in the Natividad Project which consisted of five granted concessions and four concession applications towards earning the interest. Meridian spent US\$5.3 million in exploration expenditures within the first two years of the agreement towards earning an interest; however, in 2006, Meridian terminated its option to earn an interest in the Natividad Project.

Advances and other receivables as at December 31, 2006 included \$735,523 (2005: \$182,119) spent by the Company on behalf of Meridian for exploration costs incurred under this agreement. All amounts owing by Meridian were repaid to the Company in 2007 and no balance remains outstanding as at December 31, 2007.

During the year ended December 31, 2007, \$1,202 in costs incurred on certain of the joint venture concessions were written-off to operations as management is not planning any further work in the area.

ii)

San Pedro

The San Pedro Project consists of one granted concession covering approximately 5,356 hectares.

iii)

India Norte

The India Norte Project consists of three granted concessions and two concessions applications covering approximately 42,645 hectares.

iv)

Trebol

The Trebol Project consists of two granted concessions covering approximately 42,193 hectares.

v)

Estrella de Oro

The Estrella de Oro Project consists of one granted concession covering approximately 46,220 hectares.

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6.

Mineral Properties (cont d)

B)

Nicaragua (cont d)

vi)

La Flor

The La Flor Project consists of one granted concession covering approximately 15,605 hectares

vii)

Regional Exploration

The Company holds one granted concession and eight concession applications covering approximately 164,919 hectares, on which it is conducting exploration work.

During the year ended December 31, 2007, \$427,260 (2006: \$1,650,886; 2005: \$3,398,440) in costs incurred on certain of these concessions were written-off to operations as management is not planning any further work in the area.

C)

Mexico

i)

Current Properties

In 2007, the Company acquired five granted concessions and applied for two concession titles covering approximately 141,840 hectares.

During the year ended December 31, 2007, \$20,979 in costs incurred on certain of these concessions were written-off to operations as management is not planning any further work in the area.

ii)

Amatista Project

In 2005, the Company acquired the right to earn a 100% interest in the Amatista epithermal gold-silver project. 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 \$314,700 in costs were written-off to operations.

iii)

La Fruita and El Mole Concessions

In 2005, the Company acquired by staking 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 as at December 31, 2007, \$7,785 (2006: \$136,887; 2005: Nil) in costs were written-off to operations.

iv)

Regional Exploration

Since late 2004, the Company has explored various other properties in Mexico. As at December 31, 2007, \$328,855 (2006: \$897,257; 2005: \$214,957) in costs were written-off to operations as management is not planning any further work on these properties.

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6.

Mineral Properties (cont d)

D)

Peru

i)

Rubi Property

In August 2007, the Company signed an option agreement to acquire 100% of the Rubi Property, Peru which consists of eight granted concessions. In order to keep the option in good standing, the Company is required to:

a)

Make cash payments to the property owner as follows:

i)

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

ii)

US\$250,000 on or before August 22, 2008;

iii)

US\$500,000 on or before August 22, 2009;

iv)

US\$800,000 on or before August 22, 2010.

b)

Issue common shares of the Company to the property owner as follows:

i)

50,000 shares on signing of the agreement (Agreement Date) (issued);

ii)

100,000 on or before August 22, 2008;

iii)

100,000 on or before August 22, 2009;

iv)

250,000 on or before August 22, 2010.

c)

Incur exploration expenditures on the Property as follows:

i)

US\$250,000 on or before August 22, 2008;

ii)

US\$500,000 on or before August 22, 2009;

iii)

US\$1,000,000 on or before August 22, 2010;

The Company may then exercise its option to acquire the 100% interest in the Rubi Property by paying to the property owner on or before the fourth anniversary of the Agreement Date, US\$5 per ounce of gold equivalent defined in reserves or a minimum of US\$4.0 million. Additional reserves defined after this payment will also be subject to a US\$5 per ounce of gold equivalent to the owner. If the option is exercised, the property owner would retain a 1.5% net smelter return royalty.

