



FINANCIAL REVIEW

Fiscal Year Ended December 31, 2020



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RADIUS GOLD INC.

Opinion

We have audited the consolidated financial statements of Radius Gold Inc. (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at December 31, 2020 and 2019;
- ◆ the consolidated statements of loss and comprehensive loss for the years then ended;
- ◆ the consolidated statements of changes in equity for the years then ended;
- ◆ the consolidated statements of cash flows for the years then ended; and
- ◆ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 15, 2021

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

| As at December 31 | 2020 | 2019 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 5) | \$ 2,223,372 | \$ 1,344,891 |
| Equity investments (Note 6) | 899,386 | 2,275,534 |
| Derivative investments (Note 7) | 3,589 | 1,529 |
| Receivables (Notes 8 and 17) | 59,155 | 71,573 |
| Prepaid expenses and deposits (Note 17) | 29,718 | 49,621 |
| Total current assets | 3,215,220 | 3,743,148 |
| Non-current assets | | |
| Long-term deposits (Note 17) | 123,098 | 123,098 |
| Property and equipment (Note 9) | 21,744 | 32,941 |
| Right-of-use asset (Note 10) | 242,031 | 302,667 |
| Mineral and royalty interests (Note 12) | 151,149 | 117,817 |
| Investment in associate (Note 11) | 1 | 1 |
| Total non-current assets | 538,023 | 576,524 |
| TOTAL ASSETS | \$ 3,753,243 | \$ 4,319,672 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 17) | \$ 97,921 | \$ 106,350 |
| Current portion of lease liability (Note 10) | 56,596 | 49,547 |
| | 154,517 | 155,897 |
| Non-current liabilities | | |
| Lease liability (Note 10) | 218,891 | 275,487 |
| Total liabilities | 373,408 | 431,384 |
| Shareholders' equity | | |
| Share capital (Note 14) | 56,694,261 | 56,647,011 |
| Other equity reserve | 7,171,487 | 7,134,168 |
| Deficit | (57,369,104) | (56,476,067) |
| Accumulated other comprehensive loss | (3,116,809) | (3,416,824) |
| Total shareholders' equity | 3,379,835 | 3,888,288 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 3,753,243 | \$ 4,319,672 |

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON APRIL 15, 2021 BY:

"Bruce Smith", Director
Bruce Smith

"William Katzin", Director
William Katzin

The accompanying notes form an integral part of these consolidated financial statements.

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

| | 2020 | 2019 |
|---|---------------------|-----------------------|
| Exploration expenditures (Note 17) | \$ 731,021 | \$ 753,960 |
| Write-down of mineral property interests (Note 12) | - | 1,259,505 |
| | 731,021 | 2,013,465 |
| General and administrative expenses | | |
| Amortization (Note 9) | 13,382 | 16,255 |
| Depreciation of right-of-use asset (Note 10) | 60,636 | 60,302 |
| Interest expense on lease liability (Note 10) | 29,038 | 32,983 |
| Legal and audit fees | 56,466 | 80,874 |
| Management fees (Note 17) | 39,750 | 42,000 |
| Office and miscellaneous (Notes 13 and 17) | 15,284 | 32,577 |
| Salaries and benefits (Note 17) | 81,841 | 122,275 |
| Share-based compensation (Notes 15) | 55,694 | 172,939 |
| Shareholder communications (Note 17) | 57,496 | 55,613 |
| Transfer agent and regulatory fees (Note 17) | 16,297 | 15,242 |
| Travel and accommodation (Note 17) | 6,937 | 11,219 |
| | 432,821 | 642,279 |
| Loss from operations | (1,163,842) | (2,655,744) |
| Investment income | 6,186 | 43,875 |
| Foreign currency exchange loss | (43,839) | (19,819) |
| Gain from mineral property option agreement (Note 12) | 306,398 | 199,170 |
| Fair value gain (loss) on derivative investments (Note 7) | 2,060 | (130,607) |
| Net loss for the year | \$ (893,037) | \$ (2,563,125) |
| Other comprehensive loss | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Gains (losses) on sale of equity investments (Note 6) | (1,016,708) | 367,933 |
| Fair value gains (losses) on equity investments (Note 6) | 1,316,723 | (877,998) |
| Total comprehensive loss | \$ (593,022) | \$ (3,073,190) |
| Basic and diluted loss per share | \$(0.01) | \$(0.03) |
| Weighted average number of common shares outstanding | 87,010,783 | 86,791,467 |

The accompanying notes form an integral part of these consolidated financial statements.

