



**FINANCIAL REVIEW**

**Fiscal Year Ended December 31, 2007**

**RADIUS GOLD INC.**

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006



**BDO Dunwoody LLP**  
Chartered Accountants

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## **AUDITORS' REPORT**

To the Shareholders,  
Radius Gold Inc.

We have audited the consolidated balance sheets of Radius Gold Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit, comprehensive loss and cash flows for the years then ended. 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. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada  
April 23, 2008

**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2007 AND 2006**

	2007	2006
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 2,378,514	\$ 933,697
Marketable securities (Note 4)	4,624,095	9,023,890
Advances and other receivables (Notes 6 and 7)	79,309	838,139
GST receivable	27,919	13,688
Due from related parties (Note 7)	50,498	147,870
Prepaid expenses and deposits	107,275	96,744
	7,267,610	11,054,028
<b>PROPERTY &amp; EQUIPMENT (Note 5)</b>	289,888	330,962
<b>MINERAL PROPERTIES (Notes 6, 7 and 15)</b>	15,923,030	13,438,248
	\$ 23,480,528	\$ 24,823,238
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 371,962	\$ 213,689
Due to related party (Note 7)	-	10,510
	371,962	224,199
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 8)</b>	42,587,194	42,486,069
<b>CONTRIBUTED SURPLUS (Note 8)</b>	4,164,587	3,443,487
<b>DEFICIT</b>	(23,608,176)	(21,330,517)
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 12)</b>	(35,039)	-
	23,108,566	24,599,039
	\$ 23,480,528	\$ 24,823,238

Nature of Operations and Ability to Continue as a Going Concern (Note 1)  
Commitments (Notes 8 and 14)  
Subsequent event (Note 15)

**APPROVED BY THE DIRECTORS:**

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*"signed"*  
Simon Ridgway, Director

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*"signed"*  
Mario Szotlender, Director

**See Accompanying Notes**

**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
<b>EXPENSES</b>		
Amortization	\$ 62,097	\$ 58,780
Consulting fees (Note 7)	54,112	18,301
Donations	998	20,748
Legal and accounting fees	64,405	86,561
Management fees and salaries (Note 7)	60,000	60,000
Non-cash compensation charge (Note 8)	722,225	1,230,750
Office and miscellaneous	68,612	36,609
Public relations	113,770	132,828
Property investigations	-	24,835
Rent and utilities	24,358	26,965
Repairs and maintenance	11,469	7,158
Salaries and wages (Note 7)	179,817	133,244
Telephone and fax	15,876	14,923
Transfer agent and regulatory fees	19,891	17,120
Travel and accommodation	81,849	61,654
	1,479,479	1,930,476
<b>OTHER INCOME ( EXPENSES)</b>		
Foreign currency exchange	(310,141)	42,413
Loss on disposal of property and equipment	(9,183)	-
Loss on settlement of advances receivable	(22,172)	-
Investment income (net)	241,327	352,037
Other income	86,868	25,022
Write off of mineral properties costs	(784,879)	(3,052,802)
	(798,180)	(2,633,330)
<b>Net loss for the year</b>	(2,277,659)	(4,563,806)
<b>Deficit, beginning of the year</b>	(21,330,517)	(16,766,711)
<b>Deficit, end of the year</b>	\$ (23,608,176)	\$ (21,330,517)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	\$ (0.04)	\$ (0.09)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	53,425,577	52,991,262

See Accompanying Notes

**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

**See Accompanying Notes**

**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (2,277,659)	\$ (4,563,806)
Items not involving cash		
Amortization	62,097	58,780
Loss from disposal of property and equipment	(12,034)	-
Loss on settlement of advances receivable	22,172	-
Write off of deferred exploration costs	784,879	3,052,802
Non-cash compensation charge (Note 8)	722,225	1,230,750
	(698,320)	(221,474)
Changes in non-cash working capital items:		
Advances and other receivables	736,658	(532,275)
GST receivable	(14,231)	12,364
Prepaid expenses	(10,531)	5,897
Accounts payable and accrued liabilities	109,490	(37,709)
	123,066	(773,197)
<b>INVESTING ACTIVITIES</b>		
Marketable securities	4,364,756	2,912,387
Due from related parties	97,372	108,779
Expenditures on mineral properties	(3,127,878)	(2,759,185)
Proceeds from disposal of property and equipment	89,063	-
Purchase of property and equipment	(98,052)	(5,022)
	1,325,261	256,959
<b>FINANCING ACTIVITIES</b>		
Due to related parties	(10,510)	(24,619)
Proceeds on issuance of common shares	7,000	51,000
	(3,510)	26,381
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>	1,444,817	(489,857)
Cash and cash equivalents - beginning of year	933,697	1,423,554
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,378,514</b>	<b>\$ 933,697</b>
Supplementary disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Non-cash Transactions - Note 9