In connection with the granting of this option, the Company paid finder's fees of \$10,000 and 25,000 shares each to two individuals.

The Company will be required to produce 500 metric tons of minerals per day as a minimum upon commercial production. If the production quota is not met, the Company will make the following payments towards the NSR as follows:

During the fifth year of the option	US\$100,000
During the sixth year of the option	US\$200,000
During the seventh year of the option	US\$300,000

ii)

Artemisas Property

In November 2007, the Company signed a letter agreement to acquire 70% of the Artemisas Property, Peru which consists of four granted concessions. A formal option agreement was executed effective January 11, 2008 (the Agreement Date). In order to keep the option in good standing, the Company is required to incur exploration expenditures on the Property as follows:

a)

A total of US\$250,000 on or before January 11, 2009;

b)

A total of US\$900,000 on or before January 11, 2010;

c)

A total of US\$2,000,000 on or before January 11, 2011.

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6.

Mineral Properties (cont d)

D)

Peru

ii)

Artemisas Property (cont d)

Upon completion of the earn-in requirements and exercise of the option the Company will have earned a 70% interest in the property after which a 70:30 participating joint venture will be formed. If either party elects not to contribute, then a standard dilution clause will apply. If either party's interest drops to less than 10%, its interest will convert to a 1% net smelter return royalty.

E)

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 commencement of 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.

As at December 31, 2007, drilling had not commenced. The Company has the right to terminate the agreement at any time upon 90 days written notice or on November 7, 2009, if the drill date has not occurred.

F)

Canada

In 2006 and 2007, the Company incurred data acquisition and geological consulting costs in connection with property investigations in Canada.

G)

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 properties and wrote off \$29,524 (2005: Nil) in costs to operations.

H)

Colombia

In 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 properties and wrote off \$15,711 (2005: Nil) in costs to operations.

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6.

Mineral Properties (cont d)

I)

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 then decided to do no further exploration on the property and wrote off \$7,837 in costs to operations.

J)

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.

7.

Related Party Transactions

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

	For the years ended December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses			
Consulting fees	\$ 60,000	\$ 60,000	\$ 60,000
Management fees	46,590	21,346	25,676
Salaries and wages	100,930	91,850	137,807
Mineral property costs:			
Geological Consulting fees	176,650	160,581	92,400
Salaries and wages	<u>65,873</u>	<u>58,467</u>	<u>50,888</u>
	<u>\$ 450,043</u>	<u>\$ 392,244</u>	<u>\$ 366,771</u>

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

Advances and other receivables include \$26,665 (2006: \$48,528) due from directors and officers of the Company. These were funds advanced for Company expenses and any balance owed will be repaid in the normal course of business.

Due from related parties of \$50,498 (2006: \$147,870) 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 accrued liabilities include \$15,778 (2006: \$17,570) payable to an officer of the Company.

Due to a related party is \$nil (2006: \$10,510) which are the 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.

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8.

Share Capital

a)

Authorized

Unlimited common shares without par value

b) <u>Issued</u>	Price Per		Amount \$
	Number of Shares	Share \$	
Balance December 31, 2004	53,091,188		42,060,982
Exercise of stock options	37,800	1.30	49,140
Exercise of stock options	40,000	0.90	36,000
Exercise of stock options	50,000	0.99	49,500
Exercise of stock options	35,000	1.00	35,000
Exercise of stock options	57,000	1.50	85,500
Transfer of contributed surplus on exercise of options	-		86,697
Balance, December 31, 2005	53,310,988		42,402,819
Exercise of stock options	75,000	0.68	51,000
Transfer of contributed surplus on exercise of options	-		32,250
Balance, December 31, 2006	53,385,988		42,486,069
Exercise of stock options	12,500	0.56	7,000
Acquisition of property	50,000	0.58	29,000
Acquisition of property	100,000	0.64	64,000
Transfer of contributed surplus on exercise of options	-		1,125
Balance, December 31, 2007	53,548,488		42,587,194

Escrow Shares

As at June 25, 2007, all of the 375,000 common shares held in escrow were released.

