



**FINANCIAL REVIEW**

**First Quarter Ended March 31, 2006**

**RADIUS GOLD INC.**

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the three months ended March 31, 2006.

<b>RADIUS GOLD INC.</b>			
(An Exploration Stage Company)			
<b>INTERIM CONSOLIDATED BALANCE SHEETS</b>			
<b>AS AT MARCH 31, 2006</b>			
(Unaudited - Prepared by Management)			
(Expressed in Canadian Dollars)			
		March 31, 2006	December 31, 2005
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and short-term investments (Note 2)		\$ 679,672	\$ 1,423,554
Marketable securities (Note 2)		11,736,670	11,936,277
Advances and other receivables (Note 8b)		604,290	305,864
GST receivable		50,680	26,052
Due from related parties (Note 4)		214,846	256,649
Prepaid expenses and deposits		136,278	102,641
		13,422,436	14,051,037
<b>PROPERTY &amp; EQUIPMENT</b>		374,229	384,720
<b>MINERAL PROPERTIES</b>		14,089,320	13,731,865
		<u>\$ 27,885,985</u>	<u>\$ 28,167,622</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		\$ 335,271	\$ 251,398
Due to related party		356	35,129
		335,627	286,527
<b>SHAREHOLDERS' EQUITY</b>			
<b>SHARE CAPITAL (Note 3)</b>		42,402,819	42,402,819
<b>CONTRIBUTED SURPLUS</b>		3,475,737	2,244,987
		45,878,556	44,647,806
<b>DEFICIT</b>		(18,328,198)	(16,766,711)
		27,550,358	27,881,095
		<u>\$ 27,885,985</u>	<u>\$ 28,167,622</u>

**APPROVED BY THE DIRECTORS:**

“signed” \_\_\_\_\_, Director  
Simon Ridgway

“signed” \_\_\_\_\_, Director  
Mario Szotlender

<b>RADIUS GOLD INC.</b>			
<b>(An Exploration Stage Company)</b>			
<b>INTERIM CONSOLIDATED STATEMENTS OF DEFICIT</b>			
<b>FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006</b>			
<b>(Unaudited - Prepared by Management)</b>			
<b>(Expressed in Canadian Dollars)</b>			
		Three Month Period Ended	
		March 31,	
		2006	2005
<b>DEFICIT - BEGINNING OF PERIOD</b>	\$	(16,766,711)	\$ (10,087,313)
Net loss for the period (Note 3)	\$	(1,561,487)	(290,342)
<b>DEFICIT - END OF PERIOD</b>	\$	<u>(18,328,198)</u>	<u>\$ (10,377,655)</u>

<b>RADIUS GOLD INC.</b>		
<b>(An Exploration Stage Company)</b>		
<b>INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS</b>		
<b>FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006</b>		
<b>(Unaudited - Prepared by Management)</b>		
<b>(Expressed in Canadian Dollars)</b>		
	Three Month Period Ended	
	March 31,	
	2006	2005
<b>REVENUE</b>		
Interest income	\$ 102,137	\$ 32,443
Other income	9,475	21,299
	<u>111,612</u>	<u>53,742</u>
<b>EXPENSES</b>		
Amortization	12,775	10,013
Bank charges and interest	1,722	1,685
Consulting fees	(3,073)	3,228
Foreign currency exchange	10,477	57,644
Legal and accounting fees	11,567	54,970
Management fees	15,000	15,000
Non-cash compensation charge (Notes 2&3)	1,230,750	-
Office and miscellaneous	6,872	17,870
Public relations	17,045	69,513
Regulatory and stock exchange fees	6,701	13,045
Rent and utilities	6,805	14,357
Repair and maintenance	89	-
Salaries and wages	34,397	53,217
Telephone and fax	2,935	4,191
Transfer agent fees	1,459	3,782
Travel and accommodation	9,715	25,569
	<u>1,365,238</u>	<u>344,084</u>
<b>OTHER EXPENSES</b>		
Write off of deferred exploration costs	307,861	-
<b>NET LOSS FOR THE PERIOD</b>	<u>\$ 1,561,487</u>	<u>\$ 290,342</u>
<b>LOSS PER SHARE</b>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
<b>NUMBER OF WEIGHTED AVERAGE SHARES</b>	<u>52,935,988</u>	<u>52,427,255</u>