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

| | Number of common shares | Share capital | Other equity reserve | Accumulated other comprehensive loss | Deficit | Total |
|--|--|--------------------------|-------------------------------------|---|-----------------------|---------------------|
| Balance, December 31, 2018 | 86,749,800 | \$ 56,599,289 | \$ 6,979,084 | \$ (2,906,759) | \$(53,912,942) | \$ 6,758,672 |
| Loss for the year | - | - | - | - | (2,563,125) | (2,563,125) |
| Shares issued for mineral property acquisition (Note 12) | 33,255 | 6,617 | - | - | - | 6,617 |
| Options exercised (Note 14) | 155,000 | 23,250 | - | - | - | 23,250 |
| Transfer of other equity reserve on exercise of options | - | 17,855 | (17,855) | - | - | - |
| Equity investments | - | - | - | (510,065) | - | (510,065) |
| Share-based compensation (Note 15) | - | - | 172,939 | - | - | 172,939 |
| Balance, December 31, 2019 | 86,938,055 | 56,647,011 | 7,134,168 | (3,416,824) | (56,476,067) | 3,888,288 |
| Loss for the year | - | - | - | - | (893,037) | (893,037) |
| Shares issued for mineral property acquisition (Note 12) | 30,495 | 6,375 | - | - | - | 6,375 |
| Options exercised (Note 14) | 150,000 | 22,500 | - | - | - | 22,500 |
| Transfer of other equity reserve on exercise of options | - | 18,375 | (18,375) | - | - | - |
| Equity investments | - | - | - | 300,015 | - | 300,015 |
| Share-based compensation (Note 15) | - | - | 55,694 | - | - | 55,694 |
| Balance, December 31, 2020 | 87,118,550 | \$ 56,694,261 | \$ 7,171,487 | \$ (3,116,809) | \$(57,369,104) | \$ 3,379,835 |

The accompanying notes form an integral part of these consolidated financial statements.

RADIUS GOLD INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash provided (used in): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the year | \$ (893,037) | \$ (2,563,125) |
| Items not involving cash: | | |
| Amortization | 13,382 | 16,255 |
| Gain from mineral property option agreement | (306,398) | (199,170) |
| Depreciation of right-of-use asset | 60,636 | 60,302 |
| Write-down of mineral property interests | - | 1,259,505 |
| Fair value (gain) loss of derivative investments | (2,060) | 130,607 |
| Share-based compensation | 55,694 | 172,939 |
| | (1,071,783) | (1,122,687) |
| Changes in non-cash working capital items: | | |
| Receivables | 12,418 | 168,684 |
| Prepaid expenses and deposits | 19,903 | (4,932) |
| Accounts payable and accrued liabilities | (8,429) | 35,861 |
| Cash used in operating activities | (1,047,891) | (923,074) |
| FINANCING ACTIVITIES | | |
| Proceeds on issuance of common shares | 22,500 | 23,250 |
| Repayment of lease obligation | (49,547) | (37,935) |
| Cash used for financing activities | (27,047) | (14,685) |
| INVESTING ACTIVITIES | | |
| Purchase of equity investments | (149,952) | (100,000) |
| Expenditures on mineral property acquisition costs | (164,313) | (59,883) |
| Proceeds from mineral property option agreements | 443,754 | 265,670 |
| Proceeds from sale of equity investments | 1,826,115 | 572,333 |
| Purchase of property and equipment | (2,185) | (660) |
| Cash provided by investing activities | 1,953,419 | 677,460 |
| Increase (decrease) in cash and cash equivalents | 878,481 | (260,299) |
| Cash and cash equivalents, beginning of year | 1,344,891 | 1,605,190 |
| Cash and cash equivalents, end of year (Note 5) | \$ 2,223,372 | \$ 1,344,891 |

Supplemental Cash Flow Information (Note 21)

The accompanying notes form an integral part of these consolidated financial statements.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Radius Gold Inc. (the “Company”) was formed by the amalgamation of Radius Explorations Ltd. and PilaGold Inc. effective on July 1, 2004 under the laws of British Columbia.

The Company is engaged in the acquisition and exploration of mineral properties and investment in companies which hold mineral property interests. The address of the Company’s head office and principal place of business is 650 – 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

2. BASIS OF PREPARATION

These consolidated financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The accounting policies set out in Note 3 have been applied consistently by the Company and its subsidiaries to all periods presented.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars (“CDN”), which is the Company’s and its subsidiaries’ functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

At the time these consolidated financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company’s business and financing opportunities, the value of equity investments, and access to mineral properties to conduct exploration activities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing at the properties, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. A wholly owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation. Subsidiaries are deconsolidated from the date control ceases.