Stock Options

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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. Option vest ranging from a four month period to one year from the date of grant. Options granted to Investor relations vest in accordance with TSX regulation. The options are for a maximum term of five years.

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

	2007		2006	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise Price		Exercise Price
Outstanding, beginning of year	3,475,000	\$0.70	2,558,332	\$0.97
Forfeited	(587,500)	0.67	(1,743,332)	1.09
Granted	2,275,000	0.54	2,735,000	0.70
Exercised	(12,500)	0.56	(75,000)	0.68
Outstanding, end of year	5,150,000	\$0.63	3,475,000	\$0.70
Exercisable, end of year	4,775,000		3,475,000	

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8.

Share Capital (cont d)

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At December 31, 2007, there were 5,150,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each purchase option held:

			Average Remaining Contractual Life in years
Number	Exercise Price (\$)	Expiry Date	
670,000	0.68	January 7, 2008	0.02
2,405,000	0.70	February 21, 2011	3.15
875,000	0.52	April 16, 2012	4.30
50,000	0.62	May 31, 2012	4.42
1,100,000	0.56	September 5, 2012	4.68
50,000	0.48	December 3, 2012	4.93
5,150,000			

Subsequent to December 31, 2007, the January 7, 2008, options expired unexercised.

Stock-Based Compensation

The Company uses the fair value based method of accounting for stock options granted to consultants, directors, officers and employees. The non-cash compensation charge for the year ending December 31, 2007 of \$722,225 (2006: \$1,230,750; 2005: \$40,850) is associated with the granting of options to consultants and employees.

The weighted fair value of the share purchase options granted during the year ended December 31, 2007 of \$0.32 (2006: \$0.45; 2005: \$0.43) per option is estimated on the grant date using the Black Scholes option valuation model.

Volatility is based on the Company's historical prices. The assumptions used in calculating fair value for the years ended December 31, are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expected dividend yield	0%	0%	0%
Expected volatility based on historical share price	72% - 73%	76%	75.56%
Risk-free interest rate	3.69% - 4.58%	4.02%	3.92%
Expected term in years	5 years	5 years	5 years

The following table reconciles the Company's contributed surplus:

	<u>2007</u>	<u>2006</u>
Balance, beginning of the year	\$	\$
	3,443,487	2,244,987
Options vested	722,225	1,230,750
Options exercised	<u>(1,125)</u>	<u>(32,250)</u>
Balance, end of year	\$	\$
	<u>4,164,587</u>	<u>3,443,487</u>

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

9.

Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows during the year ending December 31, 2007, the following transactions were excluded:

i)

Issued 50,000 common shares with a fair value of \$29,000 for the acquisition of the La Flor Property.

ii)

Issued 50,000 common shares with a fair value of \$32,000 for the acquisition of the Rubi Property.

iii)

Issued 50,000 common shares with a fair value of \$32,000 for the finder's fee on the Rubi Property.

iv)

Included in accounts payable was \$48,783 in exploration costs which was included in deferred exploration costs.

The fair value reflects the market price at the date of issuance.

10.

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, Guatemala, Nicaragua, Peru, Ecuador, and Mexico.