<b>RADIUS GOLD INC.</b>		
<b>(An Exploration Stage Company)</b>		
<b>INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS</b>		
<b>FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006</b>		
<b>(Unaudited - Prepared by Management)</b>		
<b>(Expressed in Canadian Dollars)</b>		
	Three Month Period Ended	
	March 31,	
	2006	2005
<b>OPERATING ACTIVITIES</b>		
Net (loss) income for the period	\$ (1,561,487)	\$ (290,342)
Items not involving cash		
Amortization	12,775	10,013
Write off of deferred exploration costs	307,861	-
Non-cash compensation charge (Note 3)	1,230,750	-
	(10,100)	(280,329)
Changes in non-cash working capital items	(272,818)	(597,612)
	(282,918)	(877,941)
<b>FINANCING ACTIVITIES</b>		
Proceeds on issuance of common shares	-	240,140
<b>INVESTING ACTIVITIES</b>		
Marketable securities	199,607	-
Due to related parties	(34,773)	-
Due from related parties	41,803	(164,709)
Expenditures on deferred exploration costs	(665,317)	(477,349)
Purchase of property & equipment	(2,284)	(7,548)
	(460,964)	(649,606)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(743,882)</b>	<b>(1,287,407)</b>
Cash and cash equivalents - beginning of period	1,423,554	4,377,846
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 679,672</b>	<b>\$ 3,090,439</b>
Supplementary disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash Transactions - Note 6		

**RADIUS GOLD INC.**

(An Exploration Stage Company)

**INTERIM CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2006**

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

	Guatemala		Nicaragua		Mexico		Argentina	Colombia	Period Ended March 31, 2006	Year Ended December 31, 2005
	General	Mineral	General	Mineral	General	Mineral	General	General		
	Exploration	Concessions	Exploration	Concessions	Exploration	Concessions	Exploration	Exploration		
<b>ACQUISITION COSTS</b>										
BALANCE - BEGINNING OF PERIOD	\$ -	\$ 3,864,669	\$ -	\$ 19,315	\$ -	\$ 102,289	\$ -	\$ -	\$ 3,986,273	\$ 8,391,571
Cash	-	-	-	-	-	-	-	-	-	231,913
Write-off Acquisition Costs	-	-	-	-	-	(58,882)	-	-	(58,882)	(4,637,211)
BALANCE - END OF PERIOD	-	3,864,669	-	19,315	-	43,407	-	-	3,927,391	3,986,273
<b>DEFERRED EXPLORATION COSTS</b>										
BALANCE - BEGINNING OF PERIOD	\$ -	\$ 5,470,075	\$ 897,668	\$ 2,848,219	\$ 307,330	\$ 185,314	\$ 29,524	\$ 7,461	\$ 9,745,591	\$ 8,428,027
Property Payment/Investigation	-	-	-	11,843	-	764	-	-	12,607	13,680
Automobile	326	-	7,794	3,597	555	5,060	-	-	17,332	139,091
Camp, food and supplies	542	-	4,797	5,257	830	6,098	-	-	17,523	93,741
Drafting, maps and printing	121	-	461	8	5	167	-	-	762	4,104
Drilling	-	-	-	-	-	-	-	-	-	113,474
Exploration administration	622	-	3,472	3,879	3,507	546	-	-	12,024	33,399
Environment	-	-	-	1,225	-	-	-	-	1,225	6,601
Geochemistry	-	-	15,692	58,172	607	32,765	-	-	107,236	256,972
Geological consulting	2,562	3,193	65,436	38,997	22,267	91,142	-	8,250	231,847	997,148
Other consulting	3,797	-	24,595	950	-	901	-	-	30,243	63,840
Legal and accounting	924	-	1,984	2,091	2,004	1,425	-	-	8,428	70,656
Licenses, rights and taxes	-	-	1,482	43,550	672	19,462	-	-	65,166	151,217
Materials	30	-	1,345	2,309	144	2,822	-	-	6,650	38,976
Maintenance	329	-	535	759	3	1,202	-	-	2,828	9,578
Miscellaneous	14	406	389	2,191	233	4,075	-	-	7,308	11,577
Medical expenses	918	-	2,080	2,683	1,413	2,055	-	-	9,148	34,937
Rent and utilities	3,736	3,569	10,302	2,493	191	1,233	-	-	21,525	50,447
Rental equipment	-	-	-	-	-	-	-	-	-	4,826
Salaries and wages	7,200	681	19,702	15,194	3,290	11,152	-	-	57,219	208,627
Shipping	134	-	4,540	2,409	521	311	-	-	7,915	16,405
Telephone and communications	509	-	3,940	1,088	164	3,806	-	-	9,507	47,567
Travel and accommodation	-	-	10,699	5,046	14,576	8,501	-	-	38,823	231,224
	21,763	7,850	179,244	203,741	50,981	193,487	-	8,250	665,317	2,598,087
Write-off Exploration Costs	-	-	-	-	-	(248,979)	-	-	(248,979)	(1,280,523)
BALANCE - END OF PERIOD	21,763	5,477,925	1,076,912	3,051,960	358,311	129,822	29,524	15,711	10,161,929	9,745,591
<b>BALANCE - END OF PERIOD</b>	<b>\$ 21,763</b>	<b>\$ 9,342,594</b>	<b>\$ 1,076,912</b>	<b>\$ 3,071,275</b>	<b>\$ 358,311</b>	<b>\$ 173,229</b>	<b>\$ 29,524</b>	<b>\$ 15,711</b>	<b>\$ 14,089,320</b>	<b>\$ 13,731,864</b>

