



FINANCIAL REVIEW

Fiscal Year Ended December 31, 2004

RADIUS GOLD INC.

(formerly Radius Explorations Ltd.)

(An Exploration Stage Company)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

(Stated in Canadian dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders,
Radius Gold Inc.
(formerly Radius Explorations Ltd.)
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Radius Gold Inc. (formerly Radius Explorations Ltd.) as at December 31, 2004 and 2003 and the consolidated statements of operations, cash flows and shareholders' equity for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and cash flows for the years ended December 31, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended December 31, 2002 were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated April 17, 2003.

Vancouver, Canada
April 5, 2005

"AMISANO HANSON"
Chartered Accountants

COMMENTS BY AUDITORS FOR U. S. READERS ON CANADA-U.S REPORTING CONFLICT

The Standards of the Public Company Accounting Oversight Board (United States of America) require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements and changes in accounting principles that have been implemented in the consolidated financial statements. As discussed in Note 3 to the accompanying consolidated financial statements, the Company changed its method of accounting for Stock-based Compensation (CICA Handbook Section 3870).

Our report to the shareholders dated April 5, 2005 is expressed in accordance with Canadian reporting standards, which do not permit a reference to such a change in accounting policy in the Auditors' Report when the change in accounting policy is adequately disclosed in the financial statements.

Vancouver, Canada
April 5, 2005

"AMISANO HANSON"
Chartered Accountants

RADIUS GOLD INC.
(formerly Radius Explorations Ltd.)
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003
(Stated in Canadian Dollars)

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 16,533,986	\$ 14,784,487
Advances and receivables – Notes 6 and 10	732,025	97,613
Due from related parties – Note 5	80,840	385,061
Prepaid expenses	<u>71,496</u>	<u>30,078</u>
	17,418,347	15,297,239
Mineral properties – Notes 6 and 10 and Schedule 1	16,819,598	7,657,963
Property and equipment – Note 7	<u>373,952</u>	<u>152,902</u>
	<u>\$ 34,611,897</u>	<u>\$ 23,108,104</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities – Note 10	\$ 347,394	\$ 226,174
Due to related parties – Note 5	<u>-</u>	<u>275,812</u>
	<u>347,394</u>	<u>501,986</u>

SHAREHOLDERS' EQUITY

Capital stock – Notes 8 and 14	42,060,982	27,539,692
Authorized: Unlimited common shares without par value		
Issued: 53,091,188 shares (2003: 38,395,242)		
Contributed surplus – Note 8	<u>2,290,834</u>	<u>234,500</u>
	44,351,816	27,774,192
Deficit	<u>(10,087,313)</u>	<u>(5,168,074)</u>
	<u>34,264,503</u>	<u>22,606,118</u>
	<u>\$ 34,611,897</u>	<u>\$ 23,108,104</u>

Commitments – Notes 6, 8 and 12
Subsequent Events – Notes 6, 8 and 14

ON BEHALF OF THE BOARD:

<u>“Simon Ridgway”</u> Director		<u>“Mario Szotlender”</u> Director
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SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
(formerly Radius Explorations Ltd.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended December 31, 2004, 2003 and 2002
(Stated in Canadian Dollars)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses			
Amortization	\$ 55,379	\$ 29,036	\$ 25,377
Consulting fees – Note 10	69,870	33,061	60,000
Management fees – Note 10	45,000	30,000	30,000
Non-cash compensation charge – Note 8	1,173,784	234,500	-
Office and miscellaneous	33,521	27,944	44,319
Professional fees	291,233	54,427	31,077
Rent and utilities	37,454	26,773	76,137
Repairs and maintenance	13,194	6,602	-
Salaries and benefits – Note 10	178,766	182,203	179,646
Shareholder communication	703,715	531,813	92,521
Telephone	15,222	7,433	-
Transfer agent and regulatory fees	51,058	27,833	33,083
Travel and accommodation	98,513	90,446	42,130
	<u>(2,766,709)</u>	<u>(1,282,071)</u>	<u>(614,290)</u>
Other Income (Expenses)			
Foreign exchange	(256,135)	(64,702)	-
Interest income	431,676	72,149	32,689
Other income	6,234	-	14,090
Recovery of rental expense	-	-	39,780
Settlement of old debt	26,800	-	-
Write-off of mineral property acquisition costs – Note 6	-	(338,197)	(91,143)
Write-off of deferred exploration costs – Note 6	(1,350,205)	(108,332)	(23,752)
Loss on disposal of subsidiary – Note 2	-	(910)	-
	<u>(1,141,630)</u>	<u>(439,992)</u>	<u>(28,336)</u>
Net loss for the year	<u>\$ (3,908,339)</u>	<u>\$ (1,722,063)</u>	<u>\$ (642,626)</u>
Basic and diluted loss per common share	<u>\$ (0.09)</u>	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding	<u>44,916,963</u>	<u>28,446,194</u>	<u>18,055,597</u>

SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
(formerly Radius Explorations Ltd.)
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2004, 2003 and 2002
(Stated in Canadian Dollars)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating Activities			
Net loss for the year	\$ (3,908,339)	\$ (1,722,063)	\$ (642,626)
Items not affecting cash:			
Amortization	55,379	29,036	25,377
Loss on disposal of subsidiary	-	910	-
Non-cash compensation	1,173,784	234,500	-
Write-off of mineral property acquisition costs	-	338,197	91,143
Write-off of deferred exploration costs	1,350,205	108,332	23,752
Changes in non-cash working capital items:			
Advances and receivables	(474,722)	3,767	(14,533)
Prepaid expenses	(12,710)	(729)	17,945
Accounts payable and accrued liabilities	<u>(257,763)</u>	<u>141,848</u>	<u>(122,679)</u>
Net cash used in operating activities	<u>(2,074,166)</u>	<u>(866,202)</u>	<u>(621,621)</u>
Investing Activities			
Acquisition of capital assets	(253,876)	(141,309)	-
Decrease in exploration advances	-	-	43,792
Due from related parties	126,355	(302,617)	71,164
Mineral property acquisition costs	(210,692)	(205,831)	(208,030)
Deferred exploration costs	(3,094,156)	(1,184,621)	(1,533,511)
Due to related parties	(275,812)	240,985	34,827
Net cash acquired on amalgamation	<u>6,491,647</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>2,783,466</u>	<u>(1,593,393)</u>	<u>(1,591,758)</u>
Financing Activities			
Net proceeds from issuance of capital stock	1,040,199	15,386,927	951,886
Share subscriptions	<u>-</u>	<u>-</u>	<u>500,000</u>
Net cash provided by financing activities	<u>1,040,199</u>	<u>15,386,927</u>	<u>1,451,886</u>
Increase (decrease) in cash and cash equivalents during the year	1,749,499	12,927,332	(761,493)
Decrease in cash from disposal of subsidiary	-	(1,468)	-
Cash and cash equivalents, beginning of year	<u>14,784,487</u>	<u>1,858,623</u>	<u>2,620,116</u>
Cash and cash equivalents, end of year	<u>\$ 16,533,986</u>	<u>\$ 14,784,487</u>	<u>\$ 1,858,623</u>

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SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2004, 2003 and 2002
(Stated in Canadian Dollars)

Continued

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Supplementary disclosure of cash flow information:			
Cash paid for interest	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Cash paid for income taxes	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Non-cash Transactions – Note 9			

SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
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STATEMENT OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2004, 2003 and 2002
(Stated in Canadian Dollars)

	Common Stock		Share Subscriptions	Contributed Surplus	Deficit Accumulated during the Exploration Stage	Total
	Issued Shares	Amount				
Balance, December 31, 2001	17,911,096	\$ 10,700,879	\$ -	\$ -	\$ (2,803,385)	\$ 7,897,494
Issued for cash pursuant to a private placement	– at \$0.20	4,794,800	958,960	-	-	958,960
Less: issue costs	-	(7,074)	-	-	-	(7,074)
Share subscriptions received	-	-	500,000	-	-	500,000
Net loss for the year	-	-	-	-	(642,626)	(642,626)
Balance, December 31, 2002	22,705,896	11,652,765	500,000	-	(3,446,011)	8,706,754
Share subscriptions utilized	-	-	(500,000)	-	-	(500,000)
Issued for cash pursuant to a private placement	– at \$0.50	1,000,000	500,000	-	-	500,000
	– at \$1.50	6,545,000	9,817,500	-	-	9,817,500
Less: issue costs	-	(906,981)	-	-	-	(906,981)
Issued for cash pursuant to the exercise of share purchase options	– at \$0.60	275,000	165,000	-	-	165,000
	– at \$0.66	155,000	100,750	-	-	100,750
	– at \$0.68	255,000	173,400	-	-	173,400
	– at \$0.90	30,000	27,000	-	-	27,000
	– at \$0.94	20,000	18,800	-	-	18,800
	– at \$0.95	20,000	19,000	-	-	19,000
	– at \$0.99	130,000	128,700	-	-	128,700
	– at \$1.00	40,000	40,000	-	-	40,000
	– at \$1.01	10,000	10,100	-	-	10,100
	– at \$1.25	50,000	62,500	-	-	62,500
	– at \$1.35	170,000	229,500	-	-	229,500
Issued for cash pursuant to the exercise of share purchase warrants	– at \$0.25	2,145,000	536,250	-	-	536,250
	– at \$0.55	738,750	406,313	-	-	406,313
	– at \$0.74	1,123,334	831,267	-	-	831,267
	– at \$1.25	2,982,262	3,727,828	-	-	3,727,828
Non-cash compensation charge	-	-	-	234,500	-	234,500
Net loss for the year	-	-	-	-	(1,722,063)	(1,722,063)
Balance, December 31, 2003	38,395,242	27,539,692	-	234,500	(5,168,074)	22,606,118

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SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
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(An Exploration Stage Company)
STATEMENT OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2004, 2003 and 2002
(Stated in Canadian Dollars)

	Common Stock		Share Subscriptions	Contributed Surplus	Deficit Accumulated during the Exploration Stage	Total
	Issued Shares	Amount				
Accounting change for stock-based compensation – Note 3	-	-	-	1,010,900	(1,010,900)	-
Amalgamation – Note 4	- at \$1.11	10,284,452	11,415,742	-	-	11,415,742
Pursuant to property acquisition agreement	- at \$1.49	1,300,000	1,937,000	-	-	1,937,000
Issued for cash pursuant to the exercise of share purchase options						
- at \$0.60	35,000	21,000	-	-	-	21,000
- at \$0.65	117,000	76,050	-	-	-	76,050
- at \$0.68	69,000	46,920	-	-	-	46,920
- at \$0.90	30,000	27,000	-	-	-	27,000
- at \$0.95	55,000	52,250	-	-	-	52,250
- at \$0.99	79,444	78,650	-	-	-	78,650
- at \$1.10	65,000	71,500	-	-	-	71,500
Issued for cash pursuant to the exercise of share purchase warrants						
- at \$0.25	2,649,800	662,450	-	-	-	662,450
- at \$0.55	11,250	6,188	-	-	-	6,188
Non-cash compensation charge	-	-	-	1,173,784	-	1,173,784
Transfer of contributed surplus on exercise of options	-	128,350	-	(128,350)	-	-
Less: issue costs	-	(1,810)	-	-	-	(1,810)
Net loss for the year	-	-	-	-	(3,908,339)	(3,908,339)
Balance, December 31, 2004	<u>53,091,188</u>	<u>\$ 42,060,982</u>	<u>\$ -</u>	<u>\$ 2,290,834</u>	<u>\$ (10,087,313)</u>	<u>\$ 34,264,503</u>

SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
(formerly Radius Explorations Ltd.)
(An Exploration Stage Company)
SCHEDULE OF MINERAL PROPERTIES
for the year ended December 31, 2004
(Stated in Canadian Dollars)

Schedule 1

<u>Acquisition Costs</u>	<u>Guatemala</u>	<u>Nicaragua</u>	<u>Mexico</u>	<u>Dominican Republic</u>	<u>Total 2004</u>
Balance, beginning of year	\$ 1,077,504	\$ -	\$ -	\$ -	\$ 1,077,504
Shares	1,937,000	-	-	-	1,937,000
Cash	196,796	19,315	-	-	216,111
Less: write-offs	-	-	-	-	-
Acquired through amalgamation – Note 4	<u>2,165,404</u>	<u>2,738,397</u>	<u>-</u>	<u>366,191</u>	<u>5,269,992</u>
Balance, end of year	<u>5,376,704</u>	<u>2,757,712</u>	<u>-</u>	<u>366,191</u>	<u>8,500,607</u>
<u>Deferred Exploration Costs</u>					
Balance, beginning of year	<u>5,910,418</u>	<u>670,041</u>	<u>-</u>	<u>-</u>	<u>6,580,459</u>
Administration	4,453	38,902	-	-	43,355
Automobile	21,941	129,072	-	-	151,013
Camp, food and supplies	22,863	192,878	-	-	215,741
Drafting, maps and printing	466	13,490	31,717	-	45,673
Drilling	21,051	205,998	-	-	227,049
Equipment rental	6,938	85	-	-	7,023
Geochemistry	9,460	310,181	-	-	319,641
Geological consulting	162,570	801,354	13,924	-	977,848
Other consulting	72,417	32,223	-	5,664	110,304
Legal and accounting	17,455	57,591	-	-	75,046
Licenses, rights and taxes	55,612	118,248	-	-	173,860
Materials	11,232	40,857	-	-	52,089
Maintenance	473	6,677	-	-	7,150
Miscellaneous	2,716	11,832	-	-	14,548
Medical expenses	5,975	33,391	365	-	39,731
Property investigation	25,821	46,309	-	-	72,130
Rent and utilities	48,572	45,480	-	-	94,052
Salaries and wages	63,190	174,726	-	-	237,916
Shipping	3,055	9,454	-	-	12,509
Telephone and communications	11,686	43,395	-	-	55,081
Travel and accommodation	<u>19,145</u>	<u>130,319</u>	<u>-</u>	<u>7,514</u>	<u>156,978</u>
	<u>587,091</u>	<u>2,442,462</u>	<u>46,006</u>	<u>13,178</u>	<u>3,088,737</u>
	6,497,509	3,112,503	46,006	13,178	9,669,196
Less: write-offs	<u>(893,643)</u>	<u>(456,562)</u>	<u>-</u>	<u>-</u>	<u>(1,350,205)</u>
Balance, end of year	<u>5,603,866</u>	<u>2,655,941</u>	<u>46,006</u>	<u>13,178</u>	<u>8,318,991</u>
	<u>\$10,980,570</u>	<u>\$ 5,413,653</u>	<u>\$ 46,006</u>	<u>\$ 379,369</u>	<u>\$ 16,819,598</u>

SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
(formerly Radius Explorations Ltd.)
(An Exploration Stage Company)
SCHEDULE OF MINERAL PROPERTIES
for the year ended December 31, 2003
(Stated in Canadian Dollars)

Schedule 1

<u>Acquisition Costs</u>	<u>Guatemala</u>	<u>Nicaragua</u>	<u>Total</u> <u>2003</u>
Balance, beginning of year	\$ 1,209,870	\$ -	\$ 1,209,870
Cash	205,831	-	205,831
Less: write-off	<u>(338,197)</u>	<u>-</u>	<u>(338,197)</u>
Balance, end of year	<u>1,077,504</u>	<u>-</u>	<u>1,077,504</u>
 <u>Deferred Exploration</u>			
Balance, beginning of year	<u>5,504,170</u>	<u>-</u>	<u>5,504,170</u>
Administration	63,864	81,182	145,046
Automobile	16,413	31,768	48,181
Camp, food and utilities	16,861	49,759	66,620
Consulting fees – Note 8	164,235	292,356	456,591
Drafting, maps and printing	4,320	5,680	10,000
Drilling	6,356	-	6,356
Equipment rental	6,141	-	6,141
Geochemistry	29,209	23,917	53,126
Geophysics	6,254	-	6,254
Legal and accounting fees	27,376	23,751	51,127
Licenses and taxes	84,359	22,594	106,953
Materials	10,697	9,075	19,772
Medical insurance	18,696	8,210	26,906
Salaries and wages	49,947	63,133	113,080
Shipping and courier	984	468	1,452
Telephone	14,402	15,366	29,768
Travel and accommodation	<u>13,012</u>	<u>42,782</u>	<u>55,794</u>
	<u>533,126</u>	<u>670,041</u>	<u>1,203,167</u>
Less: expenditures recovered	(18,546)	-	(18,546)
Less: write-offs	<u>(108,332)</u>	<u>-</u>	<u>(108,332)</u>
Balance, end of year	<u>5,910,418</u>	<u>670,041</u>	<u>6,580,459</u>
	<u>\$ 6,987,922</u>	<u>\$ 670,041</u>	<u>\$ 7,657,963</u>

SEE ACCOMPANYING NOTES

RADIUS GOLD INC.
(formerly Radius Explorations Ltd.)
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(Stated in Canadian Dollars)

Note 1 Nature of Operations

Radius Gold Inc. (the “Company”) is a public company, formed by the amalgamation of Radius Explorations Ltd. (“Radius”) (formerly RDU – TSX-V) and PilaGold Inc. (“PilaGold”) (formerly PRI – TSX-V) which became effective on July 1, 2004. The Company is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

Note 2 Significant Accounting Policies

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles which conform, in all material respects, with those generally accepted in the United States of America, except as explained in Note 17. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The financial statements have, in management’s opinion, been properly prepared using careful judgement and within the framework of the significant accounting policies summarized below.

a) Principles of consolidation

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

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

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

Note 2 Significant Accounting Policies – (cont'd)

a) Principles of consolidation – (cont'd)

During the year ended December 31, 2003, the Company disposed of its 100% interest in Minera Interminus de Mexico S.A. de C.V., a company incorporated under the laws of Mexico, and recorded a loss on disposal of \$910.

b) Cash and cash equivalents

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

c) 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.

Note 2 Significant Accounting Policies – (cont'd)

d) Property and 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
Office equipment	20% declining balance
Website	30% declining balance

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

e) Financial Instruments

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

f) Basic and Diluted Loss Per Share

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

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.

Note 2 Significant Accounting Policies – (cont'd)

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.

Note 3 Change in Accounting Policy

Stock-based Compensation

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options to be 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. Previously only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

The Company has adopted the new policy on a retroactive basis with no restatement of prior periods. Accordingly on January 1, 2004, deficit and contributed surplus were each increased by \$1,010,900 to account for share purchase option expense that would have been charged to operations in 2002 and 2003 with respect to employee share purchase options granted since January 1, 2002. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant.

These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

	<u>2003</u>	<u>2002</u>	
Expected dividend yield	0.0%		-
Expected volatility	68.3%		-
Risk-free interest rate	2.80%-3.48%		-
Expected term in years	5		-

Note 3 Change in Accounting Policy – (cont'd)

Stock-based Compensation – (cont'd)

Had the Company expensed the fair value of share purchase options in prior periods, the following pro forma amounts would have resulted:

		<u>2003</u>	<u>2002</u>
Net loss	As reported	\$ (1,722,063)	\$ (642,626)
	Pro forma	\$ (2,732,963)	\$ (642,626)
Basic and diluted loss per share	As reported	\$ (0.06)	\$ (0.04)
	Pro forma	\$ (0.10)	\$ (0.04)

Note 4 Amalgamation

- a) On July 1, 2004, Radius and PilaGold shareholders exchanged their shares for shares of the Company. Under the terms of the amalgamation, Radius shareholders received 1 Radius Gold Inc. share for every 1 Radius share held and PilaGold shareholders received 1 Radius Gold Inc. share for every 2.25 PilaGold shares held. PilaGold had 23,140,016 issued shares outstanding at July 1, 2004 which were exchanged for 10,284,452 Radius Gold Inc. shares. Radius's issued shares at July 1, 2004 were 40,306,492 which were exchanged for 40,306,492 Radius Gold Inc. shares. The transaction resulted in the shareholders of Radius acquiring the majority of the outstanding shares of the Company and has been accounted for using the purchase method with Radius being identified as the acquirer. Accordingly all comparative figures presented are of Radius. The consolidated statement of operations include the consolidated operations of Radius from January 1, 2004 to June 30, 2004 and the consolidated operations of the Company from July 1, 2004 to December 31, 2004 and do not include the consolidated operations of PilaGold from its most recent fiscal year end (March 31, 2004) to June 30, 2004.

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Note 4 Amalgamation – (cont'd)

b) The fair value of the acquired net identifiable assets of PilaGold were as follows:

Cash and short-term deposits	\$ 6,491,647
Advances and other receivables	25,297
Prepaid expenses and deposits	28,708
Due from related parties	16,117
Equipment	22,553
Advances for exploration	134,393
Deferred exploration	5,269,992
Accounts payable and accrued liabilities	(378,983)
Due to related parties	<u>(193,983)</u>
	<u>\$ 11,415,741</u>

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Note 4 Amalgamation – (cont'd)

- c) As described above, the consolidated statement of operations for the year ended December 31, 2004 does not include the results of consolidated operations of PilaGold from its last fiscal year (March 31, 2004) to June 30, 2004 as follows:

	<u>Three month period ended June 30, 2004</u>
Revenue	
Interest income	\$ <u>21,154</u>
Expenses	
Amortization	1,023
Bank charges and interest	623
Consulting	2,603
Foreign currency exchange	(17,268)
Legal and accounting fees	24,073
Management fees	7,500
Office and miscellaneous	8,531
Promotion and travel	108,371
Regulatory and stock exchange fees	176
Rent and utilities	8,540
Salaries and wages	28,635
Shareholder communication	18,076
Telephone and fax	1,207
Transfer agent fees	<u>6,536</u>
	<u>198,626</u>
Loss before other item	(177,472)
Other item:	
Write-off of exploration costs	<u>(6,361)</u>
Net loss for the period	<u>\$ (183,833)</u>
Loss per share	<u>\$ (0.01)</u>

Note 5 Related Parties

Amounts due to and from related parties, which include directors and companies with common directors and officers, unless otherwise noted are unsecured, non-interest bearing and have no fixed terms of repayment.