**See Accompanying Notes**

**RADIUS GOLD INC.**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Guatemala	Nicaragua		Mexico		Canada	Ecuador	Peru	Peru	Year ended
	Mineral	General	Mineral	General	Mineral	General	Cerro	General	Mineral	December 31,
	Concessions	Exploration	Concessions	Exploration	Concessions	Exploration	Colorado	Exploration	Concessions	2007
<b>ACQUISITION COSTS</b>										
Balance - beginning of year	\$ 4,142,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,130	\$ -	\$ -	\$ 4,255,994
Shares	-	-	29,000	-	-	-	-	-	64,000	93,000
Cash	-	-	53,482	-	-	-	-	-	146,566	200,048
	-	-	82,482	-	-	-	-	-	210,566	293,048
Balance - end of year	4,142,864	-	82,482	-	-	-	113,130	-	210,566	4,549,042
<b>DEFERRED EXPLORATION COSTS</b>										
Balance - beginning of year	\$ 5,753,974	\$ 349,838	\$ 3,069,580	\$ -	\$ -	4,129	\$ 4,734	\$ -	\$ -	\$ 9,182,254
Property Payment/Investigation	23,060	-	1,809	-	-	-	6,750	-	16,135	47,754
Automobile	9,970	10	91,505	10,197	11,884	-	-	2,426	17,957	143,949
Camp, food and supplies	12,761	2,294	65,738	8,618	9,034	-	805	542	4,716	104,508
Drafting, maps and printing	184	-	1,943	2,260	4,157	-	-	162	451	9,157
Exploration administration	5,503	-	25,909	1,279	1,279	-	-	1,955	3,375	39,299
Environment	-	-	14,219	-	-	-	-	2,501	-	16,720
Geochemistry	6,614	6,085	32,824	19,980	19,980	-	-	3,077	13,579	102,139
Geological consulting (Note 7)	67,918	41,493	277,810	130,571	163,770	554	8,574	77,303	58,330	826,323
Other consulting	23,004	-	102,330	12,731	15,243	-	-	24,136	102,781	280,226
Legal and accounting	8,311	-	31,868	18,397	20,522	-	-	10,034	9,661	98,793
Licenses, rights and taxes	13,882	-	86,576	14,582	97,776	-	-	3,233	2,362	218,412
Linecutting & trenching	22,317	-	27,260	2,034	3,607	-	-	-	850	56,068
Underground development	423,769	-	-	-	-	-	-	-	-	423,769
Materials	8,983	-	26,370	753	765	-	-	1,335	6,191	44,397
Maintenance	2,840	-	18,299	430	456	-	-	-	382	22,407
Miscellaneous	3,239	-	2,626	343	917	-	-	60	438	7,623
Medical expenses	6,890	456	11,816	3,045	3,421	-	-	262	37	25,927
Road building	-	-	11,265	-	-	-	-	-	-	11,265
Rent and utilities	31,090	-	35,629	4,561	4,561	-	-	-	-	75,840
Rental equipment	748	-	6,762	90	90	-	-	-	-	7,690
Salaries and wages (Note 7)	43,660	8,084	126,277	12,040	12,040	-	-	2,419	-	204,520
Shipping	3,613	1,658	9,873	3,199	3,641	-	-	906	336	23,226
Telephone and communications	5,917	870	24,727	3,636	3,636	-	-	177	261	39,223
Travel and accommodation	18,593	2,548	55,553	15,863	15,870	-	3,253	27,123	8,575	147,378
	742,866	63,498	1,088,988	264,609	392,649	554	19,382	157,651	246,417	2,976,613
Write-off Exploration Costs	-	(413,336)	(13,924)	(264,609)	(93,010)	-	-	-	-	(784,879)
Balance - end of year	6,496,840	-	4,144,644	-	299,639	4,683	24,116	157,651	246,417	11,373,988
<b>TOTAL MINERAL PROPERTIES - END OF YEAR</b>	<b>\$ 10,639,703</b>	<b>\$ -</b>	<b>\$ 4,227,125</b>	<b>\$ -</b>	<b>\$ 299,639</b>	<b>\$ 4,683</b>	<b>\$ 137,246</b>	<b>\$ 157,651</b>	<b>\$ 456,983</b>	<b>\$ 15,923,030</b>

**See Accompanying Notes**

**RADIUS GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES COST**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Guatemala	Nicaragua	Mexico	Argentina	Colombia	Canada	Ecuador	Tanzania	Year ended
	Mineral	General	Mineral	General	Mineral	General	Cerro	General	December 31,
	Concessions	Exploration	Concessions	Exploration	Concessions	Exploration	Colorado	Exploration	2006
<b><u>ACQUISITION COSTS</u></b>									
Balance - beginning of year	\$ 3,864,669	\$ -	\$ 19,315	\$ -	\$ 102,289	\$ -	\$ -	\$ -	\$ 3,986,273
Cash	278,195	-	-	-	-	-	113,130	-	391,325
	278,195	-	-	-	-	-	113,130	-	391,325
Write-off acquisition costs	-	-	(19,315)	-	(102,289)	-	-	-	(121,604)
Balance - end of year	4,142,864	-	-	-	-	-	113,130	-	4,255,994
<b><u>DEFERRED EXPLORATION COSTS</u></b>									
Balance - beginning of year	\$ 5,470,075	\$ 897,668	\$ 2,848,219	\$ 307,330	\$ 185,314	\$ 29,524	\$ 7,461	\$ -	\$ 9,745,591
Property Payment/Investigation	26,279	1,422	13,214	-	764	-	-	-	41,679
Automobile	4,773	51,515	15,135	19,357	5,425	-	-	22	799
Camp, food and supplies	6,491	29,058	20,583	22,867	6,142	-	-	-	85,141
Drafting, maps and printing	203	1,020	487	8,567	167	-	-	-	10,449
Exploration administration	4,303	30,488	11,276	9,435	743	-	-	-	56,347
Environment	-	485	6,156	-	-	-	-	-	6,641
Geochemistry	301	14,746	167,282	34,553	35,438	-	-	-	252,320
Geological consulting (Note 7)	77,043	262,597	170,906	259,309	108,975	-	8,250	4,129	3,904
Other consulting	16,365	39,033	45,072	21,966	3,223	-	-	-	102
Legal and accounting	7,427	21,290	7,008	45,223	1,425	-	-	-	-
Licenses, rights and taxes	24,703	5,818	66,462	5,384	23,990	-	-	-	-
Linecutting and trenching	4,265	9,171	14,166	9,538	-	-	-	-	-
Materials	868	5,419	4,444	4,288	2,829	-	-	-	-
Maintenance	3,413	4,588	5,351	2,285	1,202	-	-	-	-
Miscellaneous	2,326	1,246	2,360	527	4,089	-	-	-	-
Medical expenses	7,263	10,018	6,831	10,051	2,184	-	-	185	-
Rent and utilities	30,678	37,639	9,893	4,132	1,233	-	-	-	-
Rental equipment	13,410	-	-	1,235	-	-	-	-	-
Salaries and wages (Note 7)	40,698	86,140	31,000	25,954	11,153	-	-	-	-
Shipping	888	8,694	5,305	3,352	311	-	-	-	-
Telephone and communications	4,766	17,675	4,015	8,412	3,647	-	-	-	2
Travel and accommodation	7,435	44,048	16,046	35,440	9,096	-	-	622	5,436
	283,898	682,110	622,992	531,875	222,036	-	8,250	4,129	4,734
Write-off of exploration costs	-	(897,666)	(733,905)	(839,205)	(407,350)	(29,524)	(15,711)	-	(7,837)
Balance - end of year	5,753,973	682,112	2,737,307	-	-	-	4,129	4,734	-
<b>TOTAL MINERAL PROPERTIES -</b>									
<b>END OF YEAR</b>	\$ 9,896,837	\$ 682,112	\$ 2,737,307	\$ -	\$ -	\$ -	\$ 4,129	\$ 117,864	\$ -