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2006

Expressed in Canadian Dollars

**1. Nature and Continuance of Operations**

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

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

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

The three months ending March 31, 2006 consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted.

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

The Company grants options in accordance with the policies of the TSX Venture Exchange (“TSX-V”). The Company has adopted the CICA Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”, which recommends the fair value-based methodology for measuring all compensation costs. Commencing January 1, 2004 the fair value of stock options awarded is recognized as an expense.

**Marketable Securities**

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

**Cash and Cash Equivalents**

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

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2006

Expressed in Canadian Dollars

**3. Share Capital**

Authorized:						
Unlimited common shares without par value						
Issued:			Number of Shares	Price Per Share \$	Amount \$	
Balance December 31, 2003			38,395,242		27,539,692	
Exercise of warrants			11,250	0.55	6,188	
Exercise of warrants			560,000	0.25	140,000	
Issued for property acquisition			1,300,000	1.49	1,937,000	
Exercise of stock options			25,000	0.95	23,750	
Exercise of stock options			15,000	0.68	10,200	
Less: issue costs					(1,809)	
Balance June 30, 2004			40,306,492		29,655,020	
Amalgamation options 1 Radius for 2.25 PilaGold			10,284,452	1.11	11,415,742	
Exercise of stock options			117,000	0.65	76,050	
Exercise of stock options			35,000	0.60	21,000	
Exercise of stock options			54,000	0.68	36,720	
Exercise of stock options			30,000	0.95	28,500	
Exercise of stock options			30,000	0.90	27,000	
Exercise of stock options			65,000	1.10	71,500	
Exercise of stock options			79,444	0.99	78,650	
Exercise of warrants			2,089,800	0.25	522,450	
Transfer of contributed surplus on exercise of options			-	15,000	0.49	7,350
Transfer of contributed surplus on exercise of options			-	65,000	0.59	38,350
Transfer of contributed surplus on exercise of options			-	55,000	0.64	35,200
Transfer of contributed surplus on exercise of options			-	65,000	0.73	47,450
Balance December 31, 2004			53,091,188		42,060,982	
Exercise of stock options			37,800	1.30	49,140	
Exercise of stock options			40,000	0.90	36,000	
Exercise of stock options			50,000	0.99	49,500	
Exercise of stock options			35,000	1.00	35,000	
Exercise of stock options			57,000	1.50	85,500	
Transfer of contributed surplus on exercise of options			-	90,000	0.59	53,100
Transfer of contributed surplus on exercise of options			-	35,000	0.60	20,931
Transfer of contributed surplus on exercise of options			-	37,800	0.34	12,666
Balance December 31, 2005 and March 31, 2006			53,310,988		42,402,819	

