

RADIUS GOLD INC.  
Form 20-F  
June 30, 2010

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, 2009**

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 ☒

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 ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ 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 ☒

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 ☒

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 **X** N/A

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## GLOSSARY OF TECHNICAL TERMS

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

|                               |                                                                                                                                                                                             |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>vein , veinlet (small)</b> | A tabular mineral deposit formed within or adjacent to faults or fractures by the deposition of minerals from hydrothermal fluids.                                                          |
| <b>Adit</b>                   | A passage driven horizontally into a mountainside providing access to a mineral deposit from the surface of the working of a mine.                                                          |
| <b>Ag</b>                     | The elemental symbol for silver.                                                                                                                                                            |
| <b>alteration</b>             | The chemical and mineralogical changes in a rock mass resulting from the passage of hydrothermal fluids.                                                                                    |
| <b>Anomalous or anomalies</b> | A sample or location in which either (i) the concentration of an element(s) or (ii) geophysical response is significantly different from the average background values that typify an area. |
| <b>anomaly</b>                | The geographical area corresponding to anomalous geochemical or geophysical values.                                                                                                         |
| <b>arsenopyrite</b>           | A sulphide of arsenic and iron.                                                                                                                                                             |
| <b>As</b>                     | The elemental symbol for arsenic.                                                                                                                                                           |
| <b>Assay</b>                  | An analysis to determine the presence, absence or quantity of one or more elemental components.                                                                                             |

|                         |                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Au</b>               | The elemental symbol for gold.                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Au Eq. g/t</b>       | Denotes gold equivalent grades: gold grade plus silver grades which have been converted to gold grades by using a ratio generally based on the prevailing spot prices of gold and silver.                                                                                                                                                                                                              |
| <b>background</b>       | The average concentration of an element or typical geophysical response in an area.                                                                                                                                                                                                                                                                                                                    |
| <b>breccia</b>          | A rock consisting of sharp fragments in fine grained material.                                                                                                                                                                                                                                                                                                                                         |
| <b>Cretaceous</b>       | The geologic period extending from 135 million to 63 million years ago.                                                                                                                                                                                                                                                                                                                                |
| <b>development</b>      | Preparation of a mineral deposit for commercial production including installations of plant and machinery and the construction of all related facilities.                                                                                                                                                                                                                                              |
| <b>Diamond drill</b>    | A type of rotary drill in which the cutting is done by abrasion rather than percussion. The cutting bit is set with diamonds and is attached to the end of long hollow rods through which water is pumped to the cutting face. The drill cuts a core of rock which is recovered in long cylindrical sections, an inch or more in diameter.                                                             |
| <p>- i -</p>            |                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>dip</b>              | The angle which a geological structure forms with a horizontal surface, measured perpendicular to the strike of the structure.                                                                                                                                                                                                                                                                         |
| <b>epithermal</b>       | A term applied to high-level hydrothermal systems which form at depths of ~1 km to surficial hot spring settings.                                                                                                                                                                                                                                                                                      |
| <b>exploration</b>      | The prospecting, mapping, sampling, remote sensing, geophysical surveying, diamond drilling and other work involved in the searching for ore bodies.                                                                                                                                                                                                                                                   |
| <b>fault</b>            | A fracture in a rock across which there has been displacement.                                                                                                                                                                                                                                                                                                                                         |
| <b>fracture</b>         | Breaks in a rock, usually planar.                                                                                                                                                                                                                                                                                                                                                                      |
| <b>GPS</b>              | Global Positioning System a space based satellite positioning system whereby receiver units on the ground or in the air use triangulation from known satellite signals to derive a location in three dimensional space.                                                                                                                                                                                |
| <b>grade</b>            | The concentration of an ore metal in a rock sample, given either as weight percent for base metals (e.g. Cu, Zn, Pb) or in grams per tonne (g/t) or ounces per short ton (oz/t) for precious metals. The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit. |
| <b>g/t</b>              | Grams of per metric tonne. Usually used in association with gold or silver.                                                                                                                                                                                                                                                                                                                            |
| <b>Heap leach</b>       | A process used for the recovery of metals from crushed ore in heaps using a suitable leaching solution.                                                                                                                                                                                                                                                                                                |
| <b>ha or hectare</b>    | An area totaling 10,000 square metres.                                                                                                                                                                                                                                                                                                                                                                 |
| <b>highly anomalous</b> | An anomaly which is 50 to 100 times average background.                                                                                                                                                                                                                                                                                                                                                |

|                     |                                                                                                                                                                                |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Host rock</b>    | The body of rock in which mineralization of economic interest occurs.                                                                                                          |
| <b>hydrothermal</b> | Pertaining to hot fluids, dominantly water, in the earth's crust which may carry metals and other compounds in solution to the site of ore deposition or wall rock alteration. |
| <b>ICP</b>          | A type of assay technique.                                                                                                                                                     |
| <b>intrusive</b>    | A rock mass formed below earth's surface from magma which has intruded into a preexisting rock mass                                                                            |

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|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>esothermal</b>                  | A hydrothermal ore deposit typically a vein system- formed at intermediate temperatures (200-300°C) and pressures/depths.                                                                                                                                                                                                                                                                                                                                              |
| <b>mineral resource,</b>           | Under CIM standards, a mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in 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 location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. |
| <b>measured mineral resource,</b>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>indicated mineral resource,</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>inferred mineral resource</b>   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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

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

**inferred mineral resource:** Under CIM standards, an inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited

sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

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

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

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|                       |                                                                                                                                                                                     |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>mineralization</b> | Minerals of value occurring in rocks.                                                                                                                                               |
| <b>Mt</b>             | A million tonnes.                                                                                                                                                                   |
| <b>ore</b>            | A natural aggregate of one or more minerals which, at a specified time and place may be mined, processed and sold at a profit, or from which some part may profitably be separated. |
| <b>Ounce / oz</b>     | Troy ounce, equal to approximately 31.103 grams.                                                                                                                                    |
| <b>outcrop</b>        | An exposure of rock at the earth's surface.                                                                                                                                         |
| <b>quartz</b>         | A common rock-forming mineral (SiO <sub>2</sub> ) that is frequently a dominant constituent of veins, especially those containing gold and silver mineralization.                   |
| <b>RC</b>             | Reverse Circulation drilling.                                                                                                                                                       |

|                                    |                                                                                                                                                   |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>rhyolite</b>                    | A silica-rich volcanic rock chemically equivalent to granite. Usually light colored, very fine-grained or glassy-looking.                         |
| <b>Silicification / silicified</b> | Complete or partial replacement of a rock by quartz, often during hydrothermal alteration.                                                        |
| <b>strike</b>                      | Azimuth of a plane surface aligned at right angles to the dip of the plane used to describe the orientation of stratigraphic units or structures. |
| <b>Tertiary</b>                    | The geological period extending from the end of the Cretaceous (65 million years ago) to approximately 2 million years before the present time.   |
| <b>Tonne</b>                       | A metric tonne, 1000 kilograms or 2,204.6 pounds.                                                                                                 |
| <b>UTM</b>                         | The UTM ( <b>U</b> niversal <b>T</b> ransverse <b>M</b> ercator) 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.

## **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 18 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, 2009, 2008 and 2007 and as at December 31, 2009, 2008 and 2007 was extracted from financial statements of the Company which were audited by BDO Canada LLP, Chartered Accountants.

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

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

## Canadian GAAP

Under Canadian GAAP resource property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. Under US GAAP, resource property acquisition costs are considered tangible assets and must be capitalized unless the resource properties do not have proven reserves. Prior to January 1, 2009, the Company's policy under Canadian GAAP was to defer and amortize mineral property acquisition costs and exploration costs to the extent they meet certain criteria. Capitalized costs under Canadian GAAP are amortized on a unit-of-production basis based on proved, probable and possible reserves. During the year ended December 31, 2009, the Company changed its accounting policy for exploration costs under Canadian GAAP by expensing the costs as incurred as it more accurately reflects the exploration industry. This accounting change has been applied retroactively with restatement of prior periods. As a result of the change in accounting policy there are no ongoing differences between Canadian and US GAAP in the accounting for mineral properties with the exception of mineral property acquisition costs of \$4,435,912 previously expensed under US GAAP that remain capitalized to mineral properties under Canadian GAAP.

The following information has been reconciled for U.S. GAAP. See Note 18 to the Consolidated Financial Statements of the Company.

|                                      | (in 000 \$, except per share data) |                    |                    |                    |                    |
|--------------------------------------|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | As at<br>12/31/09                  | *As at<br>12/31/08 | *As at<br>12/31/07 | *As at<br>12/31/06 | *As at<br>12/31/05 |
| Working Capital                      | 2,296                              | 2,368              | 6,896              | 10,830             | 13,765             |
| Resource Properties (Cdn GAAP)       | 4,294                              | 4,436              | 4,549              | 4,256              | 3,986              |
| Resource Properties (US GAAP)        | 82                                 | 0                  | 0                  | 0                  | 0                  |
| Long Term Debt (Cdn GAAP)            | (122)                              | (185)              | (185)              | (122)              | (139)              |
| Long Term Debt (US GAAP)             | (122)                              | (185)              | (185)              | (122)              | (139)              |
| Shareholders' Equity (Cdn GAAP)      | (6,674)                            | (6,927)            | (11,550)           | (15,295)           | (17,997)           |
| Shareholders' Equity (US GAAP)       | (2,463)                            | (2,491)            | (7,001)            | (11,039)           | (14,010)           |
| Total Assets (Cdn GAAP)              | 7,043                              | 7,339              | 12,107             | 15,641             | 18,422             |
| Total Assets (US GAAP)               | 2,831                              | 2,903              | 7,557              | 11,385             | 14,436             |
| Revenue                              | 0                                  | 0                  | 0                  | 0                  | 0                  |
| Net Income(Loss) (Cdn GAAP)          | (1,211)                            | (4,779)            | (4,532)            | (3,983)            | (7,647)            |
| Earnings(Loss) Per Share (Cdn GAAP)  | (0.02)                             | (0.09)             | (0.09)             | (0.08)             | (0.14)             |
| Comprehensive Income(Loss) (US GAAP) | (31)                               | (4,675)            | (4,897)            | (4,253)            | (3,137)            |
| Earnings (Loss)Per Share (US GAAP)   | (0.02)                             | (0.09)             | (0.09)             | (0.08)             | (0.06)             |
| 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)         | 53,548                             | 53,548             | 53,426             | 52,991             | 52,899             |
| Wtd.Avg.No.Shares (US GAAP)          | 53,548                             | 53,548             | 53,426             | 52,991             | 52,899             |

\* Restated to adjust for accounting policy change concerning mineral property exploration costs.

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 17, 2010 as set forth in the H.10 statistical release of the Federal Reserve Board, for the conversion of Canadian dollars into United States dollars was US\$1.00 = CDN\$1.0283.

|                                                  | <b>Exchange Rate U.S. Dollars into<br/>Canadian Dollars</b> |                |
|--------------------------------------------------|-------------------------------------------------------------|----------------|
|                                                  | <b>High</b>                                                 | <b>Low</b>     |
| Month ended April 30, 2010                       | \$1.0199                                                    | \$0.9960       |
| Month ended March 31, 2010                       | \$1.0421                                                    | \$1.0110       |
| Month ended February 28, 2010                    | \$1.0735                                                    | \$1.0419       |
| Month ended January 31, 2010                     | \$1.0669                                                    | \$1.0260       |
| Month ended December 31, 2009                    | \$1.0713                                                    | \$1.0400       |
| Month ended November 30, 2009                    | \$1.0742                                                    | \$1.0458       |
|                                                  |                                                             | <b>Average</b> |
| Fiscal year ended December 31, 2009              |                                                             | \$1.1373       |
| Fiscal year ended December 31, 2008 <sup>1</sup> |                                                             | \$1.0679       |
| Fiscal year ended December 31, 2007 <sup>1</sup> |                                                             | \$1.0742       |
| Fiscal year ended December 31, 2006 <sup>1</sup> |                                                             | \$1.1307       |
| Fiscal year ended December 31, 2005 <sup>1</sup> |                                                             | \$1.2083       |

<sup>1</sup> For December 2008 and prior periods, the exchange rate refers to the noon buying rate as reported by the Federal Reserve Bank of New York. For January 2009 and later periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board.

**B.**

**Capitalization and Indebtedness.**

Not Applicable

**C.**

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

Not Applicable

**D.**

**Risk Factors.**

**The Company's auditors have expressed a Going Concern opinion.**

The Company's auditor has included a going concern opinion as described in the Comments for US Readers on Canada US Reporting Differences by our auditors with respect to the consolidated financial statements of the Company for the years ended December 31, 2009 and 2008. Realization values may be substantially different from carrying values as shown and the 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. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. If the Company is unable to meet these requirements, it will not be able to fulfill its business plan and be forced to reduce certain operations or cease operations altogether.

**There is no assurance that the business of the Company will achieve profitable operations.**

At December 31, 2009, the Company had not yet achieved profitable operations, has accumulated losses 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 has depended on financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

**Mining operations and exploration activities are subject to various federal, provincial and local laws and regulations.**

The mineral projects in which the Company has an interest are located in Guatemala, Nicaragua, Peru, Mexico and Canada. 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.

**The mining industry is highly speculative and involves substantial risks.**

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.

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**The Company is dependent on public and private distributions of equity to obtain capital in order to sustain operations.**

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.

**Operating hazards and risks associated with the mining industry could result in the Company having to significantly reduce or cease operations.**

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.

**Title to mineral properties are not guaranteed and could result in future claims against the Company.**

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 may be required in order to carry out business activities.**

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.

**The Company may be adversely affected by 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.

**The Company may not be able to compete with current and potential exploration companies.**

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.

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**It may be difficult for United States investors to effect service of process against the Company.**

The Company is incorporated under the laws of the Province of British Columbia, Canada. Consequently, it will be difficult for United States investors to affect service of process in the United States upon the directors or officers of the Company, or to realize in the United States upon judgments of United States courts predicated upon civil liabilities under the United States *Securities Exchange Act of 1934*, as amended. The majority of the Company's directors and officers are residents of Canada and all of the Company's assets are located outside of the United States. A judgment of a United States court predicated solely upon such civil liabilities would probably be enforceable in Canada by a Canadian court if the United States court in which the judgment was obtained had jurisdiction, as determined by the Canadian court, in the matter. There is substantial doubt whether an original action could be brought successfully in Canada against any of such persons or the Company predicated solely upon such civil liabilities.

**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. In 2008, the Company signed joint venture agreements to develop its 100% owned Tambor gold deposit in Guatemala, and to further explore the Rubi Property in Peru. In 2009, the Company acquired and assigned the Nueva California Property in Peru for an NSR royalty, and relinquished all other property interests in Peru. Also in 2009, the Company optioned out its Nicaragua portfolio of properties and its property in Mexico. In 2009 and early 2010, the Company acquired a significant land position in the Yukon Territory, Canada by staking and pursuant to option agreements.

The global economic crisis prompted the Company to implement in late 2008 cut-backs in all grass-roots exploration programs and to re-focus the Company on the generation of targets that can attract joint venture partners upon acquisition. Since then, management is reviewing prospective, advanced-staged gold projects and strategic opportunities brought about by the current market, while continuing the development of the Tambor Project from which the Company expects to receive cash flow. Currently, the Company has property interests in Guatemala, Nicaragua, Peru, Mexico and Canada. (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.

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## 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%         |
| Minera Aymara S.A.C. (formerly<br>called Radius Peru S.A.C.) | May 4, 2007          | Peru                | 100%         |

## D.

### Property and Equipment

The Company holds interests in properties in Guatemala, Nicaragua, Peru, Mexico, Canada and USA, as set out in the following maps and more particularly described below:

Latin America

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North 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.

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1.

### **Tambor Project**

The Company holds a 100% interest in the Tambor Project which consists of seven exploration concessions located in south-central Guatemala as set out in the following map:

The concessions are described as follows:

| <u>Name</u>              | <u>Size (Hectares)</u>      | <u>Expiry Date</u>                                                     |
|--------------------------|-----------------------------|------------------------------------------------------------------------|
| Santa Margarita Derivada | 2000.00                     | February 4, 2009; exploitation license<br>applied for January 21, 2009 |
| Carlos Antonio Derivada  | 335.00                      | November 11, 2009                                                      |
| La Laguna Derivada       | 187.50                      | October 29, 2009                                                       |
| Progreso VII Derivada    | 2,000.00                    | Nov. 6, 2008; exploitation license<br>applied for October 20, 2008     |
| Marga                    | 75.00                       | applied for September 9, 2008                                          |
| Las Navajas              | <u>1,519.42</u><br>6,161.92 | applied for November 12, 2008                                          |

In June 2008, the Company granted to Kappes, Cassidy & Associates ( KCA ) the right to earn a 51% interest in the Tambor Project by spending a total of US\$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 the Company.

Once commercial production has been achieved, KCA will receive preferential payback of 75% (the Company 25%) of after-tax cash flow from initial production until it receives an amount equal to its investment, less US\$2 million. At that point, the Company 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:the Company).

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

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. At 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 the Company'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.

### ***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.

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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.**

**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**

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

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.

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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.

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 the Company's 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.

**Sample Collection, Preparation and Analysis**

A rigorous Quality Assurance/Quality Control approach was adopted by Goldfields throughout the programme and all data supplied to the Company 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 Mountain's 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 Development

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 granted to KCA the right to develop, and earn an interest in, 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 the Company 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 is re-fabricating a modular processing plant and modular laboratory at its Reno, Nevada facility. The plant has a target capacity of 150 tonnes per day (52,500 tonnes per year) and is being assembled on a set of modular units mounted on 40-foot skids. To date, KCA has purchased the skids, a ballmill and the flotation cells. KCA expects the mill to be completed and wet-tested in Reno to facilitate rapid installation on site.

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In order to obtain the mining permits needed to develop Tambor, KCA expects to submit within the next few weeks an environmental impact assessment (EIA) which includes the mining and development plan. The Ministry of Mine s review of the EIA will likely take several months.

KCA has begun the permitting process for a small gold operation at Tambor which includes the submission of an environmental impact assessment ( EIA ). The Ministry of Mine s review of the EIA is expected to take several months.