**See Accompanying Notes**

**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

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

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

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

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

**2. Significant Accounting Policies**

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement and within the framework of the significant accounting policies summarized below.

**a) Principles of Consolidation**

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

- i) Minerales Sierra Pacifico S.A. and Exploraciones Mineras de Guatemala S.A., companies incorporated under the laws of Guatemala;
- ii) Minerales de Nicaragua S.A. and Desarrollo Geologico Minerao, S.A., companies incorporated under the laws of Nicaragua;
- iii) Recursos Del Cibao, S.A., a company incorporated under the laws of the Dominican Republic;
- iv) Radius Panamá Corporation, Weltern Resources Corp. and Corporación Geológica de Panamá, companies incorporated under the laws of Panamá;
- v) Radius (Cayman) Inc. and Pavon (Cayman) Inc., companies incorporated under the laws of Cayman Island;

**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

**2. Significant Accounting Policies – (cont'd)**

## a) Principles of Consolidation

- vi) Geometalos Del Norte-Geonorte, a company incorporated under the laws of Mexico and
- vii) Radius Peru, S.A.C., a company incorporated under the laws of Peru on May 4, 2007.

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

## b) Cash and Cash Equivalents

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

## c) Marketable Securities

Marketable securities are recorded at market value as they are considered available for sale.

## d) Mineral Properties

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

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

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

## e) Property, Equipment and Amortization

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

Leasehold improvements	5 years straight-line
Trucks	5 years straight-line
Computer equipment	30% declining balance
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.

**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

**2. Significant Accounting Policies – (cont'd)**

## f) Basic and Diluted Loss Per Share

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

For the years ended December 31, 2007 and 2006, potentially dilutive common shares (relating to options outstanding at year-end) totalling 5,150,000 (2006: 3,475,000) 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 are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

## j) Asset Retirement Obligation

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

## **Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

### **2. Significant Accounting Policies – (cont'd)**

#### j) Asset Retirement Obligation – (cont'd)

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

#### k) Impairment of Long-lived Assets

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

### **3. Change in Accounting Policies**

#### Financial Instruments and Comprehensive Income

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

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

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

The Company has made the following classifications:

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

## **Radius Gold Inc.**

(An Exploration Stage Company)

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### **3. Change in Accounting Policies – (cont'd)**

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

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

#### Accounting Policy Choice for Transaction Costs

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

#### Future Accounting Changes

##### Capital Disclosures and financial Instruments – Disclosures and Presentation

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

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

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

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

#### Accounting Changes

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

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**3. Change in Accounting Policies – (cont'd)**

**International Financial Reporting Standards (“IFRS”)** In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**4. Marketable Securities**

Marketable securities are recorded at market value as they are considered available for sale. Included in marketable securities is 7,406 common shares of a company with directors in common.

**5. Property and Equipment**

	2007		
	Cost	Accumulated Amortization	Net
Land	\$ 44,838	\$ -	\$ 44,838
Leasehold improvements	15,322	15,322	-
Trucks	361,521	201,849	159,672
Computer equipment	131,412	76,136	55,276
Furniture and equipment	39,756	31,377	8,379
Geophysical equipment	36,447	15,652	20,795
Website	4,800	3,872	928
	<u>\$ 634,096</u>	<u>\$ 344,208</u>	<u>\$ 289,888</u>
	2006		
	Cost	Accumulated Amortization	Net
Land	\$ 103,077	\$ -	\$ 103,077
Leasehold improvements	15,322	13,417	1,905
Trucks	313,451	160,610	152,841
Computer equipment	103,754	64,072	39,682
Furniture and equipment	36,376	29,689	6,687
Geophysical equipment	36,445	10,942	25,503
Website	4,800	3,533	1,267
	<u>\$ 613,225</u>	<u>\$ 282,263</u>	<u>\$ 330,962</u>

## **Radius Gold Inc.**

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### **6. Mineral Properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

#### A) Guatemala

##### i) El Tambor

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

##### a) La Laguna, Santa Margarita, El Injerto and Carlos Antonio

In 2002, the Company acquired a 100% interest in the La Laguna concession, and in 2004, the Company acquired a 100% interest (subject to a 2.5% net smelter returns royalty) in the Unidad Tipo, the Santa Margarita, Tizate, El Injerto and Carlos Antonio concessions. In 2006, the Company terminated its rights to the Tizate concession, and in 2007, the land covered by the Santa Margarita and Unidad Tipo concessions were combined as one concession called Santa Margarita.