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2006

Expressed in Canadian Dollars

**3. Share Capital (cont'd)****Escrow Shares**

As at March 31, 2006, there are 375,000 common shares held in escrow, the release of which is subject to regulatory approval. Effective May 31, 2005, 375,000 shares were released from escrow.

**Stock Options**

The Company has established a formal stock option plan in accordance with the policies of the TSX-V under which it is authorized to grant options up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options are for a maximum term of five years.

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

	March 31, 2006		March 31, 2005	
	Number of Options	Weighted Average Exercise	Number of Options	Weighted Average Exercise
Outstanding, beginning of period	2,558,332	\$1.05	3,691,219	\$1.05
Expired Unexercised	(125,000)	0.85	(22,222)	1.46
Granted	2,735,000	0.70	-	-
Exercised	-	0.00	(50,000)	0.99
	-	0.00	(20,000)	1.00
	-	0.00	(40,000)	0.90
	-	0.00	(37,800)	1.30
			-	-
Outstanding, end of period	<u>5,168,332</u>	<u>\$0.87</u>	<u>3,521,197</u>	<u>\$1.05</u>

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2006

Expressed in Canadian Dollars

**3. Share Capital** (cont'd)**Stock Options** (cont'd)

The following stock options were outstanding and exercisable at March 31, 2006.

Number	Exercise Price(\$)	Expiry Date
50,000	1.00	April 15, 2006 *
75,000	0.68	April 15, 2006 *
140,000	1.00	July 10, 2006
17,778	0.99	Sept. 24, 2007
670,000	0.68	Jan. 7, 2008
100,000	0.90	Jan. 15, 2008
40,000	0.99	Jan. 27, 2008
128,888	1.46	Jan. 29, 2008
22,222	2.03	April 22, 2008
225,000	1.10	Aug. 7, 2008
44,444	1.37	Aug. 13, 2008
150,000	1.32	Feb. 26, 2009
50,000	1.00	Apr. 15, 2006
650,000	1.00	Sept. 6, 2009
50,000	1.50	Oct. 17, 2009
20,000	0.68	Sept. 29, 2010
2,735,000	0.70	Feb. 21, 2011
<b>5,168,332</b>		

\* Subsequent to March 31, 2006 the 50,000 options at an exercise price of \$1.00 expired and the 75,000 options at an exercise price of \$0.68 were exercised.

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2006

Expressed in Canadian Dollars

**3. Share Capital (cont'd)****Stock-Based Compensation**

The Company uses the fair value based method of accounting for stock options granted to consultants, directors, officers and employees. A non-cash compensation charge of \$1,230,750 associated with the granting of options to directors and employees has been recognized in the financial statements for the three months ended March 31, 2006, with a corresponding increase to contributed surplus. These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.02%
Expected stock price volatility	76.00%
Expected term in years	5.0
Expected dividend yield	0.0%

**4. Related Party Transactions**

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

	For the period ended March 31,	
	2006	2005
Expenses:		
Consulting fees	\$ -	\$ 1,180
Management fees	15,000	15,000
Salaries and benefits	19,608	-
Mineral property costs		
Consulting fees	48,005	33,000
	<u>\$ 82,613</u>	<u>\$ 48,000</u>

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

Advances and other receivables include \$25,640 due from directors, officers and employees of the Company. These were funds advanced for Company expenses and any balance owed will be paid back in the normal course of business.

Due from related parties of \$214,846 are amounts due from companies which have a common director with the Company and arose from shared administrative costs. The amount of \$101,075 was repaid subsequent to March 31, 2006. The balance owing is repayable in the normal course of business.