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

2.

#### Holly-Banderas Projects

The Company holds a 100% interest in the Holly-Banderas Projects which consists of one exploration concession and applications for seven exploration concessions located in eastern Guatemala, as set out in the following map:

The concessions are described as follows:

| <u>Concession Name</u> | <u>Size (Hectares)</u> | <u>Expiry Date</u>                                                                |
|------------------------|------------------------|-----------------------------------------------------------------------------------|
| El Dorado              | 9,529.86               | Expires July 5, 2011; application for expansion of area submitted October 8, 2009 |
| Joyita                 | 1,364.32               | Application for reduced area submitted March 17, 2010                             |
| CECI                   | 7,939.90               | Application submitted February 3, 2010                                            |
| Marisol I              | 4,500.00               | Application submitted February 3, 2010                                            |
| Marisol II             | 4,864.07               | Application submitted February 3, 2010                                            |
| Cirilo I               | 1,350.00               | Application submitted March 18, 2010                                              |
| Cirilo II              | 801.17                 | Application submitted March 18, 2010                                              |
| Salvador I             | <u>2,600.00</u>        | Application submitted March 18, 2010                                              |
|                        | 39,949.33              |                                                                                   |

The Company reactivated its Holly and Banderas Projects in April 2010. the Company discovered and drilled these gold-silver projects between 2002 and 2004 when gold and silver spot prices were close to their record lows. However, recent discoveries in the region underscore the potential of the district and have lead the Company s technical team to review the geology and the results obtained by the previous work. Upon review, and with the present gold/silver price in mind, management feels that these projects warrant a significant investment in further drilling.

The Company completed two phases of drilling at Banderas in 2003 and 2004. The drilling was successful in confirming continuity of gold-silver mineralization both along strike and at depth on at least two of the targets tested:

•

At the M28 Zone, so called for the 28 g/t Au discovery sample, gold mineralization is hosted in a flow breccia at the base of a rhyolite flow unit where it contacts an underlying andesite unit. Eight holes, drilled on two section lines, were drilled through the rhyolite to test the breccia. Holes BDD-003 to BDD -008, BDD-018 and BDD-019, all cut potentially important Au+Ag mineralization.

•

A second target, a north-south trending soil and rock anomaly with a strike length of over 2km, was superficially tested with six holes. All holes cut a broad zone (+30m) of low grade gold/silver with narrow higher grade intercepts such as reported for holes 014 and 022 in the table below.

The data review also showed that some significant gold-in-soil anomalies reflecting possible strike extensions to mineralization were never drill tested. The area between the two projects which contains strike extensions of key structural features that may be controlling the mineralization, has seen some initial prospecting but no significant follow-up.

The Company has therefore restarted work at both projects with renewed prospecting and data compilation underway ahead of a planned drill program in the summer of 2010 to test known and newly discovered veins down dip. Infrastructure near both projects is excellent and they can be reached after a 45 minute drive up into the hills surrounding the eastern Guatemalan town of Chiquimula.

Effective June 17, 2010, the Company completed a private placement financing to fund its planned exploration activities at the Banderas Project,. The exploration work is being supervised by the Company s Vice-President of Exploration.

No Resource or Reserve has been defined within 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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The Company began exploring in Nicaragua in 2003. In addition to discovering a number of exploration projects with potential to host gold resources; specifically the Trebol, Pavon and San Pedro exploration properties (the Properties), the Company's technical team also compiled an extensive regional exploration data base covering much of the Central American country (the Regional Exploration Projects).

In June 2009, the Company granted to B2Gold Corp. (B2Gold) an option to acquire an interest in the Company's entire Nicaragua mineral property portfolio.

#### *B2Gold's Options*

B2Gold has been granted an option from the Company to acquire a 60% interest in the Trebol, Pavon and San Pedro properties in Nicaragua by spending a total of US\$4 million on exploration on any one or more of the properties within 4 years from the date of the agreement. When B2Gold has spent the US\$4 million, it will own a 60% interest in all of the properties and a joint venture will be formed whereby each party will contribute its pro-rated share of the exploration costs.

In addition, B2Gold has the option to review the conceptual gold resource outlined by Meridian Gold on the Pavon vein system. If B2Gold feels that there is potential to mine any or all of the resource, it will have an option to put the property into production within a time frame of 3 years. After production is achieved, ownership of the Pavon resource area will be transferred 100% to B2Gold, and the Company will receive 40% of the net cash flow generated from the operation.

The Company has also agreed to provide its regional exploration data base to B2Gold, on an exclusive basis. If as a result of reviewing the regional data, B2Gold identifies a prospect or project for acquisition and exploration on ground that is not covered by an existing concession, the Company will apply for a concession over the area and that area will then be designated a project area.

1.

#### Trébol Property

The Trébol Property is comprised of three granted exploration concessions 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 Trébol   | 28,383.17              | April 19, 2032     |
| La Flor     | <u>15,504.91</u>       | April 19, 2032     |
|             | 57,697.98              |                    |

The Trébol Property located in northeastern Nicaragua is a low sulphidation epithermal hot springs district consisting of numerous strong gold anomalies spanning over 14 km of strike length. Gold is associated with vein and replacement style mineralization in volcanic rocks found in a series of low-lying, heavily forested hills. Rock chip and soil sampling, and 963 meters of drilling completed by the Company have demonstrated the potential for bulk tonnage gold mineralization.

Recent trenching and sampling programs completed by B2Gold continue to expand the known extent of the gold mineralization discovered by the Company. Two of B2Gold's recent trenches have yielded continuously mineralized

intervals nearly 100 meters in length averaging around 1 g/t Au.

A major soil sampling program covering roughly 17 km<sup>2</sup> is in progress designed to infill the area between the main Cerro Domingo zone and the newly discovered SW Trébol zone located 5 kilometers to the southwest, where numerous blocks of silicified hydrothermal breccia have been found. B2Gold's geologists are also systematically mapping and sampling the siliceous hogbacks which occur along the low-lying ridges across the region to define prospective areas for new trenching.

No Resource or Reserve has been defined within the Trébol Property.

2.

#### Pavon (Natividad) Project

The Pavon gold project 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 property consists of one granted exploration concession, more particularly described as follows:

| <u>Name</u> | <u>Size (Hectares)</u> | <u>Expiry Date</u> |
|-------------|------------------------|--------------------|
|-------------|------------------------|--------------------|

|           |          |                   |
|-----------|----------|-------------------|
| Natividad | 1,301.10 | February 11, 2029 |
|-----------|----------|-------------------|

The Pavon low sulphidation system was discovered by the Company in 2003. Several veins occurring over a strike length of 6 km have been explored with 74 trenches and 71 diamond drill holes totaling approximately 10,700 m. Historic results include up to 9.1 g/t Au over 14.2 m in Trench 1 and 10.3 g/t Au over 16.8 m in PADH-005 in the north zone and up to 6.7 g/t Au over 11 m in PADH-01 in the south zone.

B2Gold is currently conducting a trenching program at the Pavon Project in order to evaluate the potential for production from near surface high grade zones in the epithermal veining previously discovered by the Company. At Pavon Norte, seven trenches have been opened, two of which have been mapped and sampled. At Pavon Sur, B2Gold has cut 16 new trenches.

No Resource or Reserve has been defined within the Pavon Project.

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3.

#### San Pedro Property

The San Pedro Property is comprised of applications for two exploration concessions located in the east-central Nicaragua, more particularly described as follows:

| <u>Name</u> | <u>Size (Hectares)</u> | <u>Expiry Date</u>                    |
|-------------|------------------------|---------------------------------------|
| San Jose    | 12,474.57              | Application submitted June 5, 2009    |
| Tatiana     | <u>13,657.00</u>       | Application submitted August 28, 2009 |
|             | 26,131.57              |                                       |

Access to the Property 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.

No Resource or Reserve has been defined within the San Pedro Property.

## **Peru**

The Company has a royalty interest in the following property in Peru:

### **Nueva California**

In March 2009, the Company was granted an option (the Option ) to acquire a 100% interest in the Nueva California gold property located in north-central Peru. The Company subsequently assigned the Option to Focus Ventures Ltd. ( Focus ). The assignment was completed in September and Focus issued one million common shares in its capital stock to the Company, and paid the Company US\$50,000 cash. Focus also granted to the Company a 1.5% net smelter return royalty on the property.

Focus has recently completed a 14 hole (3,548 meter) drill program at Nueva California in order to test for a near surface, bulk tonnage deposit. Results to date have shown significant and potentially economic intercepts in several holes. However, due to the complex structural geology, the mineralization is generally inconsistent and grades erratic between holes from the lower to the upper levels of the mine. The most recent drilling has shown that viable drill targets exist to the south of the mine area. Further geological interpretation is ongoing and Focus management will decide in due course regarding additional drilling to test the targets defined by the recent work.

No Resource or Reserve has been defined within the Nueva California Property.

## **Mexico**

### **Tlacolula Property**

The Tlacolula Property consists of one granted exploration concession, described as follows:

| <u>Name</u>           | <u>Size (Hectares)</u> | <u>Expiry Date</u> |
|-----------------------|------------------------|--------------------|
| Reduccion Tlacolula 2 | 12,642                 | November 21, 2057  |

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The Company discovered silver mineralization in 2005 following a regional stream geochemical survey in various areas of the state of Oaxaca. An initial trenching program on the Tlacolula Property defined a broad low grade

silver/gold anomaly associated with opaline silica, indicating a high level system. In late 2009, the Company optioned the Tlacolula Property to Fortuna Silver Mines Inc. ( Fortuna ). Fortuna can earn a 60% interest by spending US\$2-million on exploration, which includes a commitment to drill 1,500m within 3 years, and making staged annual payments totalling US\$250,000 cash and US\$250,000 in common stock over 4 years. The 12,000 hectare property is located 14km east-southeast of the city of Oaxaca and 30 km northeast of Fortuna's 100%-owned San Jose silver-gold development project.

No Resource or Reserve has been defined within the Tlacolula Property.

### **Canada Yukon Territory**

In the Yukon Territory, claims are granted for an initial period of one year and are extendable by filing assessment work or paying cash in lieu to the Yukon government equal to \$105 per claim. In 2009 and early 2010, the Company acquired interests in various areas by staking and option agreements and has in turn optioned out portions in return for equity positions and carried interests in the properties.

1.

#### **Ten Mile Creek Property**

During 2009, the Company acquired by staking and under option from a local prospector, a large land package at the head waters of several active placer gold producing creeks known as the Ten Mile Creek placer camp in the Yukon. Limited historic hard rock exploration on the claims has defined significant gold/arsenic mineralization in soils and rock, hosted for the most part by strongly altered intrusive rocks and minor schists. Soils sampling has defined five broad northwesterly trending gold/arsenic anomalies with strike lengths of up to 1.6 kilometers. Limited trenching of these anomalies has produced results of 25m @ 1.6g/t Au and 19m @ 1.0 g/t Au. The location, geology, geochemistry and trench results compare favorably with recent significant gold discoveries in the area.

In September 2009, the Company granted to Solomon Resources Inc. ( Solomon ) an option to earn a 50% interest in the Ten Mile Creek Property, in consideration of Solomon spending \$2.5-million on exploration and making staged cash and share payments totalling \$500,000 cash and one million shares over three years. In late May 2010, Solomon announced that it was mobilizing field crews to the Yukon and arrangements were underway to barge the camp and exploration equipment up the Yukon River to the property. Solomon's 2010 exploration program is to consist of surface geological, geochemical and geophysical surveys, with the objective of refining diamond drill targets for August 2010.

No Resource or Reserve has been defined within the Ten Mile Creek Property.

2.

#### **Snowcap Gold Project**

Wesgold Minerals Inc. ( Wesgold ) has an option to earn a 60% interest in the Company's 100% owned Snowcap project in central Yukon. Wesgold is a private B.C. company which is working towards a public listing on the TSX Venture Exchange. In order to exercise its option, Wesgold must incur \$1-million in exploration expenditures on the property and issue to the Company a total of one million Wesgold shares over a three year period.

Wesgold has completed a low-level, high-resolution, multisensor airborne geophysical survey to map lithological units, structure, and alteration zones at the Snowcap Gold Project at a cost of \$110,000. Target/anomaly selection is currently underway incorporating the results of this survey with the historic data.

Wesgold has also carried out a small deep soil sampling program to confirm and enhance gold and mercury soil anomalies identified in the 1980s. The anomalies occur close to a complex sequence of chalcedonic tuffs and phreatic breccias with sinter clasts associated with Tertiary felsic volcanic centres along a 15-kilom-long structural trend. Management of both the Company and Wesgold consider the known geological and geochemical setting as highly favourable for the location of low-sulphidation, structurally controlled, epithermal gold mineralization.

No Resource or Reserve has been defined within the Snowcap Gold Project.

### **Canada Yukon Territory / USA - Alaska**

#### **Sixty Mile Project**

Through claim staking and negotiating a number of option deals with local placer gold miners and mineral claim holders in 2009 and early 2010, the Company has acquired interests in 584 claims in the Sixty Mile area of the Yukon Territory, Canada, as set out in the following map:

As well, the Company located in April 2010 and recorded in May 2010, 30 mineral claims which are situate in western central Alaska adjacent to the Yukon Sixty Mile claim block and which form part of the Sixty Mile Project. The Alaska claims are located approximately 80 km due west of Dawson, Yukon adjacent to the Alaska - Yukon border.

The Sixty Mile claims cover the headwaters and drainage areas of the prolific Sixty Mile Gold Camp of the Yukon Territory which reportedly produced over 500,000 oz of gold from the creeks that drain the Company's holdings. The hard rock source for this placer gold has never been determined. The regional geology, geochemical signature and structural setting have strong similarities to the setting of International Tower Hill's (TSX-V: ITH) major Livengood gold discovery in Alaska, a multi-million ounce gold discovery driven by the search for the source of placer gold in that area.

Gold in the Sixty Mile district was first discovered in 1892 when C. Miller staked claims on what was to become known as Miller Creek. Placer gold mining has been continuous in the district since that time and is still active today. The area was targeted by Kennecott in their Yukon-Alaska intrusion-related bulk tonnage gold program in the 1990s. Kennecott conducted a property-wide reconnaissance soil and stream geochemical sampling program, geological mapping and a 640 line-km helicopter magnetic and radiometric survey.

The soil sampling defined several arsenic/gold anomalies, including a coherent 1.5 km x 2 km-diameter, gold-arsenic soil anomaly on the south side of lower Miller Creek. Mechanized trenching at the accessible southern edge of this anomaly revealed easterly striking sheeted mesothermal quartz veins returning 1.6 g/t gold over a 13 meter interval. Kennecott noted that the mineralization is very similar in style to that found in other metasediment-hosted granite-related porphyry gold systems within the Tintina Gold Belt and that additional work consisting of further soil sampling, trenching and drilling was required to delineate and define the anomaly. However, no further work has been conducted on the property by Kennecott or any other party. *The reader is cautioned that the Company has not yet completed sufficient work to verify the results contained in historic reports from the Sixty Mile area.*

Commencing in late June 2010, the Company will carry out an airborne aeromagnetic and radiometric survey in conjunction with reconnaissance geological mapping and geochemical sampling with the goal of locating drill targets. As well, auger drilling has started in the Sixty Mile river valley. A series of 10 auger hole profiles, with 25m spaced holes, is planned to test the bedrock beneath the placer workings in the Sixty Mile River bed. The drilling will investigate historical gold results from very limited hardrock drilling conducted on one of the Sixty Mile claims by a previous operator.

#### *Option Terms*

Pursuant to the option agreements with various landowners, the Company can acquire a 100% interest in the properties by paying a total of \$887,300 cash and issuing a total of \$688,000 worth of shares by August 31, 2013. The owners will retain NSR royalties ranging from 2.5% to 3.0%.

All work is being funded from the Company's existing cash resources, and the work is supervised by the Company's Exploration Manager.

No Resource or Reserve has been defined within the Sixty Mile Project.

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## **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, 2009, 2008 and 2007 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 18 to the Consolidated Financial Statements.

### **Strategic Transaction**

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

A.

### **Operating Results.**

### **Critical Accounting Policies**

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles which conform, in all material respects, with those generally accepted in the United States of America, except as explained in Note 18. Changes in the Company's accounting policies implemented since January 1, 2009 are detailed in Note 2(d) of the financial statements. 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.

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a)

#### **Principles of Consolidation**

The 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. All of which were dissolved during the year ended December 31, 2009;

v)

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

vi)

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

vii)

Minera Aymara S.A.C. (formerly called 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 and Change in Accounting Policy

During the fourth quarter of 2009, the Company changed its accounting policy for exploration costs by expensing the costs as incurred as it more accurately reflects the exploration industry. The change was effective on January 1, 2009 and applied retroactively. In the prior years, the Company capitalized the acquisition cost of mineral properties and deferred exploration and development expenditures directly related to specific mineral properties, net of recoveries received. Management believes that this treatment provides a more relevant and consistent depiction of the asset base of the Company prior to establishing the economic feasibility of its resource base.

These changes have been applied retrospectively and the resulting restatements to amounts for the years ended December 31, 2008 and 2007 are as follows:

|                                  | <b>As Previously reported<br/>December 31, 2008</b> | <b>Restatement</b> | <b>As Restated as at<br/>December 31, 2008</b> |
|----------------------------------|-----------------------------------------------------|--------------------|------------------------------------------------|
| Mineral properties               | \$13,874,003                                        | \$(9,438,091)      | \$4,435,912                                    |
| Future income tax liability      | 886,000                                             | (701,000)          | 185,000                                        |
| Deficit, opening                 | 25,045,176                                          | 10,121,988         | 35,167,164                                     |
| Exploration expenditures         | -                                                   | 3,655,231          | 3,655,231                                      |
| Write-off of mineral properties  | 5,741,075                                           | (5,591,128)        | 149,947                                        |
| Income tax recovery (loss)       | 551,000                                             | (551,000)          | -                                              |
| Basic and diluted loss per share | (0.12)                                              |                    | (0.09)                                         |
|                                  | <b>As Previously reported<br/>December 31, 2007</b> | <b>Restatement</b> | <b>As Restated as at<br/>December 31, 2007</b> |
| Deficit, opening                 | \$22,220,517                                        | \$8,414,254        | \$30,634,771                                   |
| Exploration expenditures         | -                                                   | 2,976,613          | 2,976,613                                      |
| Write-off of mineral properties  | 784,879                                             | (784,879)          | -                                              |
| Income Tax Recovery (loss)       | (547,000)                                           | 484,000            | (63,000)                                       |
| Basic and diluted loss per share | (0.05)                                              |                    | (0.09)                                         |

Consistent with prior periods, mineral property acquisition costs are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the date of the agreement to issue the shares.