##### b) Progreso VII Concessions

The Company acquired the right to a 100% interest (subject to a 4% net smelter returns royalty) in the Progreso II to VII Concessions under an exploration lease and option to purchase agreement dated May 7, 2002, and amended October 14, 2004, with Entre Mares De Guatemala, S.A. The Company incurred the minimum aggregate exploration costs required to be made by May 6, 2006 of US\$800,000, and in June 2006 purchased the Progreso VII Concession for US\$250,000 (paid). During the year ended December 31, 2006 it had been mutually agreed to drop the Progreso II to VI concessions from the company's right to purchase. One-half of the 4% royalty may be purchased by the Company for US\$2.0 million.

##### ii) Marimba and Holly/Banderas

##### a) Marimba

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

##### b) Holly/Banderas

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

##### Option Agreement with Glamis Gold Ltd. ("Glamis")

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

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**6. Mineral Properties – (cont'd)**

B) Nicaragua

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

i) Natividad (El Pavon)

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

Joint Venture Agreement with Meridian Gold Inc. (“Meridian”)

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

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

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

ii) San Pedro

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

iii) India Norte

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

iv) Trebol

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

v) Estrella de Oro

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

vi) La Flor

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

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**6. Mineral Properties – (cont'd)**

B) Nicaragua – (cont'd)

vii) Regional Exploration

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

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

C) Mexico

i) Current Properties

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

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

ii) Amatista Project

In 2005, the Company acquired the right to earn a 100% interest in the Amatista epithermal gold-silver project. During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the property, and \$314,700 in costs were written-off to operations.

iii) La Fruita and El Mole Concessions

In 2005, the Company acquired by staking the La Fruita and El Mole concessions. During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the property, and as at December 31, 2007, \$7,785 (2006: \$136,887) in costs were written-off to operations.

iv) Regional Exploration

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

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**6. Mineral Properties – (cont'd)**D) Peru

## i) Rubi Property

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

- a) Make cash payments to the property owner as follows:
  - i) US\$100,000 on signing of the agreement (“Agreement Date”) (paid);
  - ii) US\$250,000 on or before August 22, 2008;
  - iii) US\$500,000 on or before August 22, 2009;
  - iv) US\$800,000 on or before August 22, 2010.
- b) Issue common shares of the Company to the property owner as follows:
  - i) 50,000 shares on signing of the agreement (“Agreement Date”) (issued);
  - ii) 100,000 on or before August 22, 2008;
  - iii) 100,000 on or before August 22, 2009;
  - iv) 250,000 on or before August 22, 2010.
- c) Incur exploration expenditures on the Property as follows:
  - i) US\$250,000 on or before August 22, 2008;
  - ii) US\$500,000 on or before August 22, 2009;
  - iii) US\$1,000,000 on or before August 22, 2010;

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

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

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

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

## ii) Artemisas Property

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

- i) A total of US\$250,000 on or before January 11, 2009;
- ii) A total of US\$900,000 on or before January 11, 2010;
- iii) A total of US\$2,000,000 on or before January 11, 2011.

**Radius Gold Inc.**

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**6. Mineral Properties – (cont'd)**

D) Peru

ii) Artemisas Property – (cont'd)

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

E) Ecuador

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

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

- a) Make the following cash payments:
  - iv) US\$100,000 on signing of the agreement (paid);
  - v) US\$125,000 upon commencement of drilling on the project;
  - vi) US\$150,000 on or before the first anniversary of the drill date;
  - vii) US\$300,000 on or before the second anniversary of the drill date;
  - viii) US\$325,000 on or before the third anniversary of the drill date.
- b) Incur exploration expenditures of US\$3,000,000 on or prior to the third anniversary of the commencement of drilling on the project.
- c) Fund and deliver a feasibility study on or before the fifth anniversary of the drill date.

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

F) Canada

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

G) Argentina

Since 2005, the Company has incurred data acquisition and geological consulting costs in connection with property investigations in Argentina. During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the properties and wrote off \$29,524 in costs to operations.

H) Colombia

In 2005, the Company incurred data acquisition and geological consulting costs in connection with property investigations in Colombia. During the year ended December 31, 2006, the Company decided, based on its exploration results to date, to do no further exploration on the properties and wrote off \$15,711 in costs to operations.

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Notes to the Consolidated Financial Statements

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**6. Mineral Properties – (cont'd)**I) Tanzania

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

**7. Related Party Transactions**

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

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

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

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

Due from related parties of \$50,498 (2006: \$147,870) are amounts due from companies which have a common director with the Company and arose from shared administrative costs. The balance owing is repayable in the normal course of business.

Accounts payable and accrued liabilities include \$15,778 (2006: \$17,570) payable to an officer of the Company.

Due to a related party is \$nil (2006: \$10,510) which are the amounts due to a company which have a common director with the Company and arose from shared administrative costs. The amount is repayable in the normal course of business.