Accounts payable and advances include \$29,857 payable to a company which has a common director with the Company and officers of the Company.

Due to related parties of \$356 are amounts due to companies which have a common director with the Company and arose from shared administrative costs. The amount is repayable in the normal course of business.

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2006

Expressed in Canadian Dollars

**5. Segmented Information**

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

Details of identifiable assets by geographic segments are as follows:

		Period Ended	Year Ended
		March 31, 2006	December 31, 2005
Total Assets			
Canada		\$15,143,573	\$ 13,059,538
Caymans		(85,157)	761,493
Argentina		29,524	29,524
Colombia		15,711	7,461
Guatemala		9,409,296	9,451,121
Nicaragua		3,092,232	4,055,501
Mexico		319,754	680,287
Panama		(40,738)	120,908
Dominican Republic		1,791	1,789
		<u>\$ 27,885,985</u>	<u>\$ 28,167,622</u>
Property & Equipment			
Canada		\$ 38,314	\$ 49,934
Guatemala		71,605	72,529
Nicaragua		236,544	232,617
Mexico		27,766	29,640
		<u>\$ 374,229</u>	<u>\$ 384,720</u>
Resource Properties Acquisition			
Guatemala		\$ 3,864,669	\$ 3,864,669
Nicaragua		19,315	19,315
Mexico		43,407	102,289
		<u>\$ 3,927,391</u>	<u>\$ 3,986,273</u>
Deferred Exploration Costs			
Argentina		\$ 29,524	\$ 29,524
Colombia		15,711	\$ 7,461
Guatemala		5,499,688	5,470,075
Mexico		488,133	492,645
Nicaragua		4,128,873	3,745,887
		<u>\$ 10,161,929</u>	<u>\$ 9,745,592</u>

**Radius Gold Inc.**

An Exploration Stage Company

Notes to the Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2006

Expressed in Canadian Dollars

**6. 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.

**7. Comparative Figures**

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

**8. Subsequent Events**

- a) Subsequent to March 31, 2006 75,000 options were exercised at a price of \$0.68.
- b) Subsequent to March 31, 2006 Meridian Gold Inc. (Meridian) repaid \$523,150 in advances and receivables. The advances were made pursuant to the joint venture agreement on the El Pavon concession, in Nicaragua between the Company and Meridian.



# **RADIUS GOLD INC.**

(the “Company”)

## **MANAGEMENT’S DISCUSSION AND ANALYSIS** **First Quarter Report – March 31, 2006**

### **General**

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2006. The following information, prepared as of May 26, 2006, should be read in conjunction with the March 31, 2006 financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2006 financial statements have not been reviewed by the Company’s auditors.

### **Business of the Company**

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

#### *Nicaragua*

Radius’s joint venture partner on the Natividad project, Meridian Gold Inc. (“Meridian”) continued its preparations for another round of diamond drilling at the central Nicaraguan project. In 2005, Meridian completed a total of 43 holes at Natividad. Meridian’s work is beginning to outline 2 distinct “pay shoots” at Natividad. These have been informally named the Pavon Norte and the Ahumada shoots. Meridian is encouraged by the size and robust nature of the Natividad system and is continuing its work on the project.

Meridian has recently commenced a second phase drill program which will test the high-grade shoots described above, explore the Pavon North and Las Brisas veins for better mineralization at deeper levels than were tested last year, and test new zones discovered from the on-going regional work within the joint venture area.

Over the last nine months, Meridian has undertaken an intensive exploration programme on the Natividad joint venture area. In October 2005 they flew an airborne magnetic and radiometric survey over about 500km<sup>2</sup> of the joint venture area. They have since conducted detailed mapping, prospecting, and sampling surveys within this zone and have discovered new gold mineralization at the Las Valles and Cerro Pastel areas to the northeast of Pavon North.

Also in Nicaragua, Radius has adopted a two-pronged approach to the San Pedro project. The Company's field teams continued prospecting, mapping and sampling at the project with the aim of defining additional drill targets. At the same time, the Company is actively seeking a joint venture partner to assist it in exploring the project. A number of confidentiality agreements have been signed with interested parties and the Company hopes to make further progress on the project during the second quarter.