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

A. Guatemala

- i. El Tambor
(formerly Joint Venture Projects with Gold Fields Exploration, Inc., Guatemala)

The El Tambor Property consists of 13 exploration concessions located in south-central Guatemala.

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

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

Note 6 Mineral Properties – (cont'd)

A. Guatemala – (cont'd)

i. El Tambor – (cont'd)

a) Unidad Tipo, Santa Margarita, Tizate, El Injerto and Carlos Antonio

The Company has the right to acquire a 100% interest (subject to a 2.5% net smelter returns royalty) in five of these Concessions (the Unidad Tipo, the Santa Margarita, Tizate, El Injerto and Carlos Antonio concessions) under an option agreement dated November 21, 2000, as amended October 4, 2001 with Quimicos S.A. and Geominas S.A. for total consideration of US\$500,000. In 2004, the Company made the final required payment of US\$160,000 to exercise the option.

b) Cipres I

In year 2000, the Company entered into an option agreement to acquire a 100% interest in Cipres I Project. To acquire the interest, the Company paid US\$15,000 and was required to make future cash payments totalling US\$645,000 by 2004. Another portion of the Cipres Project was acquired by staking. In 2001, the optioned portion of the land was dropped.

During the year ended December 31, 2003, the Company decided, based on its exploration results to date, to do no further exploration on the property and \$46,255 in acquisition costs and \$23,008 in deferred exploration costs were written-off to operations.

c) Progreso II to 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 (the “Entre Mares Option Agreement”) dated May 7, 2003, and amended October 14, 2004, with Entre Mares De Guatemala, S.A., as lessor under the Entre Mares Option Agreement. The Company has incurred the minimum aggregate exploration costs required to be made by May 6, 2006 of US\$800,000, and has the right until May 7, 2006 to elect to purchase the Progreso Concessions for US\$250,000. One-half of the 4% royalty may be purchased by the Company for US\$2.0 million.

Note 6 Mineral Properties – (cont'd)

A. Guatemala – (cont'd)

i. El Tambor – (cont'd)

d) Tierra Blanca, Guatemala

In year 2000, the Company entered into an option agreement to acquire a 100% interest in the Tierra Blanca Project. To acquire the interest, the Company paid US\$15,000 and is required to make future cash payments totalling US\$985,000 by 2005. Payments during the year ended December 31, 2002 totalled \$27,894 (2001: \$40,495) in acquisition costs.

During the year ended December 31, 2002, the Company decided, based on its exploration results to date, to do no further exploration on the property, and \$91,143 in acquisition costs and \$23,752 in deferred exploration costs were written-off to operations.

Joint Venture Agreement with Fortuna Ventures Inc. (“Fortuna”)

During the year ended December 31, 2004, the Company entered into a joint venture agreement with Fortuna for the further advancement of the El Tambor Project. Fortuna has agreed to spend US\$4 million over four years to earn a 60% interest in the project and will spend a minimum of \$250,000 per year. Once Fortuna has earned its 60%, the Company retains the right to back in to 11% of the project by matching Fortuna's US\$4 million expenditure within three years. Fortuna will also pay the Company the sum of US\$50,000 in cash within ten business days of exchange acceptance and US\$50,000 in cash of Fortuna on the six-month anniversary of the agreement. This option is subject to regulatory approval. Fortuna became related to the Company by virtue of a common director subsequent to December 31, 2004.

Note 6 Mineral Properties – (cont'd)

A. Guatemala – (cont'd)

ii. Marimba and Holly/Banderas

a) Marimba

The Marimba Project consists of four exploration concessions located in southeastern Guatemala covering approximately 23,500 hectares. One of the concessions was acquired by the Company by way of a purchase price of \$21,986 (US\$13,750) and the other three concessions were acquired by way of applications for exploration concessions.

During the year ended December 31, 2002, the Company entered into an option agreement with PilaGold, whereby PilaGold can earn a 60% interest in the project. Pursuant to the amalgamation agreement, effective July 1, 2004, the terms of the agreement have been deemed satisfied.

b) Holly/Banderas

During the year ended December 31, 2002, the Company acquired a 100% interest in the Holly/Banderas Project by paying US\$13,750 (CDN\$21,896).

The Holly/Banderas Project consists of two granted exploration concessions and one application for exploration concession covering approximately 25,300 hectares.

During the year ended December 31, 2003, the Company entered into an option agreement with PilaGold, whereby PilaGold can earn a 60% interest in the project. Pursuant to the amalgamation agreement, effective July 1, 2004, the terms of the agreement have been deemed satisfied.

Joint Venture Agreement with Glamis Gold Ltd. (“Glamis”)

During the year ended December 31, 2004, the Company entered into a joint venture agreement with Glamis, giving Glamis an option to explore and develop the Holly/Banderas and Marimba properties.

Note 6 Mineral Properties – (cont'd)

A. Guatemala – (cont'd)

ii. Marimba and Holly/Banderas – (cont'd)

Joint Venture Agreement with Glamis Gold Ltd. (“Glamis”) – (cont'd)

The agreement gives Glamis the right to acquire a 51% interest in the properties by spending US\$4 million over a four-year period. To earn this interest, Glamis must:

- I. Incur US\$250,000 in exploration or development expenditures on the properties in the first 12 months following receipt of all governmental permits necessary to carry out the proposed exploration program; and
- II. Spend not less than US\$4 million in exploration expenditures within four years from the effective date, including a minimum US\$250,000 during each of the second, third and fourth years.

Glamis may earn an additional 24% interest in the property for a total of 75%, by financing and completing a positive feasibility study for the development and construction of a mine at Banderas within five years from the effective date. After the feasibility study has been completed, each party shall finance its share of future expenditures, including the construction and development of a mine on the property, in proportion to its respective interest in the property, or have its interest in the property diluted on a straight-line basis.

If Glamis fails to proceed with a feasibility study within five years from the effective date, the Company has an option to earn back to a 75% interest in the property by financing and completing a positive feasibility study for the development and construction of a mine at Banderas within seven years from the effective date.

iii. Eastern Guatemalan Project

The Eastern Guatemala Project is located in Eastern Guatemala and is a collection of three exploration concessions covering approximately 36,248 hectares. Two concessions are granted and one is in the application stage. All of these concessions were acquired by the Company by staking.

iv. Regional Exploration

During the year ended December 31, 2004, deferred exploration costs incurred by the Company since 2000 on various properties in Guatemala totalling \$893,643 was written off, as management is not planning any further work on those properties.

Note 6 Mineral Properties – (cont'd)

B. Nicaragua

i. Nicaragua Concessions

During the years ended December 31, 2004 and 2003, the Company commenced exploration on 25 mineral concessions in Nicaragua comprising approximately 840,000 hectares. As at December 31, 2004, the Company had been granted title to nine of the concessions with the remaining 16 applications for title pending.

a) El Pavon

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

During the year ended December 31, 2004, the Company entered into a joint venture agreement with Meridian, giving Meridian the option to acquire a 60% interest in El Pavon which consists of 5 of the Company’s granted concessions and 4 of the applications. In order to earn the interest, Meridian must:

- I. Spend a minimum of US\$3.5 million in exploration expenditures over the first two years of the agreement, and a minimum of US\$1 million in each of years three and four;
- II. Complete a positive feasibility study on the project; and
- III. Make the cash payments set out below for its earned share of the property’s mineral resources.