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee. Proceeds from the sale of minerals recovered during the exploration stage are recorded when title to the minerals passes, the proceeds are reasonably determinable and the collectability is assured.

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

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 whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable 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                  | 4 - 8 years straight-line   |
| Computer equipment      | 25% - 50% declining balance |
| Furniture and equipment | 20% declining balance       |
| Geophysical equipment   | 20% declining balance       |
| Website                 | 30% declining balance       |

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 earnings 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, 2009, 2008 and 2007, potentially dilutive common shares (relating to options outstanding at year-end) totalling 4,270,000 (2008: 5,025,000; 2007: 5,150,000) 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.

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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 is 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 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, 2009 and 2008, 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.

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l)

#### Financial Instruments

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; advances and other receivables and due from related parties as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

#### Derivatives and Hedge Accounting

The Company currently does not have derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

#### Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, all net of income taxes.

Cumulative changes in other comprehensive loss will be included in accumulated other comprehensive loss which will be presented as a separate category in shareholders' equity.

m)

#### Value-added Taxes Recoverable

The Company incurred value-added taxes ( VAT ) in Mexico during the years ended December 31, 2009 and 2008 which relates to mineral property expenditures and other expenses. Due to the uncertainty surrounding the collection, the Company has classified the amounts as long-term asset. During the year ended December 31, 2009, the Company wrote-off the VAT in exploration expenditures.

n)

#### Adoption of New Accounting Pronouncements

##### Amendment to Financial Instruments Disclosures

In 2009, the CICA amended Section 3862, Amendment to Financial Instruments Disclosures to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

##### Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2

Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3

Inputs that are not based on observable market data

The adoption of this standard is consistent with recent amendments to financial instrument disclosure standards in IFRS. All of the financial instruments measured at fair value on the balance sheet are included in Level 1.

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#### Mining Exploration Costs

The AcSb issued EIC-174, which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided by EIC-174 have been applied in the preparation of these consolidated financial statements and did not have an impact on the valuation of the Company's mineral properties.

#### Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, Emerging Issues Committee issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company has evaluated the impact of EIC-173 on adoption and determined that no adjustments were required.

#### Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this accounting policy had no impact on the financial statements.

## Results of Operations

### Year Ended December 31, 2009 compared to December 31, 2008

For the year ended December 31, 2009, the Company had a net loss before income taxes of \$1,402,725 compared to \$4,779,322 for the year ended December 31, 2008, a decrease of \$3,376,597. The primary reason for the difference was exploration expenditures which were \$587,610 in 2009 compared to \$3,655,231 in 2008, a decrease of \$3,067,621. In 2008, the Company had dropped several properties and scaled back exploration on its remaining properties in 2009. During 2009, the Company's joint venture partners on various properties continued to perform exploration activities as part of their option earn-in requirements. Write-offs of acquisition costs in the current year totalled \$224,110 compared to \$149,947 in 2008, an increase of \$74,163. The majority of the current year write-off was due to the dropping of the Rubi property in Peru.

The total investment and other income earned in 2009 was \$49,405 compared to \$179,789 for 2008, a decrease of \$130,384. This was the result of investments periodically being liquidated to provide operating cash flow.

The Company recorded a future income tax recovery of \$192,000 in 2009 but no such income or expense was recorded in 2008.

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General and administrative expenses for the year ended December 31, 2009 were \$671,496 compared to \$1,123,938 for the year ended December 31, 2008, a decrease of \$452,442. The Company's efforts to reduce costs in the previous fiscal year in conjunction with a decrease of \$162,793 in non-cash compensation charges are the reasons for the overall decrease in corporate expenses. All other general and administrative costs, with the exception of legal and accounting fees, decreased as well. Besides non-cash compensation charge reductions, other notable reductions were \$92,566 in salaries and wages, \$58,301 in travel and accommodation, \$39,198 in public relations, and \$28,694 in consulting.

### Year Ended December 31, 2008 compared to December 31, 2007\*

For the fiscal year ended December 31, 2008, the Company had a consolidated net loss before income taxes of \$4,779,322 compared to \$4,469,393 for the fiscal year ended December 31, 2007. The primary reasons for the increase were an increase in exploration expenditures of \$678,618 and mineral property write-offs of \$149,947. The Company had dropped numerous properties that it was no longer interested in and wrote down three of its existing properties to better reflect their carrying cost. The Company experienced a loss on the sale of marketable securities in 2008 totalling \$86,145 (\$130,389 in 2007) which was due in part to the global economic crisis. The total investment and other income earned in 2008 was \$179,789 compared to \$458,584 for 2007, a decrease of approximately 60%. The decrease was mostly due to investments continually being liquidated to provide operating cash flow.

The Company recorded no future income tax recovery or expense in 2008 compared to a future income tax expense of \$63,000 in 2007.

Corporate expenses (not including amortization, stock-based compensation and Other Income/Expenses) in 2008 were \$870,110 compared to \$695,157 in 2007, an increase of \$174,953. Categories of corporate expenses which were significantly greater in 2008 are salaries and wages, legal and accounting fees, rent and utilities and travel and accommodation. The Company had experienced an increase in personnel since the prior year and the Company's portion of shared general and administrative costs had increased as well.

**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 before income taxes of \$4,469,393 compared to \$4,000,469 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.

\* Future income tax recovery or expenses and net income before taxes have been restated to reflect the mineral property accounting policy change implemented in 2009 whereby exploration expenditures are now expensed and acquisition costs remain capitalized.

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**Mineral Properties**

**Year Ended December 31, 2009**

During the year ended December 31, 2009, the Company incurred the following expenditures on its mineral properties:

Nicaragua - \$271,039 on exploration, including \$97,947 for licences, rights and taxes and \$66,293 for geological consulting.

Mexico - \$38,332 on exploration, including \$10,876 for licences, rights and taxes, \$10,318 for legal and accounting, and \$7,600 for salaries. An additional \$37,308 was charged to exploration costs for value-added taxes that are not expected to be refunded.

Guatemala - \$125,298 on exploration, including \$34,952 for salaries, \$27,607 for geological consulting, and \$21,908 for legal and accounting.

Peru - \$62,059 on acquisition costs and \$51,493 on exploration, including \$21,719 for geological consulting, \$19,916 for legal and accounting, and \$7,600 for salaries. Due to the Company deciding, along with its joint venture partner, to terminate its option in the Rubi property, the Company wrote off a total \$210,566 in acquisition costs. The \$62,059 in acquisition costs were recovered when the Company's option in the Nueva California Property was assigned to Focus.

Canada (Yukon) - \$183,313 on acquisition costs and \$115,968 on exploration, including \$44,275 for transportation and accommodation, \$44,132 for geological consulting, and \$15,627 for geochemistry. Of the \$183,313 in acquisition costs, \$86,883 was recovered in the form shares received for farm-out agreements, \$14,640 was recovered in cash from the sale of properties and \$13,544 was written off. Of the \$115,968 in exploration costs, \$51,828 was recovered in the form of shares received for a farm-out agreement.

**Year Ended December 31, 2008**

During the year ended December 31, 2008, the Company incurred the following expenditures on its mineral properties:

Guatemala - \$147,780 on exploration including \$34,581 for geological consulting, \$28,232 for salaries, \$22,043 for licences, rights and taxes, and \$20,468 for rent and utilities.

Nicaragua - \$2,403,470 on exploration including \$476,129 for geological consulting, \$416,555 for drilling, \$270,304 for salaries, \$211,438 for geochemistry, \$152,729 for public and community relations, \$123,157 for automobile, \$119,655 for camp, food and supplies and \$109,708 for licences, rights and taxes.

Mexico - \$594,281 on exploration including \$217,832 for geological consulting, \$119,862 for licences, rights and taxes, \$45,747 for other consulting, \$41,233 for geochemistry, \$36,777 for travel and accommodation, and \$34,908 for legal and accounting.

Peru - \$36,817 on acquisition costs and \$467,878 on exploration, including \$148,062 for geological consulting, \$74,282 for other consulting, \$54,578 for licences, rights and taxes, \$42,205 for legal and accounting, and \$38,068 for salaries. Acquisition costs of \$36,817 were written-off during the year for properties that were dropped.

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Ecuador \$41,822 on exploration, including \$25,093 for public relations and \$16,729 for licences, rights and taxes. Acquisition costs of \$113,130 were written-off during the year for the Cerro Colorado property.

#### **Year Ended December 31, 2007**

During the year ended December 31, 2007, the Company incurred the following expenditures on its mineral properties:

Guatemala - \$742,866 on exploration, including \$423,769 for underground development, \$67,918 for geological consulting fees and \$43,660 for salaries.

Nicaragua - \$1,234,967 on acquisition and exploration. The exploration costs include \$319,303 for geological consulting fees, \$134,361 for salaries and \$102,330 for other consulting.

Mexico - \$657,258 on exploration including \$294,341 for geological consulting fees, \$112,358 for licences, rights and taxes, and \$39,960 for geochemistry.

Peru - \$614,634 on acquisition and exploration. The exploration costs include \$126,917 for other consulting, \$135,633 for geological consulting fees and \$35,698 for travel and accommodation.

Other - \$19,382 on exploration of the Cerro Colorado property in Ecuador, and \$554 on property investigations.

#### **Per Share Losses**

Both the net losses and losses per share decreased significantly from fiscal 2008 to 2009. This was the result of significantly lower exploration activity and reduced general administrative expenses. Both the net losses and the losses per share increased from the fiscal 2007 to 2008 due mainly to an increase in exploration expenditures. As the Company's weighted average number of shares has not changed significantly over the past three years, the loss per share has changed proportionately with the changes in the net losses from 2007 to 2009.

#### **B.**

## **Liquidity and Capital Resources**

### **Outlook**

For the fiscal year ended December 31, 2009, the Company's auditor's have expressed a going concern opinion as the Company had not yet achieved profitable operations, has accumulated losses of \$41,157,211 since inception, and is expected to incur further losses in the development of its business. However, since the end of the fiscal year, the Company completed a private placement of 13 million units at \$0.35 per unit, for gross proceeds of \$4.55 million to fund general operating costs and exploration programs. As well, the Company completed a private placement of 5,606,143 flow-through shares at \$0.45 per share, for proceeds of approximately \$2.52 million. These flow-through funds are restricted to Canadian flow-through eligible expenditures and intended to be spent on exploration of the Company's Sixty Mile Property, Yukon. As a result of the foregoing financings, the Company expects its current capital resources to be sufficient to cover its operating costs for the next twelve 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.

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### **Year ended December 31, 2009 compared to December 31, 2008**

The Company's cash and marketable securities decreased from approximately \$2.26 million at December 31, 2008 to \$2.21 million at December 31, 2009. Working capital at December 31, 2009 was \$2.30 million compared to \$2.37 million at December 31, 2008. The Company's working capital was bolstered in 2009 due to the Company receiving 1,000,000 shares of Focus as per the Nueva California property option assignment to Focus and 500,000 shares of Solomon through the optioning of the Company's Ten Mile Creek Property. The Company is holding these shares as marketable securities. As at December 31, 2009 the Focus shares had a value of \$1,030,000 but as of April 29, 2010 the value was \$450,000. As at December 31, 2009 the Solomon shares had a value of \$130,000 and as at April 29, 2010 the value was \$132,500.

### **Year ended December 31, 2008 compared to December 31, 2007**

The Company's cash and marketable securities decreased from approximately \$7.0 million at December 31, 2007 to \$2.26 million at December 31, 2008. Substantial marketable securities have been sold to provide cash for operations. The Company has incurred a total of \$184,388 in losses on these sales in the past three fiscal years. However, the Company's marketable securities portfolio also provides for dividends, interest and pooled fund distributions which has more than offset the capital losses. During the year ended December 31, 2008, the Company received interest and other income totalling \$179,789, and spent approximately \$3.78 million in exploration and equipment costs and \$870,110 on corporate expenses. Working capital at December 31, 2008 was \$2.37 million compared to \$6.85 million at December 31, 2007.

### **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.

**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.

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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, 2009 information with respect to the Company's known contractual obligations.

| <i>Contractual Obligations</i>             | <b><i>Total</i></b> | Payments due by period |                 |                 |                            |                            |
|--------------------------------------------|---------------------|------------------------|-----------------|-----------------|----------------------------|----------------------------|
|                                            |                     | <i>1st year</i>        | <i>2nd year</i> | <i>3rd year</i> | <i>4<sup>th</sup> year</i> | <i>5<sup>th</sup> year</i> |
| Long-Term Debt Obligations                 | <b>0</b>            | 0                      | 0               | 0               | 0                          | 0                          |
| Capital (Finance) Lease Obligations        | <b>0</b>            | 0                      | 0               | 0               | 0                          | 0                          |
| Operating Lease Obligations <sup>(1)</sup> | <b>\$281,141</b>    | \$146,682              | \$134,459       | 0               | 0                          | 0                          |
| Purchase Obligations                       | <b>0</b>            | 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 | <b>\$281,141</b> | \$146,682 | \$134,459 | 0 | 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> |
|-------------|----------------------------|----------------------|------------------------|----------------------------|
| 2009        | N/A                        |                      |                        |                            |
| 2008        | N/A                        |                      |                        |                            |
| 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 |
|                   | - 33 - |        |          |

**Item 6.**

**Directors, Senior Management and Employees.**

**A.**

**Directors and Senior Management.**

The following table lists as of June 17, 2010 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

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)

Kevin Bales  
North Vancouver, BC, Canada

Chief Financial Officer

July 23, 2009

David Cass  
Vancouver, BC, Canada

Vice-President, Exploration

May 8, 2007

Tim Osler  
Vancouver, BC, Canada

Secretary

May 7, 1998

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### **Biographical Information**

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

**Simon T.P. Ridgway, Age 61    President, Chief Executive Officer and Director**

Mr. Simon Ridgway is an exploration financier with 18 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 Emerick Resources Corp., Focus Ventures Ltd. and Fortuna Silver Mines Inc., all publicly-traded resource companies.

**Mario Szotlender, Age 49 - 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. Mr. Szotlender is a Director of Endeavour Silver Corp., Focus Ventures Ltd., Fortuna Silver Mines Inc. and Magellan Minerals Ltd., all publicly-trade resource companies. He also consults to other public companies, and to several private exploration companies.

**Ralph Rushton, Age 47 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 Emerick Resources Corp., a publicly-traded resource company.

**Bradford Cooke, Age 55 - Director**

Bradford Cooke, P. Geo., is a professional geologist with over 30 years experience in the mining industry. He 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, and has raised over CAD\$250 million in equity and joint venture financings for resource projects since 1988. Mr. Cooke 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, both publicly-traded resource companies.

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**Craig Bow, Age 60 - 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.

**Kevin Bales, Age 43 Chief Financial Officer**

Mr. Bales has 15 years of financial reporting experience in mining and information technology industries. He currently serves as Chief Financial Officer for several public junior exploration companies with operations in Canada, the United States, Central America and South America. Mr. Bales holds a Bachelor of Management degree with a major in accounting from the University of Lethbridge. He is also CFO of Emerick Resources Corp., Focus Ventures Ltd., Iron Creek Resources Corp. and Western Pacific Resources Corp., all publicly-traded resource companies.

**David Cass, Age 44 Vice-President, Exploration**

Mr. David Cass, MSc. (Mineral Exploration and Mining Geology), has 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. He is also a Director of Focus Ventures Ltd., a publicly-traded resource company.

**Tim Osler, Age 58 - 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 Focus Ventures Ltd. and Iron Creek Capital Corp., both publicly-traded resource companies.

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, 2009, the Company paid to its executive officers the following amounts:

| <u>Name</u>                  | <u>Position</u>                       | <u>Amount</u> |
|------------------------------|---------------------------------------|---------------|
| Simon Ridgway <sup>(1)</sup> | President & Chief Executive Officer   | \$ 60,000     |
| Kevin Bales                  | Chief Financial Officer               | \$ 11,692     |
| Ralph Rushton                | Vice-President, Corporate Development | \$ 31,932     |
| David Cass <sup>(2)</sup>    | Vice-President, Exploration           | \$ 30,000     |
| (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.

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The Company did not grant any stock options to its executive officers during the fiscal year ended December 31, 2009.

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 17, 2010 by the current directors and officers:

| Optionees        | Number of Shares<br>Subject | Exercise Price | Expiration Date   |
|------------------|-----------------------------|----------------|-------------------|
| Simon Ridgway    | 280,000                     | \$0.70         | February 21, 2011 |
|                  | 300,000                     | \$0.56         | September 5, 2012 |
|                  | <u>200,000</u>              | \$0.29         | January 8, 2020   |
|                  | 780,000                     |                |                   |
| Mario Szotlender | 180,000                     | \$0.70         | February 21, 2011 |
|                  | 100,000                     | \$0.56         | September 5, 2012 |
|                  | <u>125,000</u>              | \$0.29         | January 8, 2020   |
|                  | 405,000                     |                |                   |
| Ralph Rushton    | 250,000                     | \$0.70         | February 21, 2011 |
|                  | 150,000                     | \$0.56         | September 5, 2012 |
|                  | <u>200,000</u>              | \$0.29         | January 8, 2020   |
|                  | 600,000                     |                |                   |
| Bradford Cooke   | 150,000                     | \$0.70         | February 21, 2011 |
|                  | 100,000                     | \$0.56         | September 5, 2012 |
|                  | <u>125,000</u>              | \$0.29         | January 8, 2020   |
|                  | 375,000                     |                |                   |
| Craig Bow        | 150,000                     | \$0.70         | February 21, 2011 |
|                  | 100,000                     | \$0.56         | September 5, 2012 |
|                  | <u>125,000</u>              | \$0.29         | January 8, 2020   |
|                  | 375,000                     |                |                   |
| Kevin Bales      | 50,000                      | \$0.26         | May 5, 2013       |
|                  | <u>150,000</u>              | \$0.29         | January 8, 2020   |
|                  | 200,000                     |                |                   |
| David Cass       | 500,000                     | \$0.52         | April 16, 2012    |
| Tim Osler        | 100,000                     | \$0.70         | February 21, 2011 |
|                  | 50,000                      | \$0.56         | September 5, 2012 |
|                  | <u>50,000</u>               | \$0.29         | January 8, 2020   |
|                  | 200,000                     |                |                   |
| <b>TOTAL:</b>    | <b>3,435,000</b>            |                |                   |

C.