Details of the Company's principal subsidiaries at December 31, 2020 and 2019 are as follows:

| Name | Place of Incorporation | Interest % | Principal Activity |
|--------------------------------|-------------------------------|-------------------|----------------------------|
| Minerales Sierra Pacifico S.A. | Guatemala | 100% | Exploration company |
| Radius Gold (U.S.) Inc. | Nevada, USA | 100% | Exploration company |
| Geometales Del Norte-Geonorte | Mexico | 100% | Exploration company |
| Radius (Cayman) Inc | Cayman Islands | 100% | Investment Holding company |

b) Revenue Recognition

The Company earns revenue from royalty agreements and are based on amounts contractually due. Royalty revenue is measured at fair value of the consideration received or receivable when the Company can reliably estimate the amount, pursuant to the terms of the royalty agreement. For royalty interests, revenue recognition generally occurs in the month of production from the royalty property.

Royalty revenue may be subject to adjustment upon final settlement of estimated metal prices, weights, and assays. Adjustments recorded upon final settlement are offset against revenue when incurred. Variations between the estimated price recorded upon production and the actual final price set upon final settlement are caused by changes in market commodity prices, and result in an embedded derivative in the receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of royalty revenue. As of December 31, 2020 and 2019, there was no embedded derivative.

c) Investment in Associate

Where the Company has significant influence over the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost. The Company's share of post-acquisition profits and losses is recognized in profit or loss, except that losses in excess of the Company's investment in the associate are not recognized unless there is an obligation to fund those losses.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Such adjustments to the carrying amount are charged to operations as a gain or loss on dilution in the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Foreign Currency Translation

The functional and presentation currency of the Company and its principal subsidiaries is the Canadian dollar. Transactions denominated in a currency other than an entity's functional currency are translated as follows: unsettled monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the date of the statement of financial position 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 profit or loss.

e) Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change of value.

f) Mineral and Royalty Interests

Exploration and evaluation assets

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares issued on acquisition, at the earlier of the date the counterparty's performance is complete or the share issuance date. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. On transfer to development properties, capitalized exploration and evaluation assets are assessed for impairment.

Options are exercisable entirely at the discretion of the optionee and amounts received from optionees in connection with option agreements are credited against the capitalized acquisition costs classified as exploration and evaluation assets on the consolidated statement of financial position, with amounts received in excess credited to gain from mineral property option agreements in profit or loss.

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

The Company is in the process of exploring and developing its exploration and evaluation assets and has not yet determined the amount of reserves available. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company will test the asset for impairment based upon a variety of factors, including current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the asset or from the sale of the asset. Amounts shown for exploration and evaluation assets represent costs incurred to date, 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 would be when the actual environmental disturbance occurs.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Mineral and Royalty Interests (cont'd)

Royalties

Royalty interests consist of acquired royalties in producing and exploration and evaluation stage properties. They are subsequently measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Producing properties are those that have generated revenue from steady-state operations for the Company. Exploration and evaluation stage properties represent early stage exploration properties that are speculative and are expected to require more than two years to generate revenue, if ever, or are currently not active.

Producing royalty interests are recorded at cost and capitalized in accordance with IAS 16, *Property, Plant and Equipment*. Producing royalty interests are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available estimates of proven and probable reserves specifically associated with the properties. Management relies on information available to it under contracts with the operators and/or public disclosures for information on proven and probable reserves and resources from the operators of the producing royalty interest.

Royalty interests for exploration and evaluation assets are recorded at cost and capitalized in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*. Acquisition costs of exploration and evaluation royalty interests are capitalized and are not depleted until such time as revenue-generating activities begin.

g) Property, Equipment and Amortization

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land, which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

Amortization

Amortization is recognized in profit or loss and property and equipment is amortized over their estimated useful lives using the following methods:

| | |
|-------------------------|--|
| Leasehold improvements | 7 – 8 years straight-line (lease term) |
| Trucks | 4 – 8 years straight-line |
| Computer equipment | 25% - 50% declining balance |
| Field equipment | 30% declining balance |
| Furniture and equipment | 20% declining balance |
| Geophysical equipment | 20% declining balance |

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Right-of-Use Assets

Right-of-Use (“ROU”) assets are initially recorded at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred less any lease payments made at or before the initial recognition date. ROU assets are depreciated on a straight-line basis over the estimated useful life of the asset if the Company expects to take ownership of the asset at the end of the lease term, or over the lease term if the Company does not expect to take ownership of the asset at the end of the lease term. The lease term includes periods covered by an option to extend if the Company’s intention is to exercise that option. ROU assets are periodically reduced by impairment losses, if any, and adjusted for re-measurements of the lease obligation.

i) Earnings / Loss per Share

Basic earnings / loss per share is calculated by dividing the net earnings loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of the Company.