This option is subject to regulatory approval and to completion of a formal agreement between the parties.

Meridian may terminate the option after spending the US\$3.5 million by providing 30 days prior written notice to the Company. If Meridian does not meet the US\$3.5 million expenditures on or prior to the second anniversary date of the agreement, or Meridian withdraws from or terminates the agreement before making such committed expenditures, Meridian will pay to the Company the difference between the amount spent and the commitment of US\$3.5 million in cash.

Note 6 Mineral Properties – (cont'd)

B. Nicaragua – (cont'd)

i. Nicaragua Concessions – (cont'd)

a) El Pavon – (cont'd)

Joint Venture Project with Meridian Gold Inc. (“Meridian”) – (cont'd)

Upon completion of a positive feasibility study, Meridian will pay to the Company a predetermined price for its earned share of the mineral resources. Once Meridian has purchased 60 percent share of the mineral resources, it will have acquired an undivided 60% interest in the property. The price to be paid by Meridian to the Company for the resources will be:

- I. \$40 per ounce of gold if average gold prices during 30 days prior to the fourth anniversary date are less than \$400 per ounce;
- II. \$50 per ounce of gold if average gold prices during 30 days prior to the fourth anniversary date are equal to or greater than \$400 per ounce but less than \$500 per ounce;
- III. \$60 per ounce of gold if average gold prices during 30 days prior to the fourth anniversary are equal to or greater than \$500 per ounce; and
- IV. \$0.50 per ounce of silver if average recoverable silver grades for the resources exceed 100 grams per tonne.

When Meridian has exercised the option and acquired a 60 percent interest in the property, a joint venture will be established on a 60/40 basis.

Advances and receivables as at December 31, 2004 includes \$425,463 advanced by the Company to Meridian for exploration costs incurred under this agreement.

Note 6 Mineral Properties – (cont'd)

B. Nicaragua – (cont'd)

ii. Kuikuinita Project

Pursuant to an agreement dated November 22, 2002, the Company has acquired an option to earn a 70% interest in the Kuikuinita project. The Kuikuinita project consists of three exploration concessions located in northeastern Nicaragua.

In order to earn the interest the Company must:

- a. Make the following cash payments:
 - I. US\$10,000 on signing of the agreement (paid);
 - II. US\$15,000 upon transfer of the Kuikuinita concessions to a holding company, Goldstone Mining S.A. (paid);
 - III. US\$40,000 six months later (paid); and
 - IV. upon completion of the exploration work, a final payment of US\$250,000.
- b. Incur the following aggregate exploration expenditures:
 - I. US\$200,000 on or before November 22, 2003 (incurred);
 - II. US\$700,000 on or before November 22, 2004 (incurred); and
 - III. US\$1,100,000 on or before November 22, 2005.

After the earn-in, the optionors will have 45 days to decide to convert their 30% participating interest to a 4% net smelter return (“NSR”). In such event, the Company will have the right to purchase up to 3% of such 4% NSR at a cost of US\$1,000,000 for each percentage point of the NSR purchased.

Note 6 Mineral Properties – (cont'd)

B. Nicaragua – (cont'd)

iii. Mena Properties

Pursuant to a letter agreement dated February 27, 2003 and an option agreement dated October 1, 2003, the Company was granted an option to earn a 70% interest in a series of mineral concessions in Nicaragua. Three groups of concessions currently remain subject to this option, namely, Kisilala, Columbia and San Ramon. In order to earn the interest, the Company must:

- a. Make the following cash payments:
 - I. US\$50,000 upon signing the agreement with the optionor (paid);
 - II. US\$150,000 (US\$131,250 paid) upon transfer of the concessions into a newly incorporated Nicaraguan subsidiary “Newco”; and
 - III. six months after the transfer of the concessions into Newco, US\$25,000 for each concession the Company wishes to continue holding, with a minimum payment of US\$100,000 (paid) if the Company wishes to continue the option on at least one of the mineral concessions;
 - IV. upon completion of the exploration work, a final payment of \$US250,000.
- b. Incur the following exploration expenditures for each concession for which the Company wishes to earn its 70% interest:
 - I. US\$300,000 in the first year following transfer of the concession to Newco;
 - II. US\$700,000 in the second year following the transfer of the concession to Newco; and
 - III. US\$1,000,000 in the third year following the transfer of the concession to Newco.

Note 6 Mineral Properties – (cont'd)

B. Nicaragua – (cont'd)

iii. Mena Properties – (cont'd)

After the earn-in, the Company will submit a report to the optionor on all results obtained, and plan for future exploration of the concession. The optionor will have 90 days to decide to retain a 30% working interest or to convert to a 4% NSR. In that event, the Company will have the right to purchase 2% of the 4% NSR for \$1,250,000 per percentage point, and will have a first right to purchase the remaining 2% NSR.

Option agreement with Coastport Capital Inc. (“Coastport”)

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

Advances and receivables as at December 31, 2004 includes \$59,469 advanced by the Company to Coastport for exploration costs incurred under this agreement.

iv. Regional Exploration

During the year ended December 31, 2004, deferred exploration costs incurred by the Company since 2003 on various properties in Nicaragua totalling \$456,562 was written off, as management is not planning any further work on those properties.

C. Dominican Republic

The Company has staked two concessions covering approximately 19,165 hectares known as the Camila project located in southern Dominican Republic. Application for these concessions has been made with grants pending approval by the Department of Zoning.

D. Mexico

During the year ended December 31, 2004, the Company incurred data acquisition and geological consulting costs in Southern Mexico, resulting in several concession applications being submitted after the year-end.

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Note 7 Property and Equipment

	2004			2003		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Leasehold improvements	\$ 15,322	\$ 7,288	\$ 8,034	\$ 4,903	\$ 990	\$ 3,913
Trucks	166,040	72,730	93,310	166,039	51,950	114,089
Furniture and equipment	169,800	45,887	123,913	52,633	17,733	34,900
Computer hardware	66,643	23,388	43,255	-	-	-
Website	4,800	2,436	2,364	-	-	-
Land	<u>103,077</u>	<u>-</u>	<u>103,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 525,682</u>	<u>\$ 151,729</u>	<u>\$373,953</u>	<u>\$223,575</u>	<u>\$ 70,673</u>	<u>\$152,902</u>

Note 8 Capital Stock – Note 14

Commitments

Escrow

As at December 31, 2004, there are 750,000 (2003: 750,000) common shares held in escrow, the release of which is subject to regulatory approval.