**Board Practices.**

The directors of the Company are elected annually and hold office until the next Annual General Meeting of the members of the Company or until their successors in office are duly elected or appointed. All directors are elected for a one-year term. All officers serve at the pleasure of the board of directors. The next annual general meeting will be held no later than October 23, 2010.

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 Mario Szotlender, 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 Mario Szotlender, Bradford Cooke and Craig Bow, 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, 2009, the Company had 13 employees, 8 in the Vancouver office and 5 in Guatemala and Nicaragua. 11 employees provide administrative services and two employees provide geological services. None of the employees is represented by a union.

#### **E.**

##### **Share Ownership.**

The following table sets forth, as of June 17, 2010, the number of the Company's Common Shares beneficially owned by (a) the directors and members of senior management of the Company, individually, and as a group, and (b) the percentage ownership of the outstanding Common Shares represented by such shares. The security holders listed below are deemed to be the beneficial owners of Common Shares underlying options and warrants which are exercisable within 60 days from the above date. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

| <b>Title of Class</b> | <b>Name and Address of Beneficial Owner</b> | <b>Amount and Nature</b> | <b>Percentage of Class<sup>(1)</sup></b> |
|-----------------------|---------------------------------------------|--------------------------|------------------------------------------|
| Common                | Simon Ridgway<br>Vancouver, BC              | 3,842,952 <sup>(2)</sup> | 5.18%                                    |
| Common                | Mario Szotlender<br>Caracas, Venezuela      | 2,113,231 <sup>(3)</sup> | 2.87%                                    |
| Common                | Ralph Rushton<br>Vancouver, BC              | 683,500 <sup>(4)</sup>   | 0.93%                                    |
| Common                | Bradford Cooke<br>North Vancouver, BC       | 510,000 <sup>(5)</sup>   | 0.70%                                    |
| Common                | Craig Bow<br>Beulah, Colorado, USA          | 375,000 <sup>(6)</sup>   | 0.51%                                    |
| Common                |                                             | 200,000 <sup>(7)</sup>   | 0.27%                                    |

|        |                                                                               |                        |               |
|--------|-------------------------------------------------------------------------------|------------------------|---------------|
|        | Kevin Bales<br>Delta, BC                                                      |                        |               |
| Common | David Cass<br>Vancouver, BC                                                   | 500,000 <sup>(8)</sup> | 0.68%         |
| Common | Tim Osler<br>Vancouver, BC                                                    | 648,845 <sup>(9)</sup> | 1.89%         |
| Common | <b>All Directors and Senior<br/>Management as a group (8<br/>individuals)</b> | <b>8,873,528</b>       | <b>11.50%</b> |

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(1)

Based on 72,964,391 shares outstanding as at June 17, 2010, 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)

1,280,000 of these shares represent currently exercisable warrants and stock options. 607,640 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)

619,285 of these shares represent currently exercisable warrants and stock options.

(4)

600,000 of these shares represent currently exercisable stock options.

(5)

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

(6)

All 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)

200,000 of these shares represent currently exercisable stock options.

### **Stock Option Plan**

In January 2010, 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;

5.

options will be granted for a period of up to 10 years;

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 17, 2010, there were 5,270,000 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. To the best of the Company's knowledge, as of June 17, 2010 there are no major shareholders in the Company.

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 17, 2010, there were 72,964,391 shares of the Company outstanding, of which approximately 2,107 U.S. holders of record or beneficial holders, held a total of 7,906,441 shares (10.8%). 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.**

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.

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 2009, 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 and the portion billed to the Company was \$5,000 per month.

During the fiscal year ended December 31, 2009, the Company paid an aggregate of \$212,564 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 Canada LLP, Chartered Accountants, which continued at the Company's auditor. An auditors' report of BDO Canada LLP with respect to the fiscal years ended December 31, 2009, 2008 and 2007 and the balance sheets as at December 31, 2009, 2008 and 2007, are included herein immediately preceding the consolidated financial statements.

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

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

### **B.**

#### **Significant Changes.**

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

### **Item 9.**

#### **The Offer and Listing.**

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

Effective October 4, 2002, the Company began trading on the Regulated Unofficial Market of the Frankfurt Stock Exchange under the trading symbol RE1. The Company 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 ("OTCBB") under the trading symbol RDUFF.

### **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 and the OTCBB 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 2010 fiscal year, and (c) for each of the six months from December 2009 to May 2010.

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

| <b>Fiscal Year ended<br/>December 31</b> | <b>TSXV (CAD\$)</b> |            | <b>OTCBB (US\$)</b> |            |
|------------------------------------------|---------------------|------------|---------------------|------------|
|                                          | <b>High</b>         | <b>Low</b> | <b>High</b>         | <b>Low</b> |
| 2009                                     | \$0.28              | \$0.09     | \$0.33              | \$0.06     |
| 2008                                     | \$0.58              | \$0.04     | \$0.57              | \$0.02     |
| 2007                                     | \$0.78              | \$0.39     | \$0.77              | \$0.36     |
| 2006                                     | \$0.95              | \$0.31     | \$0.86              | \$0.28     |
| 2005                                     | \$1.69              | \$0.51     | \$1.45              | \$0.40     |

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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 2010**

| <b>Period Ended</b> | <b>TSXV (CAD\$)</b> |            | <b>OTCBB (US\$)</b> |            |
|---------------------|---------------------|------------|---------------------|------------|
|                     | <b>High</b>         | <b>Low</b> | <b>High</b>         | <b>Low</b> |
| March 31, 2010      | \$0.46              | \$0.20     | \$0.43              | \$0.17     |
| December 31, 2009   | \$0.28              | \$0.18     | \$0.27              | \$0.15     |
| September 30, 2009  | \$0.24              | \$0.14     | \$0.33              | \$0.11     |
| June 30, 2009       | \$0.28              | \$0.15     | \$0.27              | \$0.08     |
| March 31, 2009      | \$0.22              | \$0.09     | \$0.17              | \$0.06     |
| December 31, 2008   | \$0.13              | \$0.04     | \$0.10              | \$0.02     |
| September 30, 2008  | \$0.32              | \$0.07     | \$0.45              | \$0.05     |
| June 30, 2008       | \$0.36              | \$0.25     | \$0.40              | \$0.22     |
| March 31, 2008      | \$0.58              | \$0.35     | \$0.57              | \$0.31     |

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

| <b>Period</b> | <b>TSXV (CAD\$)</b> |            | <b>OTCBB (US\$)</b> |            |
|---------------|---------------------|------------|---------------------|------------|
|               | <b>High</b>         | <b>Low</b> | <b>High</b>         | <b>Low</b> |
| May 2010      | \$0.41              | \$0.33     | \$0.41              | \$0.28     |
| April 2010    | \$0.39              | \$0.32     | \$0.39              | \$0.30     |
| March 2010    | \$0.42              | \$0.34     | \$0.42              | \$0.33     |
| February 2010 | \$0.42              | \$0.29     | \$0.38              | \$0.27     |
| January 2010  | \$0.46              | \$0.20     | \$0.43              | \$0.17     |
| December 2009 | \$0.28              | \$0.20     | \$0.27              | \$0.16     |

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On June 17, 2010, the closing price of the Common Shares was \$0.315 per Common Share on TSXV and US\$0.30 per Common Share on the OTCBB. During the last three years, the Common Shares have not been subject to any

trading suspensions.

**B.**

**Plan of Distribution.**

Not Applicable

**C.**

**Markets.**

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

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

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

**D.**

**Selling Shareholders.**

Not Applicable.

**E.**

**Dilution.**

Not Applicable

**F.**

**Expenses of the Issue.**

Not Applicable

**Item 10.**

**Additional Information.**

**A.**

**Share Capital.**

Not Applicable

**B.**

**Articles of Association.**

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

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

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

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

(1)

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

(2)

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

(3)

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

(4)

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

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

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

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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.

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**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.

**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.

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### ***Dividends***

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

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

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

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

A Holder who is subject to Canadian tax in respect of a capital gain realized on disposition of Common Shares must include one half of the capital gain ( taxable capital gain ) in computing his taxable income earned in Canada. The Holder may, subject to certain limitations, deduct one half of any capital loss ( allowable capital loss ) arising on disposition of taxable Canadian property from taxable capital gains realized in the year of disposition in respect to

taxable Canadian property and, to the extent not so deductible, from such taxable capital gains of any of the three preceding years or any subsequent year.

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

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

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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, possibly on a retroactive basis, at any time. In addition, the discussion does not consider the potential effects, both adverse and beneficial, or recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of Common Shares of the Company. Each holder and prospective holder of Common Shares of the Company is advised to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of Common Shares of the Company applicable to their own particular circumstances.

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

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

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

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for

any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States Federal Income tax liability or, alternatively, for 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 generally 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.

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

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

Under current Treasury Regulations, dividends paid on the Company's common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of the Company's common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 30% 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 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(k), 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 tax income, financial services 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.

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### ***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.

### ***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.

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### ***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, then 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, and such U.S. Holder owned 10% or more of the voting power 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 1986 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, a 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. 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

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**H.**

**Documents on Display.**

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

**I.**

**Subsidiary Information.**

Not Applicable

**Item 11.**

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

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

**Mineral Prices**

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

**Foreign Currency Translation**

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

**Item 12.**

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

Not Applicable

**PART II**

**Item 13.**

**Defaults, Dividend Arrearages and Delinquencies.**

None.

**Item 14.**

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

None.

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**Item 15.**

**Controls and Procedures**

**Disclosure Controls and Procedures**

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2009. Based on that review and evaluation, management 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, 2009, 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.

**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]

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**Item 16A.**

**Audit Committee Financial Expert**

The Company has not identified an Audit Committee Financial Expert among the three directors currently serving on the audit committee. The current members are Mario Szotlender, Bradford Cooke and Craig Bow. All three members have extensive experience as officers and directors of public mineral exploration companies, and as a result, are financially literate and have an understanding of internal controls and procedures.

**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 Canada LLP, Chartered Accountants, which continued as the Company's auditors. The chart below sets forth the total amounts billed the Company by BDO Canada LLP during the Company's fiscal years ended December 31, 2009 and 2008, and breaks down these amounts by category of service:

|                              | Years ended December 31 |                 |
|------------------------------|-------------------------|-----------------|
|                              | 2009                    | 2008            |
| Audit:                       | \$78,849                | \$52,807        |
| Audit Related:               | \$3,000                 | \$13,198        |
| Tax (tax return preparation) | \$2,500                 | \$2,750         |
| All Other Fees               | 551                     | 0               |
| <b>Total</b>                 | <b>\$84,900</b>         | <b>\$68,755</b> |

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

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

The Audit Committee nominates and engages the independent auditors to audit the financial statements, and approves all audit, audit-related services, tax services and other services provided by the Company's outside auditors. Any services provided by the auditors that are not specifically included within the scope of the audit must be pre-approved by the audit committee prior to any engagement. The audit committee is permitted to approve certain fees for audit-related services, tax services and other services pursuant to a *de minimus* exception before the completion of the engagement. In 2009, none of the fees paid to the auditors were approved pursuant to the *de minimus* exception.

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#### **Item 16D.**

##### **Exemptions from the Listing Standards for Audit Committees.**

Not Applicable

#### **Item 16E.**

##### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

None

## **PART II**

#### **Item 17.**

##### **Financial Statements.**

The Company's Consolidated Financial Statements are stated in Canadian Dollars and are prepared in accordance with Canadian GAAP, the application of which, in the case of the Company, conforms in all material respects for the periods presented with U.S. GAAP, except as discussed in Note 18 to the Consolidated Financial Statements of the Company.

The Consolidated Financial Statements of the Company as required under Item 17 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 Canada 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 BDO Canada LLP, Chartered Accountants

-

Consolidated Balance Sheets as at December 31, 2009 and 2008

-

Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007

-

Consolidated Statements of Deficit and Comprehensive Income (Loss) for the years ended December 31, 2009, 2008 and 2007

-

Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007

-

Consolidated Schedule of Mineral Properties Costs for the years ended December 31, 2009 and 2008

-

Consolidated Schedule of Exploration Expenditures for the year ended December 31, 2009

-

Consolidated Schedule of Exploration Expenditures for the year ended December 31, 2008

-

Consolidated Schedule of Exploration Expenditures for the year ended December 31, 2007

-

Notes to the Consolidated Financial Statements of the Company for the years ended December 31, 2009 and 2008

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## Exhibits

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

| <u>Exhibit No.</u> | <u>Description</u>                                                                  |
|--------------------|-------------------------------------------------------------------------------------|
| 1 <sup>(1)</sup>   | Certificate of Amalgamation and Articles of the Company dated July 1, 2004.         |
| 4 <sup>(2)</sup>   | Agreement dated June 2, 2008 between the Company and Kappes, Cassiday & Associates. |
| 4                  | Agreement dated December 23, 2009 between the Company and B2Gold Corp.              |
| 8 <sup>(3)</sup>   | List of Subsidiaries                                                                |
| 18                 | Letter Regarding Accounting Policy Change                                           |
| 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 May 27, 2009.

(3)

See Item 4, Organizational Structure, herein.

*(An Exploration Stage Company)*

*CONSOLIDATED FINANCIAL STATEMENTS*

*DECEMBER 31, 2009 AND 2008*

(Expressed in Canadian Dollars)

**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, 2009 and 2008 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, 2009. 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, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2009, in accordance with Canadian generally accepted accounting principles.

(signed) BDO Canada LLP

Chartered Accountants

Vancouver, Canada

April 27, 2010 except as for Note 16

which is dated as of June 25, 2010

**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 2, 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 27, 2010 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 Canada LLP

Chartered Accountants

Vancouver, Canada

April 27, 2010 except as for Note 16

which is dated as of June 25, 2010

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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**DECEMBER 31, 2009 AND 2008****(Expressed in Canadian Dollars)**

(Restated

Note 2)

**2009****2008****ASSETS****CURRENT**

|                                                |            |            |
|------------------------------------------------|------------|------------|
| Cash and cash equivalents                      | \$ 499,266 | \$ 772,989 |
| Marketable securities and investments (Note 4) | 1,715,650  | 1,486,139  |
| Advances and other receivables (Note 7)        | 111,706    | 96,683     |
| GST receivable                                 | 9,945      | 10,399     |
| Due from related parties (Note 7)              | 152,948    | 168,877    |
| Prepaid expenses and deposits                  | 52,829     | 60,697     |
|                                                | 2,542,344  | 2,595,784  |

**LONG-TERM DEPOSITS**

23,881 22,063

**VAT RECOVERABLE**

- 39,945

**PROPERTY AND EQUIPMENT (Note 5)**

183,220 245,559

**MINERAL PROPERTIES (Schedule and Notes 6, 7 and 16)**

4,293,592 4,435,912

\$ 7,043,037 \$ 7,339,263

**LIABILITIES****CURRENT**

|                                                   |            |            |
|---------------------------------------------------|------------|------------|
| Accounts payable and accrued liabilities (Note 7) | \$ 246,549 | \$ 227,480 |
| <b>FUTURE INCOME TAX LIABILITY (Note 13)</b>      | 122,000    | 185,000    |
|                                                   | 368,549    | 412,480    |

**SHAREHOLDERS' EQUITY**

|                                                                |              |              |
|----------------------------------------------------------------|--------------|--------------|
| <b>SHARE CAPITAL (Note 8)</b>                                  | 42,587,194   | 42,587,194   |
| <b>CONTRIBUTED SURPLUS (Note 8)</b>                            | 4,332,232    | 4,329,806    |
| <b>DEFICIT</b>                                                 | (41,157,211) | (39,946,486) |
| <b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 11)</b> | 912,273      | (43,731)     |
|                                                                | 6,674,488    | 6,926,783    |
|                                                                | \$ 7,043,037 | \$ 7,339,263 |

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

Commitments (Notes 6, 8 and 12)

Subsequent Event (Notes 6 and 16)

**APPROVED BY THE DIRECTORS:**

Simon Ridgway, Director

Mario Szotlender, Director

Simon Ridgway

Mario Szotlender

**See Accompanying Notes**

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**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**  
**(Expressed in Canadian Dollars)**

|    |         | (Restated<br>Note 2) | (Restated<br>Note 2) |
|----|---------|----------------------|----------------------|
|    | 2009    | 2008                 | 2007                 |
| \$ | 587,610 | \$ 3,655,231         | \$ 2,976,613         |

**EXPLORATION EXPENDITURES**  
**(Schedule)**
**GENERAL AND ADMINISTRATIVE**  
**EXPENSES**

|                                       |                    |                    |                    |
|---------------------------------------|--------------------|--------------------|--------------------|
| Amortization                          | 54,540             | 88,609             | 62,097             |
| Consulting fees (Note 7)              | 40,652             | 69,346             | 54,112             |
| Donations                             | -                  | 772                | 998                |
| Legal and accounting fees             | 126,842            | 107,910            | 64,405             |
| Management fees and salaries (Note 7) | 60,000             | 60,000             | 60,000             |
| Non-cash compensation charge (Note 8) | 2,426              | 165,219            | 722,225            |
| Office and miscellaneous              | 44,779             | 66,651             | 68,612             |
| Public relations                      | 43,822             | 83,020             | 113,770            |
| Rent and utilities                    | 32,923             | 39,703             | 24,358             |
| Repair and maintenance                | 9,817              | 25,206             | 11,469             |
| Salaries and wages (Note 7)           | 182,486            | 275,052            | 179,817            |
| Telephone and fax                     | 12,818             | 23,269             | 15,876             |
| Transfer agent and regulatory fees    | 15,091             | 15,580             | 19,891             |
| Travel and accommodation              | 45,300             | 103,601            | 81,849             |
|                                       | 671,496            | 1,123,938          | 1,479,479          |
| <b>Loss before other items</b>        | <b>(1,259,106)</b> | <b>(4,779,169)</b> | <b>(4,456,092)</b> |