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For the years ended December 31, 2007 and 2006

**8. Share Capital**

- a) Authorized:  
Unlimited common shares without par value

b) <u>Issued:</u>	Number of Shares	Price Per Share \$	Amount \$
Balance, December 31, 2005	53,310,988		42,402,819
Exercise of stock options	75,000	0.68	51,000
Transfer of contributed surplus on exercise of options	-		32,250
Balance, December 31, 2006	53,385,988		42,486,069
Exercise of stock options	12,500	0.56	7,000
Acquisition of property	50,000	0.58	29,000
Acquisition of property	100,000	0.64	64,000
Transfer of contributed surplus on exercise of options			1,125
Balance, December 31, 2007	53,548,488		42,587,194

**Escrow Shares**

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

**Stock Options**

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

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

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

**Radius Gold Inc.**

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

**8. Share Capital (cont'd)**

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

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

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

**Stock-Based Compensation**

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

The weighted fair value of the share purchase options granted during the year ended December 31, 2007 of \$0.32 (2006: \$0.45) per option is estimated on the grant date using the Black Scholes option valuation model. Volatility is based on the Company's historical prices. The assumptions used in calculating fair value for the years ended December 31, are as follows:

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

The following table reconciles the Company's contributed surplus:

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

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**9. Non-cash Transactions**

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

- i) Issued 50,000 common shares with a fair value of \$29,000 for the acquisition of the La Flor Property.
- ii) Issued 50,000 common shares with a fair value of \$32,000 for the acquisition of the Rubi Property.
- iii) Issued 50,000 common shares with a fair value of \$32,000 for the finder's fee on the Rubi Property.
- iv) Included in accounts payable was \$48,783 in exploration costs which was included in deferred exploration costs.

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

**10. Segmented Information**

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

Details of identifiable assets by geographic segments are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Total Assets		
Canada	\$ 6,325,882	\$ 10,787,157
Caymans	714,405	85,195
Ecuador	137,246	117,864
Guatemala	10,724,984	10,017,783
Nicaragua	4,547,829	3,705,119
Mexico	400,506	108,325
Peru	628,109	-
Other	1,568	1,795
	<u>\$ 23,480,528</u>	<u>\$ 24,823,238</u>
Property & Equipment		
Canada	\$ 43,650	\$ 34,874
Guatemala	33,606	55,220
Nicaragua	188,273	218,416
Mexico	15,756	22,453
Peru	8,602	-
	<u>\$ 289,888</u>	<u>\$ 330,963</u>

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

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

**11. Financial Instruments**

## a) Credit risk:

For advances and other receivables, the Company estimates, on a continuing basis, the probable losses and provides a provision for losses based on the estimated realizable value.

## b) Foreign currency risk:

The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure, but has no hedge positions. As at December 31, 2007, cash totalling \$1,118,436 (2006 - \$336,559) was held in US dollars, \$8,506 (2006 - \$8,450) in Nicaragua Cordoba, \$9,474 (2006 - \$2,415) in Guatemala Quetzal and \$2,550 (2006 - \$20,001) in Mexican Pesos.

**12. Accumulated Other Comprehensive Income**

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

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**13. Commitments**

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

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

**14. Income Taxes**

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

	<u>2007</u>	<u>2006</u>
Benefit at Canadian statutory rate	\$ (768,800)	\$ (2,016,600)
Foreign income taxed at other than CDN statutory rate	276,800	-
Permanent differences	152,300	415,500
Effect of a reduction in statutory rate	815,500	-
Share issuance costs	(69,500)	-
Expiry of loss carryforward	203,300	-
Increase/(decrease) in valuation allowance	<u>(600,600)</u>	<u>1,601,100</u>
	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

**Radius Gold Inc.**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2007 and 2006

**15. Subsequent Event**

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

**16. Comparative figures**

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



(the "Company")

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year End Report – December 31, 2007**

**General**

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2007. The following information, prepared as of April 22, 2008, should be read in conjunction with the December 31, 2007 financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

**Business of the Company**

Radius is in the business of acquiring, exploring and developing mineral properties, primarily gold targets, with a regional focus on Latin America. The Company's business model and philosophy centres on early-stage or grassroots exploration where large tracts of ground deemed of high potential for the discovery of mineral deposits are secured. The mineral concessions are screened by the Company's experienced geologists and prospectors combining traditional "boot and hammer" prospecting with state-of-the-art modern exploration methods. This allows for large prospective areas to be identified and rapidly assessed, maximizing the chances of discovery. In some instances following initial discovery, joint venture partners are found to advance the projects.

Radius presently has a portfolio of projects in Nicaragua, Ecuador, Peru, southern Mexico and Guatemala. Nicaragua is the current focus for the Company where it plans to undertake preliminary drilling of several properties in 2008. Elsewhere, the Company is actively undertaking target generation and prospecting in under-explored regions within Peru and south-eastern Mexico. The Company's 100%-owned Tambor property in Guatemala is an advanced high-grade gold deposit with a NI 43-101 compliant resource and favourable results from preliminary metallurgical testwork. Given the recent rise in gold price, the Company is investigating ways to advance the property through a combined small-scale production/exploration scenario.

***Nicaragua***

**Northern Autonomous Region**

Reconnaissance work comprising stream sediment sampling and prospecting programs undertaken in the first quarter of 2007 identified several areas of interest in the Region Autonoma Atlantico Norte ("RAAN") where notable amounts of free gold in sediment and gold in quartz float were identified. Radius successfully applied for three contiguous concessions, the El Trebol, La Flor and Amapola licences totalling 57,798 hectares.

El Trébol

Trébol is a gold-bearing epithermal system discovered by Radius during stream sediment sampling and reconnaissance exploration rock sampling in the RAAN. Prospecting work found notable amounts of visible gold in the stream sediment and quartz float in two areas.

Due to dense vegetation and soil cover, rock exposures at Trébol are restricted to boulders and outcrops that form a trend of low-lying ridges that can be traced over several kilometers. Mineralization is associated with a range of silicification textures including chalcedonic banded/colloform quartz veining, breccias and stockworks, typical of low sulphidation epithermal systems. Trench sampling results from an initial 4 trenches were reported in May 2007 and included assays of 18.0m @ 1.34 g/t Au (TRSD-03), and 10.5m @ 9.1 g/t Au (TRSD-04) which included 0.75m @ 13.1 g/t Au and 0.75m @ 66.2 g/t Au with abundant visible gold observed associated with manganese and iron oxides.