Stock-based Compensation

A summary of the status of the stock option plan as of December 31, 2004, 2003 and 2002 and changes during the years ending on those dates is presented below:

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

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Note 8 Capital Stock – Note 14 – (cont'd)

Commitments – (cont'd)

Stock-based Compensation – (cont'd)

	2003	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,530,000	\$ 0.90
Granted	1,845,000	0.85
Exercised	(1,155,000)	0.84
Expired/cancelled	-	-
Outstanding, end of year	<u>2,220,000</u>	<u>\$ 0.91</u>
	2002	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,790,000	\$ 0.88
Granted	-	-
Exercised	-	-
Expired/cancelled	(260,000)	0.74
Outstanding, end of year	<u>1,530,000</u>	<u>\$ 0.90</u>

A non-cash compensation charge of \$1,173,784, associated with the granting of options, has been recognized in the financial statements for the year ended December 31, 2004. The compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	61% - 68%
Risk-free interest rate	2.25% - 4.11%
Expected term in years	1 - 5

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Note 8 Capital Stock – (cont'd)

Commitments – Note 14 – (cont'd)

Stock-based Compensation – (cont'd)

At December 31, 2004, the following employee and director common share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each purchase option held:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
22,222	\$ 1.46	March 31, 2005
50,000	0.99	March 31, 2005
29,000	0.60	November 15, 2005
125,000	0.85	January 24, 2006
140,000	1.00	July 10, 2006
670,000	0.68	January 7, 2008
140,000	0.90	January 15, 2008
55,000	0.99	January 27, 2008
50,000	1.50	October 17, 2009
235,000	1.10	August 7, 2008
150,000	1.30	January 14, 2005
100,000	1.30	January 14, 2009
375,000	1.32	February 26, 2009
102,222	0.99	September 24, 2007
128,888	1.46	January 29, 2008
22,222	1.58	February 18, 2008
22,222	2.00	April 2, 2008
22,222	2.03	April 22, 2008
11,111	2.03	August 7, 2008
66,666	1.37	August 13, 2008
44,444	1.98	January 15, 2009
35,000	1.00	September 2, 2005
445,000	1.00	September 2, 2009
<u>650,000</u>	1.00	September 6, 2009
<u>3,691,219</u>		

Subsequent to December 31, 2004, 22,222 stock options exercisable at \$1.46 per share previously granted to an employee lapsed unexercised.

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Note 8 Capital Stock – (cont'd)

Commitments – Note 14 – (cont'd)

Share Purchase Warrants

At December 31, 2004, the following share purchase warrants were outstanding entitling the holders thereof the right to purchase one common share for each share purchase warrant held:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
458,150	\$ 1.50	May 13, 2005
3,272,500	1.75	November 13, 2005
<u>1,196,666</u>	1.75	November 20, 2005
<u><u>4,927,316</u></u>		

Note 9 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statements as follows:

During the year ended December 31, 2004, the Company issued 1,300,000 common shares with a value of \$1,937,000 as payment on the El Tambor Gold Project (Note 6).

During the year ended December 31, 2003, the Company issued 1,000,000 common shares at \$0.50 per share pursuant to a private placement. The proceeds (\$500,000) were received during the year ended December 31, 2002 and were included in share subscriptions.

During the year ended December 31, 2001, the Company issued 100,000 common shares with a value of \$100,000 as payment on the El Tambor Gold Project (Note 6).

Note 10 Related Party Transactions

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

	Years ended December 31,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses			
Consulting fees	\$ 15,215	\$ 9,660	\$ 60,000
Management fees	45,000	30,000	30,000
Salaries and benefits	-	-	20,625
Mineral property costs			
Consulting fees	<u>99,000</u>	<u>66,000</u>	<u>127,875</u>
	<u>\$ 159,215</u>	<u>\$ 105,660</u>	<u>\$ 238,500</u>

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

Included in advances and receivables is \$49,312 (\$24,463) due from directors, officers and employees of the Company. Amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

Included in accounts payable and accrued liabilities is \$21,898 (2003: \$Nil) owing to a company related by virtue of a common director.

Note 11 Income Taxes

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Future income tax assets:			
Non-capital losses carried forward	\$ 2,701,631	\$ 1,386,174	\$ 878,000
Valuation allowance	<u>(2,701,631)</u>	<u>(1,386,174)</u>	<u>(878,000)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company has available for deduction against future taxable income non-capital losses of approximately \$7,600,000. These losses begin expiring in 2005. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these consolidated financial statements.

Note 12 Commitment

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

2005	\$	20,248
2006		125,567
2007		125,927
2008		129,885
2009		130,245
2010		134,203
2011		<u>123,020</u>
	\$	<u>789,095</u>

Note 13 Segmented Information

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

The segments' accounting policies are the same as those described in the summary of significant accounting policies except that expenses and other items are not allocated to the individual operating segments when determining profit or loss, but are rather attributed to the corporate office.

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Note 13 Segmented Information – (cont'd)

Details of identifiable assets by geographic segments are as follows:

	<u>Total Assets</u>	<u>Property and Equipment</u>	<u>Resource Properties</u>	<u>Deferred Exploration Costs</u>
December 31, 2004				
Canada	\$16,605,483	\$ 45,462	\$ -	\$ -
Guatemala	11,056,843	100,932	5,376,704	5,603,866
Nicaragua	6,398,808	227,558	2,757,712	2,655,941
Dominican Republic	381,642	-	366,191	13,178
Panama	123,115	-	-	-
Mexico	<u>46,006</u>	<u>-</u>	<u>-</u>	<u>46,006</u>
	<u>\$34,611,897</u>	<u>\$ 373,952</u>	<u>\$ 8,500,607</u>	<u>\$ 8,318,991</u>
December 31, 2003				
Canada	\$14,119,950	\$ 3,913	\$ -	\$ -
Guatemala	7,904,303	126,242	1,077,504	5,910,418
Nicaragua	952,766	22,747	-	670,041
Panama	<u>131,085</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$23,108,104</u>	<u>\$ 152,902</u>	<u>\$ 1,077,504</u>	<u>\$ 6,580,459</u>

Note 14 Subsequent Events – Notes 6 and 8

Subsequent to December 31, 2004:

- the Company issued 57,000 common shares at \$1.50 per share for total proceeds of \$85,500 pursuant to the exercise of share purchase warrants.
- the Company issued 37,800 common shares at \$1.30 for total proceeds of \$49,140, 40,000 common shares at \$0.90 for total proceeds of \$36,000, 50,000 common shares at \$0.99 for total proceeds of \$49,500 and 20,000 common shares at \$1.00 for total proceeds of \$20,000 pursuant to the exercise of share purchase options.

Note 15 Financial Instruments

a) Credit risk:

For advances and receivable, 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 Guatemala, Nicaragua, Dominican Republic and Panamá. The Company monitors this exposure, but has no hedge positions. As at December 31, 2004, cash totalling \$155,956 (2003: \$494,094) was held in US dollars, \$59,597 (2003: \$197,824) in Nicaragua Cordoba and \$272,265 (2003: \$539,148) in Guatemala Quetzal.

Note 16 Comparative Figures

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

Note 17 Reconciliation to United States of America Generally Accepted Accounting Principles

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

a) Mineral Properties

Under Canadian GAAP mineral property acquisition costs and exploration costs may be deferred and amortized to the extent they meet certain criteria. Under US GAAP, mineral costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of a final feasibility study establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are amortized using the units of production method over the estimated life of the ore body based on estimated recoverable ounces mined from proven and probable reserves. Therefore, additional expenses are required under US GAAP for the years ended December 31, 2004, 2003 and 2002.

Note 17 Reconciliation to United States of America Generally Accepted Accounting Principles
– (cont'd)

b) Stock-based Compensation

The Company grants stock options at exercise prices equal to the fair market value of the Company's stock at the date of the grant. Under Statement of Financial Accounting Standards No. 123 the Company had accounted for its employee stock options under the fair value method. The fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock and the expected dividends, and the risk-free interest rate over the expected life of the option.