**OTHER INCOME (EXPENSES)**

|                                                   |                       |                       |                       |
|---------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Foreign currency exchange gain (loss)             | (46,477)              | 106,022               | (310,141)             |
| Loss on uncollectible receivable                  | -                     | -                     | (22,172)              |
| Gain on sale of properties (Note 6)               | 7,649                 | -                     | -                     |
| Gain (loss) on disposal of property and equipment | 56,908                | (31,520)              | (9,183)               |
| Gain (loss) on sale of marketable securities      | 16,045                | (86,145)              | (130,389)             |
| Investment income (net)                           | 49,405                | 179,789               | 371,716               |
| Other income                                      | -                     | -                     | 86,868                |
| Write-off of prepaid expenses and deposits        | (3,039)               | (18,352)              | -                     |
| Write-off of mineral properties costs             | (224,110)             | (149,947)             | -                     |
| <b>Loss before income taxes</b>                   | <b>(1,402,725)</b>    | <b>(4,779,322)</b>    | <b>(4,469,393)</b>    |
| Future income tax recovery (expense) (Note 13)    | 192,000               | -                     | (63,000)              |
| <b>Net loss for the year</b>                      | <b>\$ (1,210,725)</b> | <b>\$ (4,779,322)</b> | <b>\$ (4,532,393)</b> |

**BASIC AND DILUTED LOSS PER**  
**SHARE**

\$(0.02)                      \$(0.09)                      \$(0.09)

**WEIGHTED AVERAGE NUMBER OF**

53,548,488                      53,548,488                      53,425,577

**COMMON SHARES OUTSTANDING****See Accompanying Notes**

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**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF DEFICIT AND COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**  
**(Expressed in Canadian Dollars)**

|                                              |                        | (Restated<br>Note 2)<br><b>2008</b> | (Restated<br>Note 2)<br><b>2007</b> |
|----------------------------------------------|------------------------|-------------------------------------|-------------------------------------|
|                                              | <b>2009</b>            |                                     |                                     |
| Deficit - beginning of the year              |                        |                                     |                                     |
| As previously reported                       | \$ (39,946,486)        | \$ (25,045,176)                     | \$ (22,220,517)                     |
| Prior period adjustments (Note 2)            | -                      | (10,121,988)                        | (8,414,254)                         |
| As restated                                  | (39,946,486)           | (35,167,164)                        | (30,634,771)                        |
| Net loss for the year                        | (1,210,725)            | (4,779,322)                         | (4,532,393)                         |
| <b>Deficit - end of the year</b>             | <b>\$ (41,157,211)</b> | <b>\$ (39,946,486)</b>              | <b>\$ (35,167,164)</b>              |
| <b>Net Loss</b>                              | <b>(1,210,725)</b>     | <b>(4,779,322)</b>                  | <b>(4,532,393)</b>                  |
| Other comprehensive income, net of tax       |                        |                                     |                                     |
| Unrealized gain (loss) on available-for-sale |                        |                                     |                                     |
| marketable securities                        | 956,004                | (8,692)                             | (71,475)                            |
| <b>COMPREHENSIVE LOSS</b>                    | <b>\$ (254,721)</b>    | <b>\$ (4,788,014)</b>               | <b>\$ (4,603,868)</b>               |

See Accompanying Notes

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**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007**  
**(Expressed in Canadian Dollars)**

|                                                     |                | (Restated<br>Note 2) | (Restated<br>Note 2) |
|-----------------------------------------------------|----------------|----------------------|----------------------|
|                                                     | <b>2009</b>    | <b>2008</b>          | <b>2007</b>          |
| <b>OPERATING ACTIVITIES</b>                         |                |                      |                      |
| Net loss for the year                               | \$ (1,210,725) | \$ (4,779,322)       | \$ (4,532,393)       |
| Items not involving cash:                           |                |                      |                      |
| Loss on uncollectible receivables                   | -              | -                    | 22,172               |
| Amortization                                        | 54,540         | 88,609               | 62,097               |
| Loss (gain) from disposal of property and equipment | (56,908)       | 31,520               | 9,183                |
| Gain on sale of properties                          | (7,649)        | -                    | -                    |
| Unrealized foreign exchange                         | (61,078)       | (8,494)              | (109,490)            |
| Settlement of severance payment                     | -              | 4,936                | -                    |
| Write-off of prepaid expenses and deposits          | 3,039          | 18,352               | -                    |
| Write-off of mineral properties costs               | 224,110        | 149,947              | -                    |
| Write-off of VAT receivable                         | 36,329         | -                    | -                    |
| (Gain) loss on disposal of investments              | (16,045)       | 86,145               | -                    |
| Future income tax expense (recovery)                | (192,000)      | -                    | 63,000               |
| Non-cash compensation charge                        | 2,426          | 165,219              | 722,225              |

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|                                                             |             |             |              |
|-------------------------------------------------------------|-------------|-------------|--------------|
|                                                             | (1,223,961) | (4,243,088) | (3,763,206)  |
| Changes in non-cash working capital items:                  |             |             |              |
| Advances and other receivables                              | (21,577)    | (32,729)    | 742,360      |
| GST receivable                                              | 454         | 17,520      | (14,231)     |
| Prepaid expenses                                            | (3,400)     | (12,237)    | (7,504)      |
| Accounts payable and accrued liabilities                    | 22,732      | (44,354)    | 236,121      |
|                                                             | (1,225,752) | (4,314,888) | (2,806,460)  |
| <b>FINANCING ACTIVITIES</b>                                 |             |             |              |
| Due to related parties                                      | -           | -           | (10,510)     |
| Proceeds on issuance of common shares, net                  | -           | -           | 7,000        |
|                                                             | -           | -           | (3,510)      |
| <b>INVESTING ACTIVITIES</b>                                 |             |             |              |
| Purchase of marketable securities and investments           | -           | (2,929,277) | (230,863)    |
| Due from related parties                                    | 221,281     | (118,379)   | 97,372       |
| Expenditures on mineral property acquisition costs          | (245,372)   | (123,528)   | (151,265)    |
| Proceeds from sale of mineral properties                    | 92,059      | -           | -            |
| VAT recoverable                                             | -           | (19,067)    | -            |
| Proceeds from sale of assets                                | 58,441      | 47,520      | 67,846       |
| Proceeds from sale of marketable securities and investments | 871,538     | 5,972,395   | 4,595,619    |
| Purchase of property and equipment                          | (14,246)    | (149,460)   | (98,052)     |
|                                                             | 983,702     | 2,680,204   | 4,280,657    |
| Foreign exchange on opening cash and cash equivalents       | (31,673)    | 29,159      | (25,870)     |
| <b>INCREASE (DECREASE) IN CASH AND</b>                      |             |             |              |
| <b>AND</b>                                                  |             |             |              |
| <b>CASH EQUIVALENTS FOR THE</b>                             |             |             |              |
| <b>YEAR</b>                                                 | (273,723)   | (1,605,525) | 1,444,817    |
| Cash and cash equivalents - beginning of year               | 772,989     | 2,378,514   | 933,697      |
| <b>CASH AND CASH EQUIVALENTS,</b>                           |             |             |              |
| <b>END OF YEAR</b>                                          | \$ 499,266  | \$ 772,989  | \$ 2,378,514 |

Supplemental cash flow information - Note 9

See Accompanying Notes



|                             |  |              |
|-----------------------------|--|--------------|
|                             |  | \$ 4,142,864 |
|                             |  | \$ 82,482    |
| \$                          |  |              |
| 210,566                     |  |              |
|                             |  | \$ -         |
|                             |  | \$ 4,435,912 |
| Shares                      |  |              |
|                             |  | -            |
|                             |  | -            |
| -                           |  |              |
|                             |  | -            |
|                             |  | -            |
| Cash                        |  |              |
|                             |  | -            |
|                             |  | -            |
| 62,059                      |  |              |
|                             |  | 183,313      |
|                             |  | 245,372      |
|                             |  | -            |
|                             |  | -            |
| 62,059                      |  |              |
|                             |  | 183,313      |
|                             |  | 245,372      |
| Acquisition costs recovered |  |              |
|                             |  | -            |

|                              |                     |
|------------------------------|---------------------|
|                              | -                   |
| (62,059)                     |                     |
|                              | (101,523)           |
|                              | (163,582)           |
| Write-off acquisition costs  |                     |
|                              | -                   |
|                              | -                   |
| (210,566)                    |                     |
|                              | (13,544)            |
|                              | (224,110)           |
| <b>BALANCE - END OF YEAR</b> |                     |
|                              | \$ 4,142,864        |
|                              | \$ 82,482           |
| \$                           |                     |
| -                            |                     |
|                              | \$ 68,246           |
|                              | \$ 4,293,592        |
|                              | <b>Year Ended</b>   |
|                              | <b>December 31,</b> |
| Guatemala                    |                     |
| Nicaragua                    |                     |
| Peru                         |                     |
| Ecuador                      |                     |

**2008**

BALANCE - BEGINNING OF YEAR

\$ 4,142,864

\$ 82,482

\$

210,566

\$ 113,130

\$ 4,549,042

Shares

-

-

-

-

-

Cash

-

-

36,817

-

36,817

-

-

36,817

-

36,817

Write-off acquisition costs

|                              |              |
|------------------------------|--------------|
|                              | -            |
|                              | -            |
| (36,817)                     |              |
|                              | (113,130)    |
|                              | (149,947)    |
| <b>BALANCE - END OF YEAR</b> |              |
|                              | \$ 4,142,864 |
|                              | \$ 82,482    |
| \$                           |              |
| 210,566                      |              |
|                              | \$ -         |
|                              | \$ 4,435,912 |

**See Accompanying Notes**

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**RADIUS GOLD INC.**

**(An Exploration Stage Company)**

**CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

(Expressed in Canadian Dollars)

Guatemala

Nicaragua

Mexico

Peru

Canada

**Year Ended**

General

Mineral

General

Mineral

General

Mineral

General

Mineral

Mineral

**December 31,**

Exploration

Concessions

Exploration

Concessions

Exploration

Concessions

Exploration

Concessions

Concessions

**2009**

Automobile

\$ 49

\$ 2,591

\$ 281

\$ 3,024

\$ 1,807

\$ -

\$ -

\$ -

\$ -

\$ 7,752

Camp, food and supplies

551

1,778

-

10,499

129

-

-

-

-

12,957

89

Drafting, maps and printing

15

56

-

216

-

-

-

44

102

433

Exploration administration

1,607

1,912

-

8,303

35

-

-

454

51

12,362

Foreign Exchange

26

11

-

90

|              |       |
|--------------|-------|
|              | 826   |
|              | 400   |
|              | -     |
|              | -     |
|              | -     |
|              | -     |
|              | 1,263 |
| Environment  |       |
|              | -     |
|              | -     |
|              | -     |
|              | 20    |
|              | -     |
|              | -     |
|              | -     |
|              | -     |
|              | -     |
|              | 20    |
| Geochemistry |       |
|              | -     |
|              | -     |
|              | -     |
|              | 1,952 |
|              | 1,428 |
|              | -     |
|              | -     |
|              | 91    |

|                                |         |
|--------------------------------|---------|
|                                | -       |
|                                | 15,627  |
|                                | 19,007  |
| Geological consulting (Note 7) |         |
|                                | 6,094   |
|                                | 21,513  |
|                                | 59,494  |
|                                | 6,799   |
|                                | 2,876   |
|                                | -       |
|                                | 21,613  |
|                                | 106     |
|                                | 44,132  |
|                                | 162,627 |
| Other consulting               |         |
|                                | 54      |
|                                | 58      |
|                                | -       |
|                                | 8,485   |
|                                | -       |
|                                | -       |
|                                | 1,490   |
|                                | -       |
|                                | 1,038   |
|                                | 11,125  |
| Legal and accounting           |         |

|                            |         |
|----------------------------|---------|
|                            | 21,552  |
|                            | 356     |
|                            | -       |
|                            | 15,329  |
|                            | 10,318  |
|                            | -       |
|                            | 13,857  |
|                            | 6,059   |
|                            | -       |
|                            | 67,471  |
| Licenses, rights and taxes | -       |
|                            | 4,674   |
|                            | -       |
|                            | 97,947  |
|                            | 6       |
|                            | 10,870  |
|                            | -       |
|                            | 270     |
|                            | 1,818   |
|                            | 115,585 |
| Linecutting & trenching    | -       |
|                            | 7       |
|                            | -       |
|                            | -       |
|                            | 338     |
|                            | 93      |

|             |       |
|-------------|-------|
|             | -     |
|             | -     |
|             | -     |
|             | -     |
|             | 7,951 |
|             | 8,296 |
| Materials   |       |
|             | 19    |
|             | 1,278 |
|             | -     |
|             | (852) |
|             | -     |
|             | -     |
|             | -     |
|             | -     |
|             | -     |
|             | 445   |
| Maintenance |       |
|             | 745   |
|             | 733   |
|             | -     |
|             | 1,489 |
|             | -     |
|             | -     |
|             | -     |
|             | -     |
|             | 94    |

|                  |        |
|------------------|--------|
|                  | -      |
|                  | 2,967  |
| Miscellaneous    |        |
|                  | 411    |
|                  | -      |
|                  | -      |
|                  | 871    |
|                  | 35     |
|                  | -      |
|                  | -      |
|                  | -      |
|                  | -      |
|                  | 1,317  |
| Medical expenses |        |
|                  | 4,141  |
|                  | 1,318  |
|                  | 1,932  |
|                  | 1,539  |
|                  | 1,145  |
|                  | -      |
|                  | -      |
|                  | -      |
|                  | -      |
|                  | 10,075 |
| Public relations |        |
|                  | 3,069  |
|                  | 95     |



|                             |        |
|-----------------------------|--------|
|                             | -      |
|                             | -      |
|                             | -      |
|                             | 925    |
|                             | 925    |
| Salaries and wages (Note 7) |        |
|                             | 26,010 |
|                             | 8,942  |
|                             | 7,834  |
|                             | 6,606  |
|                             | 7,600  |
|                             | -      |
|                             | 7,600  |
|                             | -      |
|                             | -      |
|                             | 64,592 |
| Shipping                    |        |
|                             | 252    |
|                             | 86     |
|                             | -      |
|                             | 2,336  |
|                             | 953    |
|                             | -      |
|                             | -      |
|                             | -      |
|                             | 10     |
|                             | 97     |

|                                |        |
|--------------------------------|--------|
|                                | 3,637  |
| Telephone and communications   |        |
|                                | 1,112  |
|                                | 157    |
|                                | 141    |
|                                | 8,204  |
|                                | 563    |
|                                | -      |
|                                | -      |
|                                | -      |
|                                | 39     |
|                                | 10,216 |
| Travel and accommodation       |        |
|                                | 5,874  |
|                                | 1,459  |
|                                | 224    |
|                                | 12,669 |
|                                | 167    |
|                                | -      |
|                                | -      |
|                                | -      |
|                                | 44,275 |
|                                | 64,668 |
| Write-off of Value-added Taxes |        |
|                                | -      |
|                                | -      |
|                                | 98     |

-

-

37,308

-

-

-

-

37,308

76,092

49,206

71,499

199,540

64,770

10,870

44,560

6,933

115,968

639,438

Expenditures recovered

-

-

-

-

-

-

|                              |            |
|------------------------------|------------|
|                              | -          |
|                              | -          |
|                              | (51,828)   |
|                              | (51,828)   |
| <b>BALANCE - END OF YEAR</b> |            |
|                              | \$ 76,092  |
|                              | \$ 49,206  |
|                              | \$ 71,499  |
|                              | \$ 199,540 |
|                              | \$ 64,770  |
|                              | \$ 10,870  |
|                              | \$ 44,560  |
|                              | \$ 6,933   |
|                              | \$ 64,140  |
|                              | \$ 587,610 |

See Accompanying Notes

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**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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(Expressed in Canadian Dollars)

|                                | Guatemala   |             | Nicaragua   |              | Mexico      |             | Peru        |
|--------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
|                                | General     | Mineral     | General     | Mineral      | General     | Mineral     | General     |
|                                | Exploration | Concessions | Exploration | Concessions  | Exploration | Concessions | Exploration |
| Property                       |             |             |             |              |             |             |             |
| Payment/Investigation          | \$ -        | \$ 705      | \$ -        | \$ 2,150     | \$ -        | \$ -        | \$ -        |
| Automobile                     | 70          | 3,660       | 5,136       | 118,021      | 16,560      | 1,351       | 17,043      |
| Camp, food and supplies        | 99          | 3,804       | 16,288      | 103,367      | 15,281      | 3,733       | 4,726       |
| Drafting, maps and printing    | 15          | 72          | 115         | 1,780        | 1,767       | 64          | 6,389       |
| Drilling                       | -           | -           | -           | 416,555      | -           | -           | -           |
| Exploration administration     | 2,301       | 1,258       | 1,470       | 16,334       | 562         | 731         | 14,645      |
| Foreign Exchange               | 6           | (46)        | 179         | 2,099        | 863         | 5           | (1,622)     |
| Environment                    | -           | -           | -           | 47,462       | -           | -           | -           |
| Geochemistry                   | -           | 5,822       | 25,011      | 186,427      | 26,145      | 15,088      | 10,143      |
| Geological consulting (Note 7) | -           | 34,581      | 91,994      | 384,135      | 169,574     | 48,258      | 144,722     |
| Other consulting               | 3,972       | 4,964       | 6,420       | 49,167       | 18,682      | 27,065      | 40,217      |
| Legal and accounting           | 82          | 2,780       | 1,467       | 42,600       | 34,908      | -           | 35,630      |
| Licenses, rights and taxes     | 2,048       | 19,995      | 4,506       | 105,202      | 742         | 119,120     | 12,090      |
| Linecutting & trenching        | 261         | 366         | 3,668       | 38,492       | 3,313       | 1,720       | 441         |
| Materials                      | 44          | 280         | 547         | 53,849       | 1,097       | 119         | 1,917       |
| Maintenance                    | 347         | 1,019       | 864         | 31,892       | 857         | 254         | 5,199       |
| Miscellaneous                  | 32          | 1,958       | 292         | 3,631        | 358         | 306         | 1,344       |
| Medical expenses               | 1,610       | 3,170       | 1,411       | 18,421       | 3,618       | 344         | 2,876       |
| Public relations               | -           | -           | 1,173       | 151,556      | 803         | -           | -           |
| Road building                  | -           | -           | -           | 15,808       | -           | -           | -           |
| Rent and utilities             | 2,661       | 17,807      | 411         | 51,366       | 6,109       | 931         | 9,088       |
| Rental equipment               | -           | -           | -           | 2,484        | 425         | -           | -           |
| Salaries and wages (Note 7)    | -           | 28,232      | 14,235      | 256,069      | 27,863      | -           | 38,068      |
| Shipping                       | 67          | 121         | 8,149       | 20,808       | 3,910       | 613         | 2,554       |
| Telephone and communications   | 337         | 1,841       | 914         | 33,438       | 3,843       | 522         | 4,450       |
| Travel and accommodation       | 82          | 1,357       | 12,304      | 53,803       | 31,739      | 5,038       | 15,982      |
| <b>BALANCE - END OF YEAR</b>   | \$ 14,034   | \$ 133,746  | \$ 196,554  | \$ 2,206,916 | \$ 369,019  | \$ 225,262  | \$ 365,902  |