For the year ended December 31, 2020, potentially dilutive common shares (relating to options outstanding at year-end) totalling 5,595,000 (2019: 4,835,000) were not included in the computation of earnings/loss per share, because their effect was anti-dilutive. As such, basic and diluted earnings and losses per share were the same for the periods presented.

j) Income Taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net loss/income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for those taxable temporary differences arising on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

k) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a “Unit”) and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The fair value of the Unit’s components sold is measured using the residual value approach. The proceeds received are first allocated to common shares at the time the units are priced, and any excess is allocated to warrants.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model or the fair value of the shares granted.

All equity-settled share-based payments are reflected in other equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities may include restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

As at December 31, 2020 and 2019, the Company had no significant asset retirement or rehabilitation obligations.

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income.

o) Financial Instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Financial Instruments (cont'd)

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

The Company has made the following designations of its financial instruments:

| | |
|--|----------------|
| Cash and cash equivalents | FVTPL |
| Equity investments | FVTOCI |
| Derivative investments | FVTPL |
| Receivables | Amortized cost |
| Deposits | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Lease liability | Amortized cost |

p) Lease Liabilities

The lease liability is measured at the present value of the expected lease payments over the lease term, discounted at the implicit rate in the lease; if the rate cannot be determined, the incremental borrowing rate of the asset or asset grouping is used. The lease liability is increased for the passage of time and payments on the lease are offset against the lease liability. The liability is subsequently re-measured when there is a change in the lease agreement, such as a change in future lease payments or if the Company decides to purchase, extend, or terminate the lease option. When the lease liability is re-measured, an adjustment is applied to the carrying value of the ROU asset.

q) Standards, Amendments and Interpretations Not Yet Effective

The Company will be required to adopt the following standard and amendments issued by the IASB as described below:

IFRS 17 Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

This standard will be effective for the Company's annual period beginning January 1, 2021. The Company has assessed that the impact of IFRS 17 on its consolidated financial statements would not be significant.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- a) Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Rackla Metals Inc. (“Rackla”).
- b) The functional currency for each of the Company’s subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.
- c) The application of the Company’s accounting policy for exploration and evaluation assets and royalty interests requires judgment in determining whether it is likely that future economic benefits will flow to the Company.
If, after exploration and evaluation assets are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available.
- d) The determination of when receivables are impaired requires significant judgment as to their collectability.
- e) The Company applies judgement in determining whether a lease contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- a) The Company is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.
- b) In estimating the fair value of share-based payments and derivative instruments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates. Changes in assumptions used to estimate fair value could result in materially different results.
- c) The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company’s specific borrowing rate.

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company does not hold any deposits with maturities of greater than three months from the date of acquisition. Cash at banks earn interest at floating rates based on daily bank deposit rates. As at December 31, 2020 and 2019, cash and cash equivalents is comprised of the following:

| | 2020 | 2019 |
|------------------|---------------------|---------------------|
| Cash | \$ 269,665 | \$ 475,089 |
| Cash equivalents | 1,953,707 | 869,802 |
| | \$ 2,223,372 | \$ 1,344,891 |

6. EQUITY INVESTMENTS

As of December 31, 2020, and 2019, equity investments consisted of the following:

Number of common shares held as at December 31:

| | 2020 | 2019 |
|--|-------------|-------------|
| Fortuna Silver Mines Inc. ("Fortuna") | - | 239,385 |
| GrowMax Resources Corp. ("GrowMax") | 1,150,000 | 1,150,000 |
| Medgold Resources Corp. ("Medgold") | 10,126,500 | 10,126,500 |
| Metallum Resources Inc. ("Metallum") (formerly CROPS Inc.) | 380,000 | 6,764,027 |
| Southern Silver Exploration Corp. ("Southern Silver") | - | 767,000 |
| Volcanic Gold Mines Inc. ("Volcanic") | 768,912 | 460,412 |
| Warrior Gold Inc. ("Warrior") | 233,781 | 233,781 |

Subsequent to the year ended December 31, 2020, CROPS Inc. changed its name to Metallum Resources Inc. and completed a share consolidation so that every ten existing common shares were exchanged for one new common share of Metallum. As a result, a total of 380,000 common shares of Metallum held by the Company at the time of consolidation were converted into 38,000 common shares.