Details of identifiable assets by geographic segments are as follows:

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December 31, 2007 December 31, 2006

Total Assets		
Canada	\$ 6,325,881	\$ 10,787,157
Caymans	714,405	85,195
Ecuador	137,246	117,864
Guatemala	10,724,984	10,017,783
Nicaragua	4,547,829	3,705,119
Mexico	400,506	108,325
Peru	628,109	-
Other	1,568	1,795
	\$ 23,480,528	\$ 24,823,238
Property & Equipment		
Canada	\$ 43,650	\$ 34,874
Guatemala	33,606	55,220
Nicaragua	188,273	218,416
Mexico	15,757	22,453
Peru	8,602	-
	\$ 289,888	\$ 330,962

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

10.**Segmented Information** (cont d)

	December 31, 2007	December 31, 2006
Resource Properties Acquisition		
Ecuador	\$ 113,130	\$ 113,130
Guatemala	4,142,864	4,142,864
Peru	210,566	-
Nicaragua	82,482	-
	\$ 4,549,042	\$ 4,255,994
Deferred Exploration Costs		
Ecuador	\$ 24,116	\$ 4,734
Canada	4,683	4,129
Guatemala	6,496,840	5,753,973
Peru	404,066	-
Mexico	299,639	-
Nicaragua	4,144,644	3,419,418
	\$ 11,373,988	\$ 9,182,254

11.**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, 2007, cash totalling \$1,118,436 (2006 - \$336,559) was held in US dollars, \$8,506 (2006 - \$8,450) in Nicaragua Cordoba, \$9,474 (2006 - \$2,415) in Guatemala Quetzal and \$2,550 (2006 - \$20,001) in Mexican Pesos.

12.

Accumulated Other Comprehensive Income

Balance at December 31, 2006	\$ -
Cumulative impact of accounting changes	36,436
Adjusted balance January 1, 2007	36,436
Unrealized loss on available for sale marketable securities	(71,475)
Balance at December 31, 2007	\$ (35,039)

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13.**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:

2008	\$
	129,885
2009	130,245
2010	<u>134,203</u>
	\$
	<u>394,333</u>

14.**Income Taxes**

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 34.12% (2006: 34.12% 2005: 34.12%) to the income for the year and is reconciled as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Benefit at Canadian statutory rate	\$	\$	\$
	(768,800)	(2,016,600)	(2,279,000)
Foreign income taxed at other than CDN statutory rate	267,800	-	-
Permanent differences	152,300	415,500	13,900
Effect of a reduction in statutory rate	815,500	-	-
Share issuance costs	(69,500)	-	-
Expiry of loss carryforward	203,300	-	142,500

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Increase/(decrease) in valuation allowance	<u>(600,600)</u>	<u>1,601,100</u>	<u>2,122,600</u>
	\$	\$	\$
	<u>-</u>	<u>-</u>	<u>=</u>

The tax effects on the temporary differences that give rise to the Company's future tax assets and liabilities are as follows:

	<u>2007</u>	<u>2006</u>
Net operating and capital losses	\$2,156,500	\$
		2,711,200
Property and equipment	40,000	27,800
Resource related costs	555,300	516,000
Undeducted financing costs	<u>5,100</u>	<u>97,900</u>
	2,756,900	3,352,900
Less: Valuation allowance	<u>(2,756,900)</u>	<u>(3,352,900)</u>
	\$ <u>-</u>	\$
		<u>-</u>

At December 31, 2007, the Company had estimated net operating losses carried forward of approximately \$8,200,000 (2006: \$7,900,000) (expiring in various amounts over the period from 2008 to 2027) available to reduce future taxable income.

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on valuation allowance is reflected in current income.

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15.

Subsequent Events

On January 30, 2008, the Company entered into an option to purchase 100% interest in Charpal project in Peru. As consideration the Company is required to make an aggregate payment of US\$850,000 over three years.

By letter agreement dated February 18, 2008 the Company optioned its San Pedro project in Nicaragua to Vannessa Ventures Ltd. (Vannessa). Under the terms of the agreement, Vannessa can acquire a 50% interest in the property by spending a cumulative US\$3,000,000 on exploration expenditures on the property over a period of four years. Once Vannessa has exercised its option, Vannessa can earn an additional 20% by funding a bankable feasibility study, or may opt to further develop the property under a 50:50 joint venture with the Company. In the event that either party elects not to contribute, then standard dilution clauses will apply and if either party's interest drops below 10%, this will be converted into a 1% Net Smelter Royalty.