In October 2007, the Company released results of further trenching, including the results from trenches TRSD-03 and TRSD-04 that were extended. A total of 13 trenches (TRSD-01 - TRSD-13) have now been excavated to date over a strike length of approximately 5km. Results to year end 2007 are as follows:

	<u>Metres</u>	<u>g/t Au</u>
TRSD-01	13.50	0.24
TRSD-02	10.40	1.34
TRSD-03	34.00	1.00
TRSD-04	35.25	4.91
includes	8.35	17.6
TRSD-05	11.65	2.70
TRSD-06	10.00	0.93
TRSD-07	13.40	0.50
TRSD-08	12.65	0.75
TRSD-09	19.43	0.37
TRSD-10	9.00	0.37
TRSD-11	11.80	0.38
TRSD-12	11.00	0.29
TRSD-13	6.00	1.73

Most of the trenches start and end in alteration and low grade mineralization characterized by multi-directional system of quartz veins and associated stockworks hosted in strongly altered volcanic rocks.

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

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

	<u>Metres</u>	<u>g/t Au</u>
TRSD-14	22.0	0.57
includes	6.0	1.00
TRSD-15	33.8	3.40
includes	15.0	6.10
TRSD-16	13	0.19
TRSD-17	20	0.87

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

A detailed soil geochemical survey is underway and existing trenches are being extended to better define the surface widths of mineralization. A preliminary drill program is planned.

### La Flor

In September 2007, work began on the La Flor and Amapola concessions (15,604 and 13,809 hectares respectively) which are located to the south and contiguous with the Trébol concession in the RAAN. Work is ongoing, and includes trenching and mapping of known veins focused around the historic Linda Ventura vein, and prospecting and trenching of known mineralized areas elsewhere on the claims.

La Flor contains several trends of low sulphidation, quartz-adularia veins hosted within Tertiary-aged volcanic andesites and pyroclastic rocks. The eastern-most trend, Linda Ventura, is approximately 6m wide and comprises central banded chalcedony-adularia in a surrounding quartz-stockwork envelope. The main vein has been traced for 1.1km, and additional veins were exposed by trenching. The best trench sampled to date averaged 6m @ 4.82 g/t Au, however a detailed soil survey indicates that the strike length of the vein system to be limited. Trenching and rock sampling was underway elsewhere in the Tamarinda, Nazaret and Bufalo zones, including detailed soil geochemical surveys with the majority of assays still pending.

### Estrella de Oro

The Estrella de Oro property, located 17 km west of the town of Siuna within Nicaragua's "Golden Triangle" region, was acquired by Radius in 2007 and consists of 46,220 hectares. An all-weather dirt road transects the central part of the property.

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

Permits were applied for in late 2007, and work planned for early 2008 consists of trenching and sampling of the old workings, plus soil surveys to define the extensions of the known mineralized zones. The vein shoots appear to be steeply dipping and rarely outcrop due to thick vegetation cover. A regional drainage geochemical survey will be undertaken over the rest of the 46,000 hectares to assess the remaining concession to identify for additional mineralized areas

Initial results of trenching were announced in February 2008 as follows:

- TR-LE-001 15.2m @ 6.73 g/t Au, incl. 2.72m @ 10.24 g/t Au and 1.3m @ 44.17 g/t Au
- TR-LE-002 12.3m @ 1.55 g/t Au
- TR-LE-003 9.3m @ 3.77 g/t Au, incl. 3.62m @ 7.15 g/t Au
- TR-LE-004 4.9m @ 8.55 g/t Au

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

Further trenching and sampling is planned in the Cerro Estrella area in order to better define the continuity of the mineralization along strike to the northeast and southwest. Permitting has been initiated for a preliminary drill program to be undertaken during 2008.

### Natividad

In January 2007, Meridian Gold Inc. withdrew from the Natividad joint venture and has now completed rehabilitation of the camp and drill pads. The property and all data acquired by Meridian have been returned to the Company. Meridian expended approximately US\$5.3 million on the property, having completed a total of 12,012m of drilling in 70 holes. Overall the results of three drill campaigns were disappointing and failed to extend the mineralized shoots intersected. Strong veining with highly favourable textures were intersected but results generally failed to exceed 2 g/t gold. The Company consequently has reduced the size of its Natividad and El Milagro concessions to 4,649 hectares to cover the main area of mineralization.

### San Pedro

The San Pedro project was discovered by Radius's field teams investigating reports of old workings in the area. Gold mineralization at San Pedro occurs as low-sulfidation epithermal quartz veins, breccias, and associated stockworks that have been identified over a 12km by 4km area. Mineralization appears to be associated with rhyolite domes associated with an eroded caldera that is cut by regional extensional structures.

On March 19, 2008 the Company announced, subject to due diligence, an agreement to option the San Pedro project to Vanessa Ventures Ltd.

### India Norte

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

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

## ***Guatemala***

### Tambor

The Tambor Properties host an orogenic lode gold belt, discovered by Radius in 2000 and explored by Gold Fields under joint venture until 2004. Gold Fields drill tested the Guapinol, La Laguna, Poza del Coyote and

Cliff zones and outlined a 43-101 compliant resource of 216,000 ounces of gold in inferred resources (2.55 million tonnes @ 2.64 g/t Au) and 57,800 ounces in indicated resources (456,000 tonnes @ 3.94 g/t Au) prepared by Chlumsky, Armbrust and Meyer LLC of Lakewood Colorado. The majority of this resource is contained within high grade quartz vein bodies.