### ***Guatemala***

In Guatemala, Radius's technical personnel continued to examine the feasibility of going underground at the Tambor gold project on the high grade gold mineralization at the zone known as the Guapinol prospect. Management also revisited the concept of joint venturing Tambor to an established gold producer and a number of confidentiality agreements have been signed with interested parties.

### ***Mexico***

In Mexico, Radius optioned the Amatista Ag-Au project from a Mexican businessman and initiated an intensive exploration program at the site. The property covers 18 abandoned mine workings dating from Spanish colonial times which are aligned along a northwest-southeast trending belt over a distance of 10km and up to 3km wide northeast to southwest. The mines exploited low-sulfidation epithermal quartz veins, stockworks and breccias. In the first quarter, Radius's work focused on the main zone with the objective of mapping the structures, alteration and distribution of gold mineralization in detail and identifying targets for diamond drilling. The mine access road was rehabilitated giving access to the historic workings of the San Francisco mining camp, and a stream sediment and rock sampling program initiated within the project claim area. Based on results of this work, management has decided not to proceed with further work on the Amatista project.

Radius's teams continued their regional exploration program in Mexico, exploring a new alteration zone discovered in volcanic rocks overlying units that host several Au-Ag prospects and active projects. First-pass exploration returned anomalous gold-in-stream sediment values and low grade to anomalous rock sample results, and one float sample returned 2940ppb Au and 568 g/t Ag, from a large targeted area. A second phase of exploration commenced in January. In March, the Company also commissioned a Landsat clay-iron alteration and structural geological study of an extensive area in south-central Mexico. It is anticipated that this study will generate additional regional exploration targets for ground follow-up in the second or third quarters.

### ***Other Opportunities***

Radius continued to evaluate new project opportunities in other countries within South and Central American and the Caribbean region where the Company has long-term experience and an established business presence. Management will continue to evaluate potential regional "plays" throughout these areas and will react rapidly to any project opportunities that are a good fit with Radius's overall exploration strategy of acquiring large land positions in under-explored, but highly prospective regions.

## **Results of Operations**

For the three months ended March 31, 2006, the Company had a consolidated net loss of \$1,561,487 (\$0.03 per share) compared to a net loss of \$290,342 (\$0.01 per share) for the three months ended March 31, 2005. Interest income increased for the 2006 period as compared to the 2005 period due to greater accrued interest being recorded. Corporate expenses decreased significantly overall, and especially in the categories of legal and accounting, public relations, and travel. The net loss for the 2006 was, however, significantly higher than the 2005 period due to a non-cash compensation charge in 2006 of \$1,230,750 and a write-off of exploration costs of \$307,861.

## **Quarterly Information**

The following table provides information for the eight fiscal quarters ended March 31, 2006:

	First Quarter Ended March 31, 2006 (\$)	Fourth Quarter Ended Dec. 31, 2005 (\$)	Third Quarter Ended Sept. 30, 2005 (\$)	Second Quarter Ended June 30, 2005 (\$)	First Quarter Ended March 31, 2005 (\$)	Fourth Quarter Ended Dec. 31, 2004 (\$)	Third Quarter Ended Sept. 30, 2004 (\$)	Second Quarter Ended June 30, 2004 (\$)
<b>Total Income</b>	111,612	69,162	167,825	50,396	53,742	193,492	163,124	67,059
<b>Net Loss (Gain)</b>	1,561,487	6,148,545	(3,692)	244,203	290,342	1,726,354	762,091	826,094
<b>Net Loss per share</b>	0.03	0.12	0.00	0.00	0.01	0.03	0.02	0.02

## **Liquidity and Capital Resources**

The Company's cash and marketable securities decreased from \$13.4 million at December 31, 2005 to \$12.4 million at March 31, 2006. During the three months ended March 31, 2006, the Company spent \$665,317 in exploration costs and \$110,493 on corporate expenses. Working capital at March 31, 2006 was \$13.1 million compared to \$13.8 million at December 31, 2005.