As a result of the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for stock-based compensation, there is no difference between Canadian GAAP and US GAAP for the years ended December 31, 2004, 2003 and 2002. The change in accounting policy is the same under US GAAP.

c) Comprehensive Loss

US GAAP requires disclosure of comprehensive loss which, for the Company, is net loss under US GAAP plus the change in cumulative translation adjustment under US GAAP.

The concept of comprehensive loss does not come into effect under fiscal years beginning on or after October 1, 2006 for Canadian GAAP.

d) New Accounting Standards

Management does not believe that any recently issued, but not yet effective accounting standards if currently adopted could have a material effect on the accompanying financial statements.

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Note 17 Reconciliation to United States of America Generally Accepted Accounting Principles
– (cont'd)

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

	Years ended December 31,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net loss for the year as reported using CDN GAAP	\$ (3,908,339)	\$ (1,722,063)	\$ (642,626)
Foreign currency translation	100,481	64,702	-
Adjustments to mineral properties	<u>(10,511,840)</u>	<u>(943,923)</u>	<u>(1,741,541)</u>
Net loss for the year per US GAAP	(14,319,698)	(2,601,284)	(2,384,167)
Foreign currency translation	<u>(100,481)</u>	<u>(64,702)</u>	<u>-</u>
Comprehensive loss for the year per US GAAP	<u>\$ (14,420,179)</u>	<u>\$ (2,665,986)</u>	<u>\$ (2,384,167)</u>
Basic loss per share per US GAAP	<u>\$ (0.32)</u>	<u>\$ (0.09)</u>	<u>\$ (0.14)</u>
Weighted average number of shares outstanding per US GAAP	<u>44,916,963</u>	<u>28,446,194</u>	<u>17,305,597</u>

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Note 17 Reconciliation to United States of America Generally Accepted Accounting Principles
– (cont'd)

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

Balance Sheets	December 31,	
	<u>2004</u>	<u>2003</u>
Total assets per CDN GAAP	\$ 34,611,897	\$ 23,108,104
Adjustments for mineral properties	<u>(16,819,598)</u>	<u>(7,657,963)</u>
Total assets per US GAAP	17,792,299	15,450,141
Total liabilities per CDN and US GAAP	<u>(347,394)</u>	<u>(501,986)</u>
	<u>\$ 17,444,905</u>	<u>\$ 14,948,155</u>
Deficit, per CDN GAAP	\$ (10,087,313)	\$ (5,168,074)
Adjustments to mineral properties	<u>(16,819,598)</u>	<u>(7,657,963)</u>
Deficit, per US GAAP	(26,906,911)	(12,826,037)
Contributed surplus per CDN and US GAAP	2,290,834	-
Share capital per Canadian and US GAAP	<u>42,060,982</u>	<u>27,774,192</u>
	<u>\$ 17,444,905</u>	<u>\$ 14,948,155</u>

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Note 17 Reconciliation to United States of America Generally Accepted Accounting Principles
– (cont'd)

f) – (cont'd)

	Years ended December 31,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Statements of Cash Flows			
Cash flows used in operating activities per CDN GAAP	\$ (2,074,166)	\$ (866,202)	\$ (621,621)
Adjustments for mineral properties	<u>(3,304,848)</u>	<u>(1,390,452)</u>	<u>(1,741,541)</u>
Cash flows used in operating activities per US GAAP	<u>(5,379,014)</u>	<u>(2,256,654)</u>	<u>(2,363,162)</u>
Cash flows used in investing activities per CDN GAAP	2,783,466	(1,593,393)	(1,591,758)
Adjustments for resource properties	<u>3,304,848</u>	<u>1,390,452</u>	<u>1,741,541</u>
Cash flows used in investing activities per US GAAP	<u>6,088,314</u>	<u>(202,941)</u>	<u>149,783</u>
Cash flows from financing activities per Canadian and US GAAP	<u>1,040,199</u>	<u>15,386,927</u>	<u>1,451,886</u>
Increase (decrease) in cash per US GAAP	<u>\$ (1,749,499)</u>	<u>\$ 12,927,332</u>	<u>\$ (761,493)</u>

RADIUS GOLD INC.

(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2004

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, 2004. The following information, prepared as of April 28, 2005, should be read in conjunction with the December 31, 2004 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

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

An essential part of the Company’s strategy is to generate joint venture opportunities for its projects. Management will generally negotiate joint venture agreements if it is felt that such agreements are more likely to add sustainable shareholder value than conducting sole funded exploration programs. In keeping with this philosophy, during 2004 the Company signed joint venture agreements with Meridian Gold on the El Pavon Project in Nicaragua, with Glamis Gold on the Banderas and Marimba Projects in Guatemala, with Coastport Capital on the San Ramon Concession in Nicaragua, and with Fortuna Ventures over the Tambor Project in Guatemala. At the same time, the Company placed a strong emphasis on its generative regional exploration programs and a number of new exploration concession applications were lodged with the government in Nicaragua, and a substantial area of ground was applied for in southern Mexico towards the end of the year.

Exploration in Nicaragua work proceeded relatively slowly because the pace of the Company’s work programs is dictated to a large degree by the need to obtain government permits for most significant exploration programs.

At the El Pavon project, seven diamond drill holes were drilled mid-year. The results were sufficiently encouraging that Meridian Gold approached the Company to option the project. The Company subsequently signed a joint venture with Meridian and following a lengthy permitting and community consultation process, Meridian commenced drilling there at the end of the first quarter of 2005.

The Company’s technical teams also made a number of new gold discoveries in Nicaragua including the San Pedro vein system in eastern Nicaragua, and the early stage Nueva Guinea discovery in southern Nicaragua. Significant progress was at the San Pedro project, which is another epithermal gold system, and the Company has an extensive work program planned for San Pedro during 2005. Several Nicaraguan properties were drill tested during the year including the Columbus and Kisilala projects. Decisions regarding future work programs on each of these projects will be made in the coming year after a full evaluation of the drill results within the context of the regional geological setting of each project.

In order to utilize the advantages of geographical diversification, management is also evaluating new project opportunities in other countries within the Central American and Caribbean region where the Company has long-term experience and an established business presence. A number of project submittals were reviewed during the year but none met the Company's technical and/or financial criteria and no deals were signed. Management will continue to evaluate potential regional "plays" throughout the broader Central American / Caribbean area and will react rapidly to any project opportunities that are a good fit with Radius' overall exploration strategy of acquiring large land positions in under-explored, but highly prospective regions.

Very little work was completed in Guatemala during 2004. The Company is adopting a low key approach to its programs there. Glamis Gold was involved in a major community relations incident which resulted in the Guatemalan government placing a moratorium on the issuance of new exploitation permits. Existing exploration and exploitation permits are being grandfathered and will be honoured by the government. Until the permitting situation is fully and transparently resolved, Radius will maintain a presence through its joint venture partners only and no new generative work is anticipated for Guatemala during 2005. The Tambor Project was placed on hold while Management attempted to find a joint venture partner to continue the development of the project. Fortuna Ventures optioned the project late in the year and are planning significant work program for 2005/2006. They are currently focused on raising the necessary financing. Radius' other joint venture partner in Guatemala, Glamis Gold, drilled a number of holes at the Banderas project late in the year. Glamis are planning further work on the properties.