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**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(Expressed in Canadian Dollars)**

|                                   | Guatemala              |                        | Nicaragua              |                        | Mexico                 |                        | Peru                   |                   | Ecuador |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------|---------|
|                                   | Mineral<br>Concessions | General<br>Exploration | Mineral<br>Concessions | General<br>Exploration | Mineral<br>Concessions | General<br>Exploration | Mineral<br>Concessions | Cerro<br>Colorado |         |
|                                   | \$                     |                        | \$                     |                        | \$                     |                        | \$                     |                   | \$      |
| <b>P r o p e r t y</b>            |                        |                        |                        |                        |                        |                        |                        |                   |         |
| Payment/Investigation             | 23,060                 | -                      | \$ 1,809               | -                      | -                      | -                      | \$ 16,135              | 6,750             |         |
| Automobile                        | 9,970                  | 10                     | 91,505                 | 10,197                 | 11,884                 | 2,426                  | 17,957                 | -                 |         |
| Camp, food and<br>supplies        | 12,761                 | 2,294                  | 65,738                 | 8,618                  | 9,034                  | 542                    | 4,716                  | 805               |         |
| Drafting, maps and<br>printing    | 184                    | -                      | 1,943                  | 2,260                  | 4,157                  | 162                    | 451                    | -                 |         |
| <b>E x p l o r a t i o n</b>      |                        |                        |                        |                        |                        |                        |                        |                   |         |
| administration                    | 5,508                  | -                      | 25,908                 | 1,279                  | 1,279                  | 1,955                  | 3,375                  | -                 |         |
| Environment                       | -                      | -                      | 14,219                 | -                      | -                      | 2,501                  | -                      | -                 |         |
| Geochemistry                      | 6,614                  | 6,085                  | 32,824                 | 19,980                 | 19,980                 | 3,077                  | 13,579                 | -                 |         |
| Geological consulting<br>(Note 7) | 67,918                 | 41,493                 | 277,810                | 130,571                | 163,770                | 77,303                 | 58,330                 | 8,574             |         |
| Other consulting                  | 23,004                 | -                      | 102,330                | 12,731                 | 15,243                 | 24,136                 | 102,781                | -                 |         |
| Legal and accounting              | 8,311                  | -                      | 31,868                 | 18,397                 | 20,522                 | 10,034                 | 9,661                  | -                 |         |
| Licenses, rights and<br>taxes     | 13,882                 | -                      | 86,576                 | 14,582                 | 97,776                 | 3,233                  | 2,362                  | -                 |         |
| Linecutting and<br>trenching      | 22,317                 | -                      | 27,260                 | 2,034                  | 3,607                  | -                      | 850                    | -                 |         |
| <b>U n d e r g r o u n d</b>      |                        |                        |                        |                        |                        |                        |                        |                   |         |
| development                       | 423,769                | -                      | -                      | -                      | -                      | -                      | -                      | -                 |         |
| Materials                         | 8,983                  | -                      | 26,370                 | 753                    | 765                    | 1,335                  | 6,191                  | -                 |         |

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|                                           |         |        |           |         |         |         |         |        |
|-------------------------------------------|---------|--------|-----------|---------|---------|---------|---------|--------|
| Maintenance                               | 2,840   | -      | 18,299    | 430     | 456     | -       | 382     | -      |
| Miscellaneous                             | 3,239   | -      | 2,626     | 343     | 917     | 60      | 438     | -      |
| Medical expenses                          | 6,890   | 456    | 11,816    | 3,045   | 3,421   | 262     | 37      | -      |
| Road building                             | -       | -      | 11,265    | -       | -       | -       | -       | -      |
| Rent and utilities                        | 31,090  | -      | 35,629    | 4,561   | 4,561   | -       | -       | -      |
| Rental equipment                          | 748     | -      | 6,762     | 90      | 90      | -       | -       | -      |
| Salaries and wages                        | 43,660  | 8,084  | 126,277   | 12,040  | 12,040  | 2,419   | -       | -      |
| Shipping                                  | 3,613   | 1,658  | 9,873     | 3,199   | 3,641   | 906     | 336     | -      |
| T e l e p h o n e a n d<br>communications | 5,917   | 870    | 24,727    | 3,636   | 3,636   | 177     | 261     | -      |
| T r a v e l a n d<br>accommodation        | 18,593  | 2,548  | 55,553    | 15,863  | 15,870  | 27,123  | 8,575   | 3,253  |
|                                           | \$      | \$     | \$        | \$      | \$      | \$      | \$      | \$     |
| <b>BALANCE - END<br/>OF YEAR</b>          | 742,866 | 63,498 | 1,088,987 | 264,609 | 392,649 | 157,651 | 246,417 | 19,382 |

See Accompanying Notes

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**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

(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 dependent 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, 2009, the Company had not yet achieved profitable operations, has accumulated losses of \$41,157,211 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 will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

**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. All of which were dissolved during the year ended December 31, 2009;

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## **Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

(Expressed in Canadian Dollars)

2.

**Significant Accounting Policies** (cont d)

a)

Principles of Consolidation (cont d)

v)

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

vi)

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

vii)

Minera Aymara S.A.C. (formerly called 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 and Change in Accounting Policy

During the fourth quarter of 2009, the Company changed its accounting policy for exploration costs by expensing the costs as incurred as it more accurately reflects the exploration industry. The change was effective on January 1, 2009 and applied retroactively. In the prior years, the Company capitalized the acquisition cost of mineral properties and deferred exploration and development expenditures directly related to specific mineral properties, net of recoveries received. Management believes that this treatment provides a more relevant and consistent depiction of the asset base of the Company prior to establishing the economic feasibility of its resource base.

These changes have been applied retrospectively and the resulting restatements to amounts for the years ended December 31, 2008 and 2007 are as follows:

|                                  | <b>As Previously<br/>reported December<br/>31, 2008</b> | <b>Restatement</b> | <b>As Restated as at<br/>December 31, 2008</b> |
|----------------------------------|---------------------------------------------------------|--------------------|------------------------------------------------|
| Mineral properties               | \$ 13,874,003                                           | \$ (9,438,091)     | \$ 4,435,912                                   |
| Future income tax liability      | 886,000                                                 | (701,000)          | 185,000                                        |
| Deficit, opening                 | 25,045,176                                              | 10,121,988         | 35,167,164                                     |
| Exploration expenditures         | -                                                       | 3,655,231          | 3,655,231                                      |
| Write-off of mineral properties  | 5,741,075                                               | (5,591,128)        | 149,947                                        |
| Income tax recovery (loss)       | 551,000                                                 | (551,000)          | -                                              |
| Basic and diluted loss per share | (0.12)                                                  |                    | (0.09)                                         |

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**Radius Gold Inc.**

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

(Expressed in Canadian Dollars)

2.

**Significant Accounting Policies** (cont d)

d)

## Mineral Properties and Change in Accounting Policy (cont d)

|                                  | <b>As Previously<br/>reported December<br/>31, 2007</b> | <b>Restatement</b> | <b>As Restated as at<br/>December 31, 2007</b> |
|----------------------------------|---------------------------------------------------------|--------------------|------------------------------------------------|
| Deficit, opening                 | \$ 22,220,517                                           | \$ 8,414,254       | \$ 30,634,771                                  |
| Exploration expenditures         | -                                                       | 2,976,613          | 2,976,613                                      |
| Write-off of mineral properties  | 784,879                                                 | (784,879)          | -                                              |
| Income Tax Recovery (loss)       | (547,000)                                               | 484,000            | (63,000)                                       |
| Basic and diluted loss per share | (0.05)                                                  |                    | (0.09)                                         |

Consistent with prior periods, mineral property acquisition costs are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the date of the agreement to issue the shares.

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee. Proceeds from the sale of minerals recovered during the exploration stage are recorded when title to the minerals passes, the proceeds are reasonably determinable and the collectability is assured.

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

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 whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable 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.

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**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

(Expressed in Canadian Dollars)

**2.**

**Significant Accounting Policies** (cont'd)

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

4 8 years straight-line

Computer equipment

25% - 50% declining balance

Furniture and equipment

20% declining balance

Geophysical equipment

20% declining balance

Website

30% declining balance

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 earnings 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, 2009, 2008 and 2007, potentially dilutive common shares (relating to options outstanding at year-end) totalling 4,270,000 (2008: 5,025,000; 2007: 5,150,000) 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 is 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.

**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

(Expressed in Canadian Dollars)

**2.**

**Significant Accounting Policies** (cont d)

i)

Stock-based Compensation (cont d)

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 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, 2009 and 2008, 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.

l)

#### Financial Instruments

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; advances and other receivables and due from related parties as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

#### Derivatives and Hedge Accounting

The Company currently does not have derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

#### Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, all net of income taxes. Cumulative changes in other comprehensive loss will be included in accumulated other comprehensive loss which will be presented as a separate category in shareholders' equity.

**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

(Expressed in Canadian Dollars)

**2.**

**Significant Accounting Policies** (cont'd)

m)

Value-added Taxes Recoverable

The Company incurred value-added taxes ( VAT ) in Mexico during the years ended December 31, 2009 and 2008 which relates to mineral property expenditures and other expenses. Due to the uncertainty surrounding the collection, the Company has classified the amounts as long-term asset. During the year ended December 31, 2009, the Company wrote-off the VAT in exploration expenditures.

n)

Adoption of New Accounting Pronouncements

Amendment to Financial Instruments Disclosures

In 2009, the CICA amended Section 3862, Amendment to Financial Instruments Disclosures to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data

The adoption of this standard is consistent with recent amendments to financial instrument disclosure standards in IFRS. All of the financial instruments measured at fair value on the balance sheet are included in Level 1.

#### Mining Exploration Costs

The AcSb issued EIC-174, which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided by EIC-174 have been applied in the preparation of these consolidated financial statements and did not have an impact on the valuation of the Company's mineral properties.

#### Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, Emerging Issues Committee issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company has evaluated the impact of EIC-173 on adoption and determined that no adjustments were required.

**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

(Expressed in Canadian Dollars)

**2.**

**Significant Accounting Policies** (cont d)

n)

Adoption of New Accounting Pronouncements (cont d)

**Goodwill and Intangible Assets**

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this accounting policy had no impact on the financial statements.

**3.**

**Future Accounting Changes**

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 with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for the 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, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS has not yet been determined.

#### Business Combinations, Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations , Section 1601, Consolidations , and Section 1602, Non-Controlling Interests . These sections replace the former Section 1581, Business Combinations , and Section 1600, Consolidated Financial Statements , and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ( IAS ) 27, Consolidated and Separate Financial Statements (January 2008).

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#### **Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

3.

### **Future Accounting Changes (cont d)**

Business Combinations, Consolidated Financial Statements and Non-Controlling Interest (cont d)

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

4.

### **Marketable Securities and Investments**

Marketable securities are recorded at market value as they are considered available-for-sale. Included in marketable securities are 1,007,406 common shares of a company with directors in common and 500,000 common shares of a public company. The portfolio of marketable securities consists of short term notes with a yield range of .21% - 0.95% (2008: 1.62% - 3.71%), Canadian provincial government bonds with a yield of 3.55% (2008: 0.83% - 4.41%), corporate bonds with a yield range of 0.61% - 7.86% (2008: 3.47% - 8.27%), pool fund bonds with a yield range of 3.97% - 4.76% (2008: 4.64% - 5.04%), and preferred equities with a yield range of 4.43% - 7.27% (2008: 4.48% - 7.97%). As at December 31, 2009, the carrying amount for the marketable securities and investments was \$677,128 (2008: \$1,529,870). An unrealized gain of \$956,004 (2008: loss of \$8,692; 2007: loss of \$71,475) was recorded in other comprehensive income.

5.

### **Property and Equipment**

|      | <b>2009</b>  |     |
|------|--------------|-----|
|      | Accumulated  |     |
| Cost | Amortization | Net |

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|                         |            |            |            |
|-------------------------|------------|------------|------------|
| Leasehold improvements  | \$ 17,730  | \$ 16,044  | \$ 1,686   |
| Trucks                  | 299,597    | 209,055    | 90,542     |
| Computer equipment      | 173,178    | 117,200    | 55,978     |
| Furniture and equipment | 31,558     | 12,330     | 19,228     |
| Geophysical equipment   | 36,178     | 23,008     | 13,170     |
| Website                 | 8,433      | 5,817      | 2,616      |
|                         | \$ 566,674 | \$ 383,454 | \$ 183,220 |

|                         |            | <b>2008</b>                 |            |
|-------------------------|------------|-----------------------------|------------|
|                         | Cost       | Accumulated<br>Amortization | Net        |
| Leasehold improvements  | \$ 17,730  | \$ 15,563                   | \$ 2,167   |
| Trucks                  | 367,672    | 226,637                     | 141,035    |
| Computer equipment      | 166,240    | 97,797                      | 68,443     |
| Furniture and equipment | 23,067     | 9,353                       | 13,714     |
| Geophysical equipment   | 36,178     | 19,716                      | 16,462     |
| Website                 | 8,433      | 4,695                       | 3,738      |
|                         | \$ 619,320 | \$ 373,761                  | \$ 245,559 |

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**Radius Gold Inc.**

(An Exploration Stage Company)

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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)

Tambor

The Tambor Project consists of six 100% owned concessions located in south-central Guatemala covering a total of 6,117 hectares, as follows:

a)

La Laguna Derivada granted exploration licence; exploitation licence applied for October 2009.

b)

Carlos Antonio Derivada granted exploration licence; exploitation licence applied for November 2009; ownership subject to a 2.5% net smelter returns royalty.

c)

Santa Margarita Derivada granted exploration licence; exploitation licence applied for January 2009; ownership subject to a 2.5% net smelter returns royalty.

d)

Progreso VII Derivada granted exploration licence; exploitation licence applied for October 2008; ownership subject to a 4.0% net smelter returns royalty, of which one-half may be purchased by the Company for US\$2.0 million.

e)

Marga exploration licence applied for September 2008.

f)

Las Navajas exploration licence applied for November 2008.

In June 2008, the Company signed a binding Letter of Intent with Kappes, Cassiday & Associates ( KCA ) whereby KCA can earn a 51% interest in the Tambor Project by incurring exploration expenditures on the property totaling US\$6,500,000 over 4 years, or by putting the property into commercial production within 4 years. If KCA earns its 51% interest, a joint venture will be formed between KCA and the Company. Once commercial production has been achieved, KCA will receive preferential payback of 75% (the Company 25%) of after-tax cash flow from initial production until KCA receives an amount equal to its investment, less US\$2,000,000. At that point, the Company will receive 75% of the after-tax cash flow (KCA 25%) until the Company receives the amount of preferential cash flow received by KCA, after which revenues will be split 51% KCA / 49% the Company. A schedule of minimum annual required expenditures by KCA is as follows, with KCA having a commitment to expend US\$1,000,000 in the first year:

a)

US\$1,000,000 by June 2, 2009 (expended);

b)

US\$1,500,000 by June 2, 2010;

c)

US\$1,500,000 by June 2, 2011; and

d)

US\$2,500,000 by June 2, 2012

ii)

Banderas

The Company holds a 100% interest in the Banderas Project which, as at December 31, 2009, consisted of two exploration concessions (one granted and one application for title pending) covering a total of 10,894 hectares. Subsequent to December 31, 2009, six additional exploration concessions covering 29,055 hectares were applied for.

iii)

Regional exploration

During 2007, 2008 and 2009, the Company conducted property investigation work on other properties.

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**Radius Gold Inc.**

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Notes to the Consolidated Financial Statements

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**6.**

**Mineral Properties** (cont d)

B)

Nicaragua

i)

Natividad (El Pavon)

The Company owns a 100% interest in the Natividad Project which consists of one granted exploration concession covering 1,301 hectares.

The Company entered into a joint venture agreement with Meridian Gold Inc. ( Meridian ) effective May 25, 2005, giving Meridian the option to acquire a 60% interest in the Natividad Project. Meridian spent US\$5.3 million in exploration expenditures within the first two years of the agreement towards earning an interest, before terminating its option in 2006. All amounts owing by Meridian to the Company were repaid in 2007.

ii)

Trebol

The Company owns a 100% interest in the Trebol Project which consists of two granted exploration concessions covering a total of 42,193 hectares.

iii)

La Flor

The Company owns a 100% interest in the La Flor Project which consists of one granted exploration concession covering 15,505 hectares.

iv)

San Pedro

In 2008, the Company had relinquished the concession comprising the San Pedro Project, and in 2009, applied for two new concessions covering a total of 26,132 hectares in the same area.

v)

Regional Exploration and Other Properties Including India Norte and Estrella de Oro

During 2007 and 2008, the Company conducted exploration work on various other concessions in Nicaragua, all of which had been relinquished as at December 31, 2008 as management was not planning any further work thereon. During 2009, the Company conducted property investigation work on other properties.