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

## **Mineral Properties Expenditures**

Guatemala - During the three months ended March 31, 2006, \$29,613 was spent on exploration of mineral properties in Guatemala. Of that amount, the major expenditure categories include \$7,881 for salaries, \$7,305 for rent and utilities, and \$5,755 for geological consulting fees.

Nicaragua - During the three months ended March 31, 2006, the Company incurred \$382,985 in exploration costs in Nicaragua. Of that amount, the major expenditure categories include \$104,433 for geological consulting fees, \$73,864 for geochemistry, and \$34,896 for salaries.

Mexico - During the three months ended March 31, 2006, the Company spent \$244,468 in exploration costs in Mexico. Of that amount, the major expenditure categories include \$113,409 for geological consulting fees, \$23,077 for travel and accommodation, and \$20,134 for licences, rights and taxes. Deferred exploration costs totalling \$307,861 were written off during the period for properties on which no further work is warranted.

Colombia - During the three months ended March 31, 2006, the Company spent \$8,250 on property investigations in Colombia.

### **Related Party Transactions**

During the three months ended March 31, 2006, The Company incurred the following expenditures charged by officers and companies which have common directors with the Company:

	For the period ended March 31,	
	2006	2005
Expenses:		
Consulting fees	\$ -	\$ 1,180
Management fees	15,000	15,000
Salaries and benefits	19,608	-
Mineral property costs		
Consulting fees	48,005	33,000
	<u>\$ 82,613</u>	<u>\$ 48,000</u>

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

Advances and other receivables include \$25,640 due from directors, officers and employees of the Company. These were funds advanced for Company expenses and any balance owed will be paid back in the normal course of business.

Due from related parties of \$214,846 are amounts due from companies which have a common director with the Company and arose from shared administrative costs. The amount of \$101,075 was repaid subsequent to March 31, 2006. The balance owing is repayable in the normal course of business.

Accounts payable and advances include \$29,857 payable to a company which has a common director with the Company and officers of the Company.

Due to related parties of \$356 are amounts due to companies which have a common director with the Company and arose from shared administrative costs. The amount is repayable in the normal course of business.

## **Other Data**

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

### ***Share Position Outstanding Warrants and Options***

The Company's current outstanding share position is 53,295,988 common shares, and the following share purchase warrants and incentive stock options are currently outstanding:

<u>No. of Shares</u>	<u>WARRANTS</u> <u>Exercise Price</u>	<u>Expiry Date</u>
Nil		

<u>No. of Shares</u>	<u>STOCK OPTIONS</u> <u>Exercise Price</u>	<u>Expiry Date</u>
140,000	\$1.00	July 10, 2006
17,778	\$0.99	September 24, 2007
670,000	\$0.68	January 7, 2008
100,000	\$0.90	January 15, 2008
40,000	\$0.99	January 27, 2008
128,888	\$1.46	January 29, 2008
22,222	\$2.03	April 22, 2008
225,000	\$1.10	August 7, 2008
44,444	\$1.37	August 13, 2008
150,000	\$1.32	February 26, 2009
50,000	\$1.00	September 2, 2009
650,000	\$1.00	September 6, 2009
50,000	\$1.50	October 17, 2009
20,000	\$0.68	September 29, 2010
<u>2,735,000</u>	\$0.70	February 21, 2011
<u>5,043,332</u>		

## **Financial Instruments**

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

## **Forward Looking Information**

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance of achievements of the company to materially different

from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

### **Risks and Uncertainties**

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The Company's mineral properties are also located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. Other risks facing the Company include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.

### **Internal Disclosure Controls and Procedures**

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

### **Subsequent Events**

- b) Subsequent to March 31, 2006, 75,000 options were exercised at a price of \$0.68.
- b) Subsequent to March 31, 2006, Meridian Gold Inc. (Meridian) repaid \$523,150 in advances and receivables. The advances were made pursuant to the joint venture agreement on the El Pavon concession, in Nicaragua between the Company and Meridian.