16.

Comparative figures

Certain comparative figures for the year ended December 31, 2006 and 2005 have been reclassified to conform with the presentation adopted for the current year.

17.

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

Prior to January 1, 2007, the Company's marketable securities were presented at lower of cost or market value under CDN GAAP. 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 other comprehensive income. Upon adoption of CICA Handbook Section 3855 on January 1, 2007 (note 3), there are no ongoing differences between Canadian and US GAAP in the accounting for marketable securities.

b)

Mineral Properties

Under Canadian GAAP mineral property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. Under US GAAP, mineral property acquisition costs are considered tangible assets and must be initially capitalized and evaluated periodically for impairment. The Company has expensed mineral property cost as incurred and will capitalize mineral property acquisition costs when it has been determined that a mineral 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, 2007, 2006 and 2005.

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Notes to the Consolidated Financial Statements

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17.

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

c)

Comprehensive Loss

US GAAP requires disclosure of comprehensive loss which, for the Company, is net loss under US GAAP adjusted for the change in items excluded from net loss under US GAAP. Upon adoption of CICA Handbook Section 1530 on January 1, 2007 (note 3), there are no ongoing differences between Canadian and US GAAP in reporting and displaying comprehensive loss.

d)

Newly Adopted Accounting Pronouncements

On January 1, 2007, the Company adopted Financial Accounting Standards Board (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 . This interpretation provides guidance on recognition and measurement of uncertainties in income taxes and is effective for the Company s 2007 fiscal year end. The adoption of FIN 48 did not have a significant impact on the Company s results of operations or financial position.

e)

New Accounting Pronouncements

The FASB has issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements , which defines fair value, establishes a framework for consistently measuring fair value under GAAP and expands disclosures about fair value measurements. SFAS 157 is to be effective as of the first fiscal year that begins after November 15, 2007. In February 2008, the FASB deferred the effective date for one year for certain non financial assets and non financial liabilities and removed certain leasing transactions from its scope. (i.e. for the Company s fiscal year beginning January 1, 2009). The adoption of SFAS 157 is not expected to have a material effect on the Company s financial position.

f)

New Accounting Pronouncements

In February, 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities . This Statement permits all entities to choose, at specified election dates, to measure eligible items at fair value (the fair value option). A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. If an entity elects the fair value option for a held-to-maturity or available-for sale- security in conjunction with the adoption of this Statement, that security shall be reported as a trading security under Statement 115, but the accounting for a transfer to the trading category under paragraph 15 (b) of Statement 115 does not apply. Electing the fair value option for an existing held-to-maturity security will not call into question the intent of an entity to hold other debt securities to maturity in the future. This statement is effective as of the first fiscal year that begins after November 15, 2007 (i.e. for the Company s fiscal year beginning January 1, 2008). The Company is currently analyzing the effects of SFAS 159 but does not expect its implementation will have a significant impact on the Company s financial condition or results of operations.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

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17.

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

f)

New Accounting Pronouncements (cont d)

In December 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 110 which amends SAB 107 to allow for the continued use, under certain circumstances, of the simplified method in developing an estimate of the expected term of so-called plain vanilla stock options accounted for under FAS 123R, Share-Based Payment. When SAB 107 was

published, the staff believed that more information about employee exercise behavior (e.g., employee exercise patterns by industry or other categories of companies) would become available. Therefore, the staff stated in SAB 107 that it would not expect the simplified method to be used for stock option grants after December 31, 2007. The staff now understands that such information will not be widely available by December 31, 2007. Accordingly, the SEC staff will accept, under certain circumstances, the use of the simplified method beyond December 31, 2007 for plain vanilla options (as described in SAB 110). The Company does not believe that SAB 110 will have a significant impact on its financial statements.

g)