Significant Transaction

The Company has formed effective July 1, 2004 as a result of the amalgamation of Radius Explorations Ltd. and PilaGold Inc. Details of this transaction are set forth in the Joint Information Circular dated April 30, 2004, which is available for viewing at www.sedar.com under the company profiles of the two predecessor companies.

Accounting Method Regarding Amalgamation

Radius and PilaGold shareholders exchanged their shares for shares in Radius Gold Inc. Under the terms of the amalgamation, Radius shareholders received 1 Radius Gold Inc. share for every 1 Radius share held and PilaGold shareholders received 1 Radius Gold Inc. share for every 2.25 PilaGold shares held. PilaGold had 23,140,016 issued shares outstanding at July 1, 2004 which were exchanged for 10,284,452 Radius Gold Inc. shares. Radius's issued shares at July 1, 2004 were 40,306,492 which were exchanged for 40,306,492 Radius Gold Inc. shares. The transaction resulted in the shareholders of Radius acquiring the majority of the outstanding shares of Radius Gold Inc. and has been accounted for using the purchase method with Radius being identified as the acquirer. Accordingly all comparative figures presented are Radius Explorations Ltd. and the consolidated statement of operations include the consolidated operations of Radius Explorations from January 1, 2004 to June 30, 2004 and the consolidated operations of Radius Gold Inc. from July 1, 2004 to December 31, 2004 and do not include the consolidated operations of PilaGold from its most recent fiscal year end (March 31, 2004) to June 30, 2004.

Results of Operations

For the fiscal year ended December 31, 2004, the Company had a consolidated net loss of \$3,908,339 (\$0.09 per share) compared to a net loss of \$1,722,063 (\$0.06 per share) for the fiscal year ended December 31,

2003. Interest income for 2004 increased significantly compared to 2003 due to a greater amount of funds invested in cash equivalents. Corporate expenses increased in almost all categories. Public relations costs were much greater in early 2004 as compared to 2003 as a result of printing and distributing marketing materials to at least 500,000 persons. There was a significant increase in professional fees and administrative costs due to the amalgamation transaction, and, since the amalgamation, administrative costs are greater due to the Company's paying a larger percentage of shared office costs and salaries.

During the fiscal year ended December 31, 2004, the Company recorded a stock-based compensation expense of \$1,173,784 (\$234,500 in 2003, as adjusted).

Selected Annual Information

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

	2004 (\$)	2003 (\$)	2002 (\$)
Total Interest / Other Income	431,676	72,149	46,779
Loss before other items			
Total	2,766,709	1,282,071	614,290
Per share	0.06	0.05	0.03
Fully diluted per share *	N/A	N/A	N/A
Net Loss			
Total	3,908,339	1,722,063	642,626
Per share	0.09	0.06	0.04
Fully diluted per share *	N/A	N/A	N/A
Total Assets	34,611,897	23,108,104	8,826,465
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

*The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized to the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, however, this proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2004:

	Fourth Quarter Ended Dec. 31, 2004 (\$)	Third Quarter Ended Sept. 30, 2004 (\$)	Second Quarter Ended June 30, 2004 (\$)	First Quarter Ended March 31, 2004 (\$)	Fourth Quarter Ended Dec. 31, 2003 (\$)	Third Quarter Ended Sept. 30, 2003 (\$)	Second Quarter Ended June 30, 2003 (\$)	First Quarter Ended March 31, 2003 (\$)
Total Income	187,258	163,124	67,059	14,235	39,378	17,881	10,994	3,896
Net Loss	1,726,354	762,091	826,094	593,800	1,155,510	419,823	966,983	190,647
Net Loss per share	0.03	0.02	0.02	0.02	0.06	0.01	0.01	0.01

Liquidity and Capital Resources

The Company acquired \$6,491,647 in cash due to the amalgamation which accounts for the Company's cash resources having increased from \$14.8 million at December 31, 2003 to \$16.5 million as of December 31, 2004. During the fiscal year ended December 31, 2004, the Company's interest income and proceeds on issuance of shares provided additional cash of \$1,471,875, which almost offset the cash component of operating expenses for the year of \$1,537,547.

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

Mineral Property Expenditures

Guatemala - During the fiscal year ended December 31, 2004, \$587,091 was spent on exploration of the Company's mineral properties in Guatemala. Of that amount, the major expenditure categories include \$234,987 for geological and other consulting fees, \$63,190 for salaries, \$55,612 for licenses and taxes, and \$48,572 for office rent. \$893,643 in property investigation costs spent in Guatemala was written off during the year.

In February 2004, the Company increased its interest in the Tambor property by issuing to Gold Fields 1,300,000 shares at a deemed value of \$1.49 per share. This is following Gold Fields' incurring US\$3,500,000 in property development.

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

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

Investment Committee

The Company has established an Investment Committee to oversee the management of the current and long-term funding requirements of the Company. The Committee's objective is to obtain maximum long-term consistency and stability of return, while preserving capital, maximizing income, and maintaining sufficient liquidity to meet any unanticipated funding requirements. The Committee meets quarterly, with authority to convene additional meetings as circumstances require. The Company's investment portfolio contains approximately \$12-million distributed between two money managers.

Related Party Transactions

During the fiscal year ended December 31, 2004, the Company incurred the following expenditures charged by officers and companies which have common directors with the Company:

	Years ended December 31,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses			
Consulting fees	\$ 15,215	\$ 9,660	\$ 60,000
Management fees	45,000	30,000	30,000
Salaries and benefits	-	-	20,625
Mineral property costs			
Consulting fees	<u>99,000</u>	<u>66,000</u>	<u>127,875</u>
	<u>\$ 159,215</u>	<u>\$ 105,660</u>	<u>\$ 238,500</u>

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

Included in advances and receivables is \$49,312 (\$24,463) due from directors, officers and employees of the Company. Amounts due are unsecured, non-interest bearing and have no fixed terms of repayment.

Included in accounts payable and accrued liabilities is \$21,898 (2003: \$Nil) owing to a company related by virtue of a common director.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Warrants and Options

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

<u>No. of Shares</u>	<u>WARRANTS</u>	
	<u>Exercise Price</u>	<u>Expiry Date</u>
401,150	\$1.50	May 13, 2005
3,272,500	1.75	November 13, 2005
<u>1,196,666</u>	1.75	November 20, 2005
<u>4,870,316</u>		

<u>STOCK OPTIONS</u>		
<u>No. of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
29,000	0.60	November 15, 2005
125,000	0.85	January 24, 2006
140,000	1.00	July 10, 2006
670,000	0.68	January 7, 2008
100,000	0.90	January 15, 2008
55,000	0.99	January 27, 2008
50,000	1.50	October 17, 2009
235,000	1.10	August 7, 2008
112,200	1.30	July 14, 2005
100,000	1.30	January 14, 2009
375,000	1.32	February 26, 2009
102,222	0.99	September 24, 2007
128,888	1.46	January 29, 2008
22,222	1.58	February 18, 2008
22,222	2.00	April 2, 2008
22,222	2.03	April 22, 2008
11,111	2.03	August 7, 2008
66,666	1.37	August 13, 2008
44,444	1.98	January 15, 2009
35,000	1.00	September 2, 2005
425,000	1.00	September 2, 2009
<u>650,000</u>	1.00	September 6, 2009
<u>3,521,197</u>		

Financial Instruments

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

Forward Looking Information

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