In early 2007 permits were obtained and underground exploration commenced at the Tambor project by way of an exploration drift to access the high grade gold zones at Guapinol. The primary objective of the underground work was to provide information on the structural controls, continuity and grade of the high grade gold mineralization and hence the potential to develop additional resources. In July 2007, the exploration adit intersected the target vein as planned 202.1m into the hill. The width of the vein exposure in the main tunnel was 3.2m, with a dip of 75° for a true width of 3.09m. Diamond drill hole PDD-03-033, first reported in Radius's news release dated August 13, 2003, returned 80.5g/t Au over 5.3m from a quartz vein. The vein was sampled on both sidewalls of the adit and gave results of:

- 74.5 g/t Au over 3.40m (includes 0.2m of quartz veining on HW) from the vein on the east tunnel wall (est. true width 3.28m)
- 77.7 g/t Au over 2.40m from the vein on the west tunnel wall (est. true width 2.32m)

The sampling results are very similar to those returned in 2003 for hole DH-033 which was clearly exposed in the roof of the tunnel, and cut 80.5g/t Au over 5.3m from the same quartz vein (see news release dated August 13, 2003.)

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.

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. The Company is looking to advance the property through a combined development/exploration scenario with a joint venture partner.

### ***Mexico***

The Company has been actively exploring the states of Chiapas and Oaxaca since late 2006. Target identification and compilation work is ongoing, consisting of structural and clay-iron alteration analysis of remote sensing imagery, compilation of available geochemical databases and mineral occurrences, with emphasis on follow-up of targets by prospecting and stream sediment geochemistry. Generative work resulted in five areas assessed in 2007 and eight concessions staked in Oaxaca and Chiapas. Granting of title to the concessions was subject to severe delays at the Mexican Mines department, with one application still pending title at the time of writing.

#### Tlacolula, Oaxaca

Reconnaissance work in 2007 identified a prospective area north-northeast of the Ag-Au Taviche district, and west of the Cobre Grande Cu skarn deposit. Two concessions were filed (and title has since been received) for a total of 82,630 hectares. First pass work included stream sediments sampling and prospecting. From this work several stream sediment anomalies resulted with values ranging up to 819 ppb Ag and up to 53 ppb Au. Follow-up work of one of these anomalies, 43km east-southeast of the city of Oaxaca and northeast of the Taviche district, identified a >1km long N-NW trending zone of argillic alteration in andesites some 30 to 40m wide, with veins and breccia zones composed of mainly calcite and lesser quartz. Disseminated pyrrargyrite, acanthite, and pyrite are observed in the veins and in the

breccias. Sampling of stream sections gave up to 130.8 g/t Ag over 21.5m (incl. 183.4 g/t Ag over 12.1m, with 1.3 kg Ag over 0.3mt received from sampling over a small adit.

#### Tapanatepec, Oaxaca – Chiapas

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

The area is underlain by a Tertiary granodiorite, a Paleozoic granite, and a Paleozoic to Cretaceous, partly metamorphosed terrigenous sediments and volcanoclastics with limestone interbeds. A stream sediment sampling program resulted in several gold anomalies, with a high value of 825ppb Au. Details on the various areas will be reported once Radius has secured title.

#### Nuevo Jerusalem, Chiapas

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

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

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

#### Las Tigrillas

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

#### Penjamo

Reconnaissance of the area southwest of Tuxtla Gutierrez gave in a 54.2 g/t Au sample from quartz veining in sandstones and siltstones. Stream sediment sampling also resulted in several gold anomalous samples ranging from 45 to 986 ppb. A 7,100 hectare claim was applied for and titled, and follow-up work is pending.

#### La Industria, Chiapas

At the La Industria area, located 35km southwest of Tuxtla Gutierrez, prospecting found several collapsed old pits, as well as float quartz veining and of massive pyrrhotite with minor chalcopyrite, that assayed from

trace to 9.52 g/t Au. An application for a concession was made, and later titled. However, further sampling and mapping, including a stream sediment survey and several trenches, failed to produce favourable results and the concession application was relinquished.

### La Luz

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

### ***Ecuador***

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

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

Cerro Colorado is a 200m diameter hill with abundant pervasive silicification and was Newmont’s main target area. The area has been tentatively interpreted as being at the roots of a large silica “Yanacocha-type” system. Values of trace to 2.7g/t Au have been recovered from grab and chip sampling of the zone. The size of the alteration and the extent of the silicification make Cerro Colorado a high priority drill target.

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

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

Given the recent political uncertainty over the Ecuadorian government’s future intentions towards international mining investment, management has adopted a low key approach towards progressing Cerro Colorado. Throughout 2007, work at Cerro Colorado focused on community relations to try securing

permission from the local community to drill the project, however little progress was made. Monitoring of the broader political climate in Ecuador will continue until the future of mining in Ecuador is more certain.

### ***Peru***

The Company established an exploration office in Lima, Peru during 2007 in order to actively review opportunities and acquire properties for exploration.

#### Rubi Project

In August 2007, Radius signed an option agreement to acquire 100% of the Rubi gold-silver property located approximately 400 km south-east of Lima (Radius press release August 27, 2007). The property comprises seven mineral concessions totalling 3,000 hectares, and covers a 9km long north-south corridor where gold and silver-bearing veins outcrop within three broad areas called the San Andres, Virgen de Chapi and Minas Rubi areas. On the Minas Rubi area, a series of oxidized epithermal quartz-carbonate Au-Ag veins and breccias are hosted within porphyritic andesites. The veins outcrop on a low hill approximately 1 km x 0.5 km in area, with mineralization traceable at least 1 km to the north. Surface pits and shallow underground workings are extensive, with numerous veins and at least three vein trends evident with individual veins at surface reaching widths of over 4m. Initial surface channel sampling of veins by the Company returned assays ranging from trace to 20.8 g/t Au and 356 g/t Ag over 2m, and 3 g/t Au and 373 g/t Ag over 3.9m.