Option to B2Gold Corp

In June 2009, the Company granted to B2Gold Corp. ( "B2Gold" ) an option to acquire an interest in the Company's mineral property portfolio in Nicaragua. The agreement with B2Gold consists of three parts:

1.

*Natividad, Trebol, La Flor and San Pedro Properties (the "Properties" )*

B2Gold has the right to acquire a 60% interest in the Properties by expending a total of US\$4 million on exploration at any one or more of the Properties within 4 years from the date of the agreement. When B2Gold has spent the US\$4,000,000, it will own a 60% interest in all of the Properties and a joint venture will be formed in under which each party will contribute its prorated share of the exploration costs.

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**Radius Gold Inc.**

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Notes to the Consolidated Financial Statements

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6.

**Mineral Properties** (cont'd)

B)

Nicaragua (cont d)

v.

Option to B2Gold Corp (cont d)

2.

*Production from the Pavon Resource Property*

In 2005 Meridian Gold completed a 2 stage exploration drill program at the Pavon vein system within the Natividad Project (the Pavon Resource Property ). B2Gold has the right to review the conceptual gold resource outlined by Meridian Gold. If B2Gold feels that there is potential to mine any or all of the resource, it may put the property into production within 3 years. After production is achieved, 100% ownership of the Pavon Resource Property will be transferred to B2Gold and the Company will receive 40% of the net cash flow generated from the operation.

3.

*The Regional Exploration Projects*

The Company has assembled an extensive data base of regional geological, geochemical and geophysical data covering much of Nicaragua and has agreed to provide this data to B2Gold, on an exclusive basis. If as a result of reviewing the regional data, B2Gold identifies a prospect or project for acquisition and exploration on ground that is not covered by an existing concession, the Company will apply for a concession over the area and that area will then be designated a project area .

Following the granting of a concession, B2Gold will have the option to earn a 70% interest in any such designated project area by expending US\$2 million on exploration of it within 3 years from the date of the granting of the concession. Once B2Gold has spent US\$2 million exploring the designated project, it will be vested with a 70% interest in the project and a joint venture between the Company and B2Gold will be formed.

C)

Mexico

i)

Tlacolula Property

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

In September 2009, the Company granted to Fortuna Silver Mines Inc. ( Fortuna ) the option to earn a 60% interest in the Tlacolula Property by spending US\$2 million on exploration of the Property, which includes a commitment to drill 1,500 meters within 3 years, and making staged annual payments of US\$250,000 cash and US\$250,000 in common stock according to the following schedule:

a)

US\$20,000 cash and \$20,000 cash equivalent in shares upon regulatory approval (received);

b)

US\$30,000 cash and \$30,000 cash equivalent in shares by the first year anniversary;

c)

US\$50,000 cash and \$50,000 cash equivalent in shares by the second year anniversary;

d)

US\$50,000 cash and \$50,000 cash equivalent in shares by the third year anniversary; and

e)

US\$100,000 cash and \$100,000 cash equivalent in shares by the fourth year anniversary.

The Company and Fortuna have two common directors.

**Radius Gold Inc.**

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**6.**

**Mineral Properties** (cont d)

C)

Mexico (cont d)

ii)

Regional Exploration and Other Properties Including Amatista, La Fruita and El Mole

During 2007 and 2008, the Company conducted exploration work on various other concessions in Mexico, all of which had been relinquished as at December 31, 2008 as management was not planning any further work thereon.

D)

Peru

i)

Rubi Property

In August 2007, the Company was granted an option to acquire a 100% interest in the Rubi Property, Peru. In this connection, the Company paid \$100,000 and issued 50,000 common shares to the property owner, and paid finder's fees of \$10,000 and 25,000 shares each to two individuals.

After conducting some exploration work on the Property, the Company entered into an agreement in October 2008 with International Minerals Corporation ( IMC ) to continue exploration on the Property as joint venture partners in a newly formed Peruvian company ( JVCO ). The original August 2007 option agreement held by the Company was replaced by an October 2008 option agreement whereby JVCO could earn a 100% interest in the Rubi Property by making a series of payments and exploration expenditures over four years.

Under its agreement with the Company, IMC had the right to earn its 60% interest in JVCO by paying the initial signing fee to the property owner of US\$75,000 (paid) and by funding the first year's exploration expenditures on the Rubi Property, for a total of US\$475,000. The remaining cash payments and exploration expenditures were to be funded by JVCO (60% IMC, 40% the Company).

During the year ended December 31, 2009, the Company and IMC terminated their option on the Rubi Property. As a result, the Company has written off \$210,566 in acquisition costs towards this property.

ii)

#### Nueva California

In March 2009, the Company was granted an option to acquire 100% interest in the Nueva California gold property located in north-central Peru. To earn the 100% interest, the Company must spend US\$3 million in exploration, and make a series of payments to the property owner (a private Peruvian company) totaling US\$3 million, over a period of 4 years. During the first year, the Company must make payments of US\$150,000 to the owner (of which US\$50,000 was paid on signing) and exploration expenditures of US\$200,000. If the Option is exercised, the Company must pay to the owner US\$4 per ounce of gold defined in the reserve category as determined by a bankable feasibility study, and US\$4 per ounce of gold produced during a 6-year period thereafter that is over and above the number of ounces defined in such a study, up to a maximum of 2.5 million ounces, or US\$10 million.

In March 2009, the Company assigned the option to Focus Ventures Ltd. ( Focus ) whereby Focus assumes all of the Company's obligations under the Option agreement as consideration the Company received 1,000,000 common shares of Focus, \$50,000 cash and a 1.5% net smelter return royalty on the Property. The Company and Focus have common directors and officers.

**Radius Gold Inc.**

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**6.**

**Mineral Properties** (cont d)

D)

Peru (cont d)

iii)

Artemisas Property

In November 2007, the Company was granted an option to acquire a 70% interest in the Artemisas Property, Peru. After conducting exploration work on the Property in 2008, management of the Company decided no further work was warranted, and the Company relinquished the option.

iv)

Charpal Property

In January 2008, the Company was granted an option to acquire a 100% interest in the Charpal Property, Peru. After conducting exploration work on the Property, management of the Company decided no further work was warranted, and the Company relinquished the option prior to December 31, 2008. During the year ended December 31, 2009, the Company wrote-off \$Nil (2008: \$36,817; 2007: \$Nil) in acquisition costs.

v)

#### Apurimac Property

In 2008, the Company acquired a 100% interest in the Apurimac Property, Peru. After conducting exploration work on the Property, management of the Company decided no further work was warranted, and the Company relinquished the property prior to year end.

vi)

#### Regional exploration

During 2007, 2008 and 2009, the Company conducted property investigation work on other properties.

E)

#### Ecuador

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

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

a)

Make the following cash payments of US\$100,000 (CDN\$ 113,130) on signing of the agreement (paid), and a total of US\$900,000 starting upon commencement of drilling on the project (the Drill Date ).

b)

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

c)

Fund and deliver a feasibility study on or before the fifth anniversary of the Drill Date.

During the year ended December 31, 2008, the Company wrote off \$113,130 in acquisition costs.

F)

Canada

i)

Regional Exploration

In 2007, the Company incurred data acquisition and geological consulting costs in connection with property investigations in Canada. During the year ended December 31, 2009, the Company staked 83 mineral claims east of Prince George, British Columbia. The mineral claims were then sold for net proceeds of \$7,649.

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**Radius Gold Inc.**

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**6.**

**Mineral Properties** (cont d)

F)

Canada (cont d)

ii)

Ten Mile Creek Property - Yukon Territory

The Ten Mile Creek Property, Yukon is comprised of 323 claims, of which 269 claims were acquired by the Company in April 2009 by staking, and 54 claims (the Optioned Claims ) were optioned to the Company in June 2009. The Company has the option to earn a 100% interest in the Optioned Claims in consideration of the completion of an initial sampling program, work commitments of \$70,000 and cash and share payments to the property owner according to the following schedule:

a)

\$25,000 on signing of the agreement (paid);

b)

\$50,000 on or before May 31, 2010;

c)

\$75,000 on or before May 31, 2011;

d)

\$75,000 on or before May 31, 2012;

e)

\$75,000 on or before May 31, 2013; and

f)

either \$100,000 or issue 400,000 shares, on or before May 31, 2013, the method of such payment at the discretion of the property owner.

Commencing on May 31, 2014 and on May 31 each year thereafter, the Company must pay \$10,000 to the property owner until such time as commercial production of the Property is achieved, at which time the \$10,000 payment shall cease and the property owner shall be entitled to a 1.0% NSR royalty. As well, an underlying 1.5% NSR royalty is payable to Teck Resources Limited. The Company has the right at any time to reduce the property owner's NSR to 0.5% by paying \$500,000, or to 0.25% by paying \$1.0 million.

In September 2009, the Company optioned its interests in the Ten Mile Creek Property to Solomon Resources Limited (Solomon). Solomon can earn a 51% interest in the Property by spending \$2.5 million on exploration and making staged cash and share payments of \$500,000 cash and 1 million shares over three years according to the following schedule:

a)

Issuing to the Company 500,000 shares upon signing and TSX Venture Exchange (TSX-V) approval of the transaction (Approval received by the TSX-V and shares issued to the Company subsequent to December 31, 2009);

b)

Paying \$100,000 cash and issuing 100,000 common shares of Solomon to the Company on May 21, 2010, and spending \$350,000 during the 2010 exploration season;

c)

Paying \$150,000 cash and issuing 150,000 common shares of Solomon to the Company on May 21, 2011, and spending \$650,000 during the 2011 exploration season; and

d)

Paying \$250,000 cash and issuing 250,000 common shares of Solomon to the Company on May 21, 2012, and spending \$1,500,000 during the 2012 exploration season.

Upon completion of the earn-in, a 51/49 joint venture will be formed between Solomon and the Company. The joint venture would cover all costs related to the project on a pro rata basis.

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**Radius Gold Inc.**

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**6.**

**Mineral Properties** (cont d)

F)

Canada (cont d)

iii)

Gold Run Property - Yukon Territory

In June 2009, the Company was granted the option to earn a 100% interest in the Gold Run Property, Yukon which consists of 26 claims, in consideration of the completion of an initial sampling program work commitments of \$50,000 and cash and share payments to the property owner according to the following schedule:

a)

\$10,000 in signing of the agreement (paid);

b)

\$15,000 on or before May 31, 2010;

c)

\$25,000 on or before May 31, 2011;

d)

\$50,000 on or before May 31, 2012;

e)

\$100,000 on or before May 31, 2013; and

f)

either \$500,000 or issue 200,000 shares, on or before May 31, 2013, the method of such payment at the discretion of the property owner.

Commencing on May 31, 2014 and on May 31 each year thereafter, the Company must pay \$10,000 to the property owner until such time as commercial production of the property is achieved, at which time the \$10,000 payment shall cease and the property owner shall be entitled to a 2.0% NSR royalty. The Company has the right at any time to reduce the property owner's NSR to 1.0% by paying \$1,000,000.

During the year ended December 31, 2009, management of the Company decided to terminate its option on the property and wrote-off \$13,544 in acquisition cost.

iv)

Sixty Mile Area -Yukon Territory

The Sixty Mile Creek Property, Yukon is comprised of 499 claims, of which 213 claims were acquired by the Company in 2009 by staking. Subsequent to the year end, the Company staked an additional 43 claims, and entered into agreements with various landowners whereby it has the option to acquire a 100% interest in a total of 243 claims in consideration of cash payments totaling \$697,300 and the issuance of a total of \$488,000 worth of shares of the Company, over a four-year period. In March and April 2010, the Company made the first payments totaling \$76,800 cash and 50,633 shares having a value of \$20,000.

Pursuant to the option agreements, commencing on August 31, 2014 and on August 31 each year thereafter, the Company must pay a total of \$204,000 to the property owners until such time as commercial production on the applicable property is achieved, at which time the property owner(s), as applicable, shall be entitled to NSR royalties ranging from 2.5% to 3.0%.

v)

Snowcap Property -Yukon Territory

During the year ended December 31, 2009, the Company staked 198 claims in the Whitehorse Mining District, Yukon. In November 2009 the Company granted Wesgold Minerals Inc. ( Wesgold ) the option to acquire 60% interest in the Snowcap Property and, as consideration, the Company will receive an aggregate of 1,000,000 Wesgold common shares (received 200,000 on signing of the agreement) and Wesgold must incur exploration expenditures of \$1,000,000, over a four-year period.

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## **Radius Gold Inc.**

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## **7.**

### **Related Party Transactions**

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

|                            | 2009       | 2008       | 2007       |
|----------------------------|------------|------------|------------|
| Expenses:                  |            |            |            |
| Management fees & salaries | \$ 60,000  | \$ 60,000  | \$ 60,000  |
| Consulting                 | 31,031     | 38,372     | 46,590     |
| Salaries and benefits      | 65,074     | 67,176     | 100,930    |
| Mineral property costs:    |            |            |            |
| Geological consulting fees | 13,750     | 199,200    | 176,650    |
| Salaries and benefits      | 42,709     | 87,908     | 65,873     |
|                            | \$ 212,564 | \$ 452,656 | \$ 450,043 |

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

Advances and other receivables include \$12,836 (2008: \$8,401) 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 \$152,948 (2008: \$168,877) 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 \$17,363 (2008: \$10,082) payable to an officer of the Company.

## 8.

### Share Capital

#### a)

Authorized: Unlimited common shares without par value

b)

Issued:

As at December 31, 2009, there were 53,548,488 common shares outstanding with a recorded value of \$42,587,194. There was no share capital activity for the year ended December 31, 2009 or for the year ended December 31, 2008.

### Stock Options

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

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### **Radius Gold Inc.**

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**8.**

**Share Capital** (cont d)

b)

Issued: (cont d)

Stock Options (cont d)

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

|                           | 2009      |          | 2008      |          | 2007      |          |
|---------------------------|-----------|----------|-----------|----------|-----------|----------|
|                           |           | Weighted |           | Weighted | Number of | Weighted |
|                           | Number of | Average  | Number of | Average  | Options   | Average  |
|                           | Options   | Exercise | Options   | Exercise |           | Exercise |
|                           |           | Price    |           | Price    |           | Price    |
| Outstanding, beginning of |           |          |           |          |           |          |
| year                      | 5,025,000 | \$0.58   | 5,150,000 | \$0.63   | 3,475,000 | \$0.70   |
| Forfeited / Expired       | (755,000) | \$0.62   | (870,000) | \$0.65   | (587,500) | \$0.67   |
| Granted                   | -         | -        | 745,000   | \$0.26   | 2,275,000 | \$0.54   |
| Exercised                 | -         | -        | -         | -        | (12,500)  | \$0.56   |
| Outstanding, end of year  | 4,270,000 | \$0.57   | 5,025,000 | \$0.58   | 5,150,000 | \$0.63   |
| Exercisable, end of year  | 4,270,000 |          | 5,010,000 |          | 4,775,000 |          |

At December 31, 2009, there were 4,270,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each purchase option held:

| Number    | Exercise Price | Expiry Date  | Average Remaining Contractual Life in Years |
|-----------|----------------|--------------|---------------------------------------------|
| 1,870,000 | \$0.70         | Feb 21, 2011 | 1.14                                        |
| 835,000   | \$0.52         | Apr 16, 2012 | 2.29                                        |
| 50,000    | \$0.62         | May 31, 2012 | 2.42                                        |
| 850,000   | \$0.56         | Sept 5, 2012 | 2.68                                        |

|           |        |             |      |
|-----------|--------|-------------|------|
| 665,000   | \$0.26 | May 5, 2013 | 3.35 |
| 4,270,000 |        |             | 2.03 |

#### 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, 2009 of \$2,426 (2008: \$165,219; 2007: \$722,225) is associated with the granting of options to consultants and employees.

There were no share purchase options granted during the year ended December 31, 2009. The weighted fair value of the share purchase options granted during the year ended December 31, 2008 of \$0.22 (2007: \$0.32) 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, 2009, 2008 and 2007 are as follows:

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#### **8.**

#### **Share Capital (cont'd)**

b)

Issued: (cont d)

Stock-based Compensation (cont d)

|                                                     | <b>2009</b> | <b>2008</b> | <b>2007</b>   |
|-----------------------------------------------------|-------------|-------------|---------------|
| Expected dividend yield                             | -           | 0%          | 0%            |
| Expected volatility based on historical share price | -           | 74%         | 72% - 73%     |
| Risk-free interest rate                             | -           | 3.13%       | 3.69% - 4.58% |
| Expected term in years                              | -           | 5 years     | 5 years       |

The following table reconciles the Company's contributed surplus:

|                            | <b>2009</b>  | <b>2008</b>  | <b>2007</b>  |
|----------------------------|--------------|--------------|--------------|
| Balance, beginning of year | \$ 4,329,806 | \$ 4,164,587 | \$ 3,443,487 |
| Options vested             | 2,426        | 165,219      | 722,225      |
| Options exercised          | -            | -            | (1,125)      |
| Balance, end of year       | \$ 4,332,232 | \$ 4,329,806 | \$ 4,164,587 |

9.

**Supplemental Cash Flow Information**

|                                                    | <b>2009</b> | <b>2008</b> | <b>2007</b>  |
|----------------------------------------------------|-------------|-------------|--------------|
| Supplementary disclosure of cash flow information: |             |             |              |
| Cash paid for interest                             | \$ -        | \$ -        | \$ -         |
| Cash paid for income taxes                         | \$ -        | \$ -        | \$ -         |
| Cash and cash equivalents is comprised of:         |             |             |              |
| Cash                                               | \$ 499,266  | \$ 772,989  | \$ 2,378,514 |

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, 2009, the following transactions were excluded:

i)

Included in accounts payable was \$Nil (2008: \$52,430) in exploration costs which was included in deferred exploration costs.

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

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**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 operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to 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, and Mexico.