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>2007</u>	<u>2006</u>	<u>2005</u>
Net loss for the year as reported using CDN GAAP	\$	\$	\$
	(2,277,659)	(4,563,806)	(6,679,398)
Adjustments to mineral properties	(3,269,661)	(2,759,185)	(2,830,001)
Write-down of marketable securities	-	71,561	44,452
Adjustment for realized gain	-	-	104,557
Write-off of exploration costs	<u>784,879</u>	<u>3,052,802</u>	<u>5,917,734</u>
Net loss for the year per US GAAP	\$	\$	\$
	(4,762,441)	(4,198,628)	(3,442,656)
Unrealized gain (loss) from marketable securities	<u>(71,475)</u>	<u>(71,561)</u>	<u>(44,452)</u>
Comprehensive loss for the year per US GAAP	\$	\$	\$
	<u>(4,833,916)</u>	<u>(4,270,189)</u>	<u>(3,487,108)</u>
Basic loss per share per US GAAP	\$	\$	\$
	<u>(0.09)</u>	<u>(0.08)</u>	<u>(0.07)</u>
Weighted average number of shares outstanding per US GAAP			
	<u>53,425,577</u>	<u>52,991,262</u>	<u>52,898,829</u>

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Notes to the Consolidated Financial Statements

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17.

Reconciliation to United States of America Generally Accepted Accounting Principles (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:

Balance Sheets

	<u>2007</u>	<u>2006</u>
Total assets per CDN GAAP	\$	\$
	23,480,528	24,823,238
Adjustments for mineral properties	<u>(15,923,030)</u>	<u>(13,438,248)</u>
Total assets per US GAAP	<u>\$</u>	<u>\$</u>
	<u>7,557,498</u>	<u>11,384,990</u>
Total liabilities per CDN and US GAAP	<u>\$</u>	<u>\$</u>
	<u>(371,962)</u>	<u>(224,199)</u>
Deficit, per CDN GAAP	\$	\$
	(23,608,176)	(21,330,517)
Adjustments to mineral properties	(15,923,030)	(13,438,248)
Write-down of marketable securities	=	<u>116,013</u>

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Deficit, per US GAAP	<u>(39,531,206)</u>	<u>(34,652,752)</u>
Contributed surplus per CDN GAAP	4,164,587	3,443,487
Unrealized loss from marketable securities	<u>(35,039)</u>	<u>(116,013)</u>
Comprehensive income per US GAAP	<u>3,801,265</u>	<u>3,327,474</u>
Share capital per Canadian and US GAAP	<u>42,587,194</u>	<u>42,486,069</u>
Total shareholders' equity per US GAAP	<u>7,185,536</u>	<u>11,160,791</u>
Total liabilities and shareholders' equity per US GAAP	\$	\$
	<u>7,557,498</u>	<u>11,384,990</u>

<u>Statements of Cash Flows</u>	Years ended December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows used in operating activities per CDN GAAP	\$	\$	\$
	144,283	(773,197)	(362,621)
Adjustments for mineral properties	<u>(3,127,878)</u>	<u>(2,759,185)</u>	<u>(2,830,001)</u>
Cash flows used in operating activities per US GAAP	<u>(2,983,595)</u>	<u>(3,532,382)</u>	<u>(3,192,622)</u>
Cash flows provided by (used in) investing activities per CDN GAAP	1,304,044	256,959	(2,846,811)
Adjustments for mineral properties	<u>3,127,878</u>	<u>2,759,185</u>	<u>2,830,001</u>
Cash flows used in investing activities per US GAAP	<u>4,431,922</u>	<u>3,016,144</u>	<u>(16,810)</u>
Cash flows from financing activities per Canadian and US GAAP	<u>(3,510)</u>	<u>26,381</u>	<u>255,140</u>
Increase (decrease) in cash per US GAAP	\$	\$	\$
	<u>1,444,817</u>	<u>(489,857)</u>	<u>(2,954,292)</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 27, 2008

By /s/ Simon Ridgway

Simon Ridgway,

President and Chief Executive Officer