Under its agreement with Exploraciones Andinas S.A.C. (“Andinas”), a private Peruvian company, the Company can purchase 100% of the Rubi property by incurring exploration expenditures of US\$1.75 million and making staged cash payments to Andinas of US\$1.65 million and 500,000 shares in Radius over three years. To date, the Company has paid US\$100,000 and issued 50,000 shares to Andinas. The Company has also paid finder’s fees of \$10,000 and 25,000 shares each to two individuals.

Initial exploration commenced on the property in September 2007 and was completed in December following the signing of access agreements with two local communities. The work incorporated regional scale mapping over the property, and prospect-scale mapping in the Minas Rubi, San Andres, Minas Chapi and San Sebastien areas, including rehabilitation of underground tunnels at Rubi and underground channel sampling. A total of 594 rock channel samples were taken and analyzed for Fire Assay gold and multi-element ICP at Chemex Laboratories in Lima.

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

### Artemisas

In November 2007, Vancouver, Radius was granted the option to acquire a 70% interest in the Artemisas gold project, located in the District of Chuquibambilla, Department of Apurimac, and some 1,000km southeast of Lima. It lies at an altitude of 4,700m and consists of four contiguous exploration concessions totaling 3,300 hectares.

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

Under the terms of its agreement with Kingsgate Peru S.R.L., Radius can earn up to 70% in the project by spending \$2 million in exploration over a period of three years, with 50% of costs to be expended on drilling. Once Radius has vested its 70%, a joint venture will be formed where both parties fund their share of exploration on a pro-rata basis. If either party dilutes to less than a 10% interest, it will be converted into a 1% net smelter royalty.

The first part of the work program at Artemisas will involve gaining access from the local community, after which the technical program will commence and comprise geological mapping and sampling, followed by drilling of best targets.

### Selected Annual Information

The following table provides information for each of the three most recently completed financial years:

	2007 (\$)	2006 (\$)	2005 (\$)
<b>Total Interest / Other Income</b>	331,697	377,059	341,125
<b>Loss before extraordinary items</b>			
<b>Total</b>	2,277,659	4,563,806	6,679,398
<b>Basic &amp; Fully diluted per share *</b>	0.04	0.09	0.13
<b>Net Loss</b>			
<b>Total</b>	2,277,659	4,563,806	6,679,398
<b>Basic &amp; Fully diluted per share *</b>	0.04	0.09	0.13
<b>Total Assets</b>	23,480,528	24,823,238	28,167,622
<b>Total long-term liabilities</b>	-	-	-
<b>Cash dividends</b>	-	-	-

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

## **Results of Operations**

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

## **Quarterly Information**

The following table provides information for the eight fiscal quarters ended December 31, 2007:

	Fourth Quarter Ended Dec. 31, 2007 (\$)	Third Quarter Ended Sept. 30, 2007 (\$)	Second Quarter Ended June 30, 2007 (\$)	First Quarter Ended March 31, 2007 (\$)	Fourth Quarter Ended Dec. 31, 2006 (\$)	Third Quarter Ended Sept. 30, 2006 (\$)	Second Quarter Ended June 30, 2006 (\$)	First Quarter Ended March 31, 2006 (\$)
<b>Total Income</b>	55,484	186,513	14,278	75,422	238,352	8,335	18,760	111,612
<b>Net Loss</b>	1,116,497	140,389	905,078	115,695	2,714,519	132,291	155,509	1,561,487
<b>Net Loss per share</b>	0.02	0.00	0.02	0.00	0.05	0.00	0.00	0.03

During the fourth quarter ended December 31, 2007, the Company had a net loss of \$1,116,497 (\$0.02 per share) which included property write-offs of \$784,879 and interest and other income of \$55,484. Total corporate expenses in the fourth quarter were approximately \$73,000 greater as in the third quarter. Increased expense categories included in the fourth quarter are the audit fee accrual, office, salaries, and travel. During the fourth quarter, the Company's working capital decreased by approximately \$1.1 million.

## **Liquidity and Capital Resources**

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 \$698,000 on corporate expenses. Working capital at December 31, 2007 was \$6.90 million compared to \$10.83 million at December 31, 2006.

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

## **Mineral Properties Expenditures**

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

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

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

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

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

### **Related Party Transactions**

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

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

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

Advances and other receivables include \$26,665 (Dec. 31, 2006: \$48,528) due from directors and officers of the Company. These were funds advanced for Company expenses and any balance owed will be paid back in the normal course of business.

Due from related parties of \$50,498 (Dec. 31, 2006: \$147,870) are amounts due from companies which have a common director with the Company and arose from shared administrative costs. The balance owing is repayable in the normal course of business.

Accounts payable and advances include \$15,778 (Dec. 31, 2006: \$17,570) payable to an officer of the Company.

Due to related parties is \$nil (Dec. 31, 2006: \$10,510) which are the amounts due to a company which have a common director with the Company and arose from shared administrative costs.

### **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 outstanding share position as at April 22, 2008 is 53,548,488 common shares, and the following share purchase warrants and incentive stock options are currently outstanding:

<b><u>WARRANTS</u></b>		
<u>No. of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Nil		
<b><u>STOCK OPTIONS</u></b>		
<u>No. of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,405,000	\$0.70	February 21, 2011
875,000	\$0.52	April 16, 2012
50,000	\$0.62	May 31, 2012
1,100,000	\$0.56	September 5, 2012
<u>50,000</u>	<u>\$0.48</u>	<u>December 3, 2012</u>
<u>4,480,000</u>		

### **Financial Instruments**

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

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

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

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

### **Forward Looking Information**

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

### **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 and Financial Reporting Controls**

Management of the Company has designed such disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the annual filings and has 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.

Management has also designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