Details of identifiable assets by geographic segments are as follows:

|                        | (Restated<br>Note 2) |              |
|------------------------|----------------------|--------------|
|                        | 2009                 | 2008         |
| Total Assets           |                      |              |
| Canada                 | \$ 1,482,484         | \$ 2,358,268 |
| Caymans                | 1,071,703            | 48,919       |
| Guatemala              | 4,241,029            | 4,248,419    |
| Nicaragua              | 223,320              | 363,027      |
| Mexico                 | 8,057                | 69,352       |
| Peru                   | 14,869               | 249,440      |
| Other                  | 1,575                | 1,838        |
|                        | \$ 7,043,037         | \$ 7,339,263 |
| Property and Equipment |                      |              |
| Canada                 | \$ 63,384            | \$ 69,679    |
| Guatemala              | 24,687               | 1,941        |
| Nicaragua              | 89,128               | 164,165      |
| Mexico                 | -                    | 3,620        |
| Peru                   | 6,021                | 6,154        |
|                        | \$ 183,220           | \$ 245,559   |

Resource Properties Acquisition

|           |    |           |    |           |
|-----------|----|-----------|----|-----------|
| Canada    | \$ | 68,246    | \$ | -         |
| Guatemala |    | 4,142,864 |    | 4,142,864 |
| Peru      |    | -         |    | 210,566   |
| Nicaragua |    | 82,482    |    | 82,482    |
|           | \$ | 4,293,592 | \$ | 4,435,912 |

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**10.**

**Segmented Information** (cont d)

|                          | <b>2009</b> | <b>2008</b>  | <b>2007</b>  |
|--------------------------|-------------|--------------|--------------|
| Exploration Expenditures |             |              |              |
| Canada                   | \$ 64,140   | \$ 41,822    | \$ 554       |
| Ecuador                  | -           | -            | 19,382       |
| Guatemala                | 125,298     | 147,780      | 742,866      |
| Peru                     | 51,493      | 467,878      | 404,068      |
| Mexico                   | 75,640      | 594,281      | 657,258      |
| Nicaragua                | 271,039     | 2,403,470    | 1,152,485    |
|                          | \$ 587,610  | \$ 3,655,231 | \$ 2,976,613 |

**11.****Accumulated Other Comprehensive Income**

|                                                             |    |          |
|-------------------------------------------------------------|----|----------|
| Balance at December 31, 2007                                | \$ | (35,039) |
| Unrealized loss on available for sale marketable securities |    | (8,692)  |
| Balance at December 31, 2008                                |    | (43,731) |
| Unrealized gain on available for sale marketable securities |    | 956,004  |
| Balance at December 31, 2009                                | \$ | 912,273  |

**12.****Commitment**

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:

|      |    |         |
|------|----|---------|
| 2010 | \$ | 146,682 |
| 2011 |    | 134,459 |
|      | \$ | 281,141 |

**13.****Income Taxes**

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 30.00% (2008: 31.00% 2007: 34.12%) to the income for the year and is reconciled as follows:

|                                         | <b>2009</b>  | <b>2008</b>    | <b>2007</b>    |
|-----------------------------------------|--------------|----------------|----------------|
| Benefit at Canadian statutory rate      | \$ (421,000) | \$ (1,481,000) | \$ (1,546,000) |
| Foreign income taxed at other than CDN  |              |                |                |
| statutory rate                          | 53,000       | 894,000        | 751,000        |
| Permanent differences                   | 122,000      | 139,000        | 62,000         |
| Non deductible stock based compensation | 1,000        | 61,000         | 188,000        |

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|                                            |              |           |           |
|--------------------------------------------|--------------|-----------|-----------|
| Effect of a reduction in statutory rate    | 6,000        | (188,000) | 1,103,000 |
| Share issuance costs                       | -            | (5,000)   | (70,000)  |
| Expiry of loss carryforward                | 751,000      | 271,000   | 392,000   |
| Increase/(decrease) in valuation allowance | (704,000)    | 309,000   | (817,000) |
|                                            | \$ (192,000) | \$ -      | \$ 63,000 |

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**13.**

**Income Taxes** (cont d)

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

|                                  | <b>2009</b>  | <b>2008</b>  |
|----------------------------------|--------------|--------------|
| Net operating and capital losses | \$ 1,588,000 | \$ 2,141,000 |
| Property and equipment           | 56,000       | 52,000       |
| Resource related costs - Canada  | 112,000      | 99,000       |
| Resource related costs - Foreign | (122,000)    | (185,000)    |
| Investments                      | (131,000)    | 37,000       |
|                                  | 1,503,000    | 2,144,000    |
| Less: Valuation allowance        | (1,625,000)  | (2,329,000)  |

\$ (122,000)      \$ (185,000)

At December 31, 2009, the Company had estimated net operating losses carried forward of approximately \$4,960,000 (2008: \$6,928,000) (expiring in various amounts over the period from 2010 to 2029) 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.

The Company operates in foreign jurisdictions and is subject to audit by taxing authorities. These audits may result in the assessment of amounts different than the amounts recorded in the consolidated financial statements. The Company liaises with the relevant authorities in these jurisdictions in regard to its income tax and other returns. Management believes the Company has adequately provided for any taxes, penalties and interest that may fall due.

#### 14.

#### **Financial Instruments and Risk Management**

The Company's financial instruments are comprised of cash and cash equivalents, marketable securities, advances and other receivables, amounts due from related parties and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, marketable securities, advances and other receivables, amounts due from related parties and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2009, cash totalling \$227,593 (December 31, 2008 - \$270,878) was held in US dollars, \$4,603 (December 31, 2008 - \$43,630) in Nicaragua Cordoba, \$7,280 (December 31, 2008 - \$14,268) in Guatemala Quetzal, \$4,313 (December 31, 2008 - \$7,527) in Mexican Pesos and \$1,882 (December 31, 2008 - \$1,168) in Peruvian Sols.

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**14.**

**Financial Instruments and Risk Management** (cont d)

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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents and marketable securities. The Company believes that these sources will be sufficient to cover the known requirements at this time.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash and cash equivalents are currently held in short-term interest bearing accounts, management considers the interest rate risk to be limited.

**15.**

## Capital Management

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties and in marketable securities consisting of short term notes, Canadian provincial government bonds, corporate bonds, pool fund bonds, common equities and preferred equities. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements and do not have exposure to asset-backed commercial paper or similar products. The Company expects its current capital resources to be sufficient to carry out its planned exploration programs and operating costs for the next twelve months.

16.

## Subsequent Events

Subsequent to the year end, the Company cancelled 810,000 stock options with an exercised price ranging from \$0.52-\$0.70 per share and expiring in February 2011 and April 2012. The Company granted incentive stock options to its directors, officers, employees and consultants to purchase up to an aggregate of 1,810,000 shares exercisable for ten years at \$0.29 per share.

Subsequent to the year end, the Company applied for 30 state mining mineral claims located near Boundary, Alaska. The applications are subject to payment of the recording fees to the Alaska government.

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**16.**

**Subsequent Events** (cont d)

a)

On May 6, 2010, the Company was granted an option, subject to regulatory approval, to earn a 100% interest in 52 claims in the Yukon which form part of the Sixty Mile Property. In order to exercise the option, the Company must make cash payments totaling \$190,000 and share issuances valued at a total of \$200,000 over three years. The Company has made the initial cash payment of \$15,000 and will issue common shares with a deemed value of \$25,000 upon regulatory approval of the agreement. Commencing on May 6, 2014 and on May 6 each year thereafter, the Company must pay \$52,000 to the property owner until such time as commercial production of the Property is achieved, at which time the \$52,000 payment shall cease and the property owner shall be entitled to a 2.5% NSR royalty. The Company has the right at any time to reduce the NSR to 1.5% by paying \$1.0 million to the owner.

b)

On May 26, 2010, the Company granted a stock option to an employee of the Company to purchase up to 100,000 common shares exercisable for 10 years at \$0.36 per share.

c)

On May 27, 2010, the Company completed a private placement of 5,606,143 flow-through common shares at \$0.45 per share, for proceeds of \$2,522,764. The Company paid a finder's fee consisting of 222,250 common shares and warrants entitling the holder to purchase up to 222,250 common shares at \$0.50 each for one year. On June 17, 2010, an additional finder's fee was paid consisting of 11,111 common shares and warrants entitling the holder to purchase up to 11,111 common shares at \$0.50 each for one year.

d)

On June 17, 2010, the Company completed a private placement of 13 million units at \$0.35 per unit, for proceeds of \$4.55 million (\$1,734,050 cash received). Each unit consists of one common share and one-half of a warrant, each whole warrant entitling the holder to purchase one additional common share at \$0.50 exercisable for two years. The Company paid a finder's fee consisting of 525,766 units and warrants entitling the holder to purchase up to 571,071 common shares at \$0.55 each for one year.

**17.**

### **Comparative Figures**

Certain comparative figures for the years ended December 31, 2008 and 2007 have been reclassified to conform with the presentation adopted for the current year.

**18.**

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

These consolidated financial statements have been prepared in accordance with Canadian GAAP. On July 1, 2009, the Financial Accounting Standards Board (FASB) ratified the Accounting Standards Codification (ASC) as the sole source of authoritative non-governmental US GAAP. The ASC has not intended to change US GAAP, but rather reorganized existing guidance by accounting topic to allow easier identification of accounting standards. New accounting pronouncements issued by the FASB are called Accounting Standards Updates (ASU). The Company has updated references to US GAAP to reflect the ASC. 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)

#### **Mineral Properties**

Prior to January 1, 2009, the Company's policy under Canadian GAAP was to defer and amortize mineral property acquisition costs and exploration costs to the extent they meet certain criteria. Capitalized costs under Canadian GAAP are amortized on a unit-of-production basis based on proved, probable and possible reserves.

Under US GAAP, mineral property acquisition costs are considered tangible assets and must be initially capitalized and evaluated periodically for impairment and requires mineral exploration costs be charged to operations in the period incurred.

During the year ended December 31, 2009, the Company changed its accounting policy for exploration costs under Canadian GAAP by expensing the costs as incurred as it more accurately reflects the exploration industry. This accounting change has been applied retroactively with restatement of prior periods. As a result of the change in accounting policy there are no ongoing differences between Canadian and US GAAP in the accounting for mineral properties with the exception of mineral property acquisition costs of \$4,435,912 previously expensed under US GAAP that remain capitalized to mineral properties under Canadian GAAP.

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**18.**

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

a)

Mineral Properties (cont d)

During the year ended December 31, 2009, the Company changed its accounting policy for exploration costs under Canadian GAAP by expensing the costs as incurred as it more accurately reflects the exploration industry. This accounting change has been applied retroactively with restatement of prior periods.

As a result of the change in accounting policy there are no ongoing differences between Canadian and US GAAP in the accounting for mineral properties with the exception of mineral property acquisition costs of \$4,435,912 previously expensed under US GAAP that remain capitalized to mineral properties under Canadian GAAP.

b)

#### Accounting for uncertainty in income taxes

The Company recognizes uncertain tax positions that are more-likely-than-not (50% or greater) of being sustained on audit, based on the technical merits of the position. With the adoption of this standard, the Company has performed a comprehensive review of all material tax positions in accordance with recognition and measurement standards established by FIN 48 (now known as ASC 740).

Based on this review, the provisions of FIN 48 did not have a material impact on the Company's annual consolidated financial statements. The Company has elected to apply the provisions of FIN 48 in assessing their uncertain tax positions under Canadian GAAP as well, removing any differences that would arise with US GAAP.

c)

#### Newly Adopted Accounting Pronouncements

In December 2007, the FASB released guidance on Business Combinations. This guidance applies prospectively for the Company to business combinations for which the acquisition date is on or after January 1, 2009. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. The Company did not have any Business Combinations in 2009 and therefore there was no impact on the Company's financial position.

In March 2008, FASB issued guidance on disclosures about derivative instruments and hedging activities. This guidance requires enhanced disclosures about an entity's derivative and hedging activities. This Statement was effective for the Company on January 1, 2009. The Company did not have any hedging activities in 2009 and therefore there was no impact on the Company's financial position.

In August 2009, the FASB issued guidance on measuring liabilities at fair value which is effective for the Company for the year ended December 31, 2009. This guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one of the valuation techniques that uses (a) the quoted price of the identical liability when traded as asset; (b) quoted prices for similar liabilities when traded as assets; or another valuation technique that is consistent with the

principles of Topic 820 Fair Value Measurements and Disclosures . Therefore the fair value of the liability should reflect non-performance risk, including but not limited to a reporting entity's own credit risk. This guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of liability. The Company adopted this guidance in the fourth quarter of 2009 which did not have an impact on the financial statements.

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**18.**

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

c)

Newly Adopted Accounting Pronouncements (cont d)

In May 2009, FASB issued guidance on subsequent events. This guidance established general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this guidance set forth: (a) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (b) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (c) the disclosures that an entity should make about events or transactions that occur after the balance sheet date. Adoption of this standard did not have a material impact on the financial statements.

In May 2009, FASB issued guidance on subsequent events. This guidance established general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this guidance set forth: (a) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (b) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (c) the disclosures that an entity should make about events or transactions that occur after the balance sheet date. Adoption of this standard did not have a material impact on the financial statements.

d)

#### New Accounting Standards

In June 2009, FASB issued codification, which is the source of authoritative U.S. general accepted accounting principles ( US GAAP ) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants. The Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

In June 2009, FASB issued further guidance on accounting for transfers of financial assets. This guidance improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The Board undertook this project to address: (a) practices that have developed that are not consistent with the original intent and key requirements of that guidance; and (b) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This guidance must be applied for the Company on January 1, 2010. Adoption will not have an impact.

In June 2009, FASB issued guidance which improves financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address: (a) the effects on certain provisions of as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, Accounting for Transfers of Financial Assets; and (b) constituent concerns about the application of certain key provisions, including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This guidance is effective for the Company on January 1, 2010. The Company is assessing the impact of the new standard.

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

e)

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

|                                                   | <b>Years ended December 31,</b> |                |                |
|---------------------------------------------------|---------------------------------|----------------|----------------|
|                                                   | <b>2009</b>                     | <b>2008</b>    | <b>2007</b>    |
|                                                   |                                 | Restated *     | Restated *     |
| Net loss for the year as reported using CDN GAAP  | \$ (1,210,725)                  | \$ (4,779,322) | \$ (4,532,393) |
| Adjustments to mineral properties                 | -                               | (36,817)       | (293,048)      |
| Write-off of mineral properties                   | 224,110                         | 149,947        | -              |
| Net loss for the year per US GAAP                 | (986,615)                       | (4,666,192)    | (4,825,441)    |
| Unrealized gain (loss) from marketable securities | 956,004                         | (8,692)        | (71,475)       |
| Comprehensive loss for the year per US GAAP       | \$ (30,611)                     | \$ (4,674,884) | \$ (4,896,916) |
| Basic loss per share per US GAAP                  | \$(0.02)                        | \$(0.09)       | \$(0.09)       |
| Weighted average number of shares outstanding     |                                 |                |                |
| per US GAAP                                       | 53,548,488                      | 53,548,488     | 53,425,577     |

f)

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:

| <b>Balance Sheets</b>                     | <b>2009</b>    | <b>2008</b><br>Restated * |
|-------------------------------------------|----------------|---------------------------|
| Total assets per CDN GAAP                 | \$ 7,043,037   | \$ 7,339,263              |
| Adjustments for mineral properties        | (4,211,802)    | (4,435,912)               |
| Total assets per US GAAP                  | \$ 2,831,235   | \$ 2,903,351              |
| <br>Total liabilities per CDN and US GAAP | <br>\$ 368,549 | <br>\$ 412,480            |

/cont d

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18.

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

f)

(cont d)

| <b>Balance Sheets</b>                                  | <b>2009</b>     | <b>2008</b><br>Restated * |
|--------------------------------------------------------|-----------------|---------------------------|
| Deficit, per CDN GAAP                                  | \$ (41,157,211) | \$ (39,946,486)           |
| Adjustments for mineral properties                     | (4,211,802)     | (4,435,912)               |
| Deficit, per US GAAP                                   | (45,369,013)    | (44,382,398)              |
| Contributed surplus per CDN GAAP and US GAAP           | 4,332,232       | 4,329,806                 |
| Accumulated other comprehensive income CDN and US GAAP | 912,273         | (43,731)                  |
| Share capital per CDN and US GAAP                      | 42,587,194      | 42,587,194                |
| Total shareholders' equity per US GAAP                 | 2,462,686       | 2,490,871                 |
| Total liabilities and shareholders' equity per US GAAP | \$ 2,831,235    | \$ 2,903,351              |

\* See Note 2

|                                                 | <b>Years ended December 31,</b> |                |                |
|-------------------------------------------------|---------------------------------|----------------|----------------|
|                                                 | <b>2009</b>                     | <b>2008</b>    | <b>2007</b>    |
| Cash flows used in operating activities per     |                                 |                |                |
| CDN GAAP                                        | \$ (1,225,752)                  | \$ (4,314,888) | \$ (2,806,460) |
| Adjustments for mineral properties              | -                               | (123,528)      | (151,265)      |
| Cash flows used in operating activities per     |                                 |                |                |
| US GAAP                                         | (1,225,752)                     | (4,438,416)    | (2,957,725)    |
| Cash flows provided by investing activities per |                                 |                |                |
| CDN GAAP                                        | 983,702                         | 2,680,204      | 4,280,657      |
| Adjustments for mineral properties              | -                               | 123,528        | 151,265        |
| Cash flows provided by investing activities per |                                 |                |                |
| US GAAP                                         | 983,702                         | 2,803,732      | 4,431,922      |

Cash flows from financing activities per CDN and

|         |   |   |         |
|---------|---|---|---------|
| US GAAP | - | - | (3,510) |
|---------|---|---|---------|

Foreign exchange on opening cash and cash

|             |          |        |          |
|-------------|----------|--------|----------|
| equivalents | (31,673) | 29,159 | (25,870) |
|-------------|----------|--------|----------|

|                                         |              |                |              |
|-----------------------------------------|--------------|----------------|--------------|
| Increase (decrease) in cash per US GAAP | \$ (273,723) | \$ (1,605,525) | \$ 1,444,817 |
|-----------------------------------------|--------------|----------------|--------------|

\* See Note 2

SIGNATURE PAGE

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

Dated: June 29, 2010

By /s/ Simon Ridgway

Simon Ridgway,

President and Chief Executive Officer