During the year ended December 31, 2019, Volcanic completed a share consolidation so that every seven existing common shares were exchanged for one new common share of Volcanic. As a result, a total of 3,222,883 common shares of Volcanic held by the Company at the time of consolidation were converted into 460,412 common shares

| | Fortuna | GrowMax | Medgold | Metalla | Metallum |
|---|----------------|------------------|-------------------|----------------|-----------------|
| Balance, December 31, 2018 | \$ 1,196,925 | \$ 92,000 | \$ 1,265,813 | \$ 140,028 | \$ 89,741 |
| Acquisition of shares | - | - | - | 100,000 | 147,000 |
| Disposition of shares | - | - | - | (165,000) | - |
| Net change in fair value recorded in other comprehensive loss | 69,422 | (57,500) | (658,223) | (75,028) | (169,101) |
| Balance, December 31, 2019 | 1,266,347 | 34,500 | 607,590 | - | 67,640 |
| Acquisition of shares | - | - | - | - | - |
| Disposition of shares | (1,472,218) | - | - | - | (1,309,246) |
| Net change in fair value recorded in other comprehensive loss | 205,871 | (4,600) | (101,265) | - | 1,245,406 |
| Balance, December 31, 2020 | \$ - | \$ 29,900 | \$ 506,325 | \$ - | \$ 3,800 |

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

6. EQUITY INVESTMENTS (cont'd)

| | Southern Silver | Volcanic | Warrior | Total |
|---|----------------------------|-------------------|------------------|-------------------|
| Balance, December 31, 2018 | \$ 245,602 | \$ 64,458 | \$ 16,365 | \$ 3,110,932 |
| Acquisition of shares | - | - | - | 247,000 |
| Disposition of shares | (39,400) | - | - | (204,400) |
| Net change in fair value recorded in other comprehensive loss | 887 | 9,208 | 2,337 | (877,998) |
| Balance, December 31, 2019 | 207,089 | 73,666 | 18,702 | 2,275,534 |
| Acquisition of shares | - | 149,952 | - | 149,952 |
| Disposition of shares | (61,359) | - | - | (2,842,823) |
| Net change in fair value recorded in other comprehensive loss | (145,730) | 114,703 | 2,338 | 1,316,723 |
| Balance, December 31, 2020 | \$ - | \$ 338,321 | \$ 21,040 | \$ 899,386 |

Fortuna has two common directors with the Company, namely, Simon Ridgway and Mario Szotlender. Medgold, Metallum and Volcanic each have one common director with the Company, namely, Simon Ridgway. All of the Company's equity investment companies are publicly listed companies as of December 31, 2020 and 2019.

During the year ended December 31, 2020, the Company completed the following transactions:

- i) Purchased in the open market 308,500 common shares of Volcanic at a cost of \$149,952.
- ii) Sold 239,385 common shares of Fortuna for net proceeds of \$1,409,995 and recorded a loss of \$62,223 on the sale in other comprehensive income.
- iii) Sold 6,384,027 pre-consolidation common shares of Metallum for net proceeds of \$93,884 and recorded a loss of \$1,215,362 on the sale in other comprehensive income.
- iv) Sold 767,000 common shares of Southern Silver for net proceeds of \$322,236 and recorded a gain of \$260,877 on the sale in other comprehensive income.

During the year ended December 31, 2019, the Company completed the following transactions:

- i) Purchased 4,200,000 units of a Metallum private placement at a cost of \$210,000. Each unit consists of one pre-consolidation common share of Metallum and one share purchase warrant; each full warrant entitling the Company to purchase one additional pre-consolidation common share of Metallum at \$0.05 for one year. Of the private placement cost, \$147,000 was recorded as the cost of the common shares and \$63,000 was allocated as the fair value of the warrants.
- ii) Purchased 166,700 common shares of Metalla by way of exercising 166,700 share purchase warrants at a cost of \$100,000.
- iii) Sold 492,500 common shares of Southern Silver for net proceeds of \$127,099 and recorded a gain of \$87,699 on the sale in other comprehensive income.
- iv) Sold its entire Metalla holdings of 333,400 common shares for net proceeds of \$445,234 and recorded a gain of \$280,234 on the sale in other comprehensive income.

The Company also held as at December 31, 2020, 3,973,275 free trading common shares of Rackla with a fair value of \$595,991 as at December 31, 2020, which are recorded as an investment in associate (Note 11).

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

7. DERIVATIVE INVESTMENTS

As of December 31, 2020, and 2019, derivative investments consisted of the following:

Number of share purchase warrants held as at December 31:

| | 2020 | 2019 |
|------------------------------|-------------|-------------|
| Metallum (pre-consolidation) | 685,675 | 4,885,675 |
| Volcanic | 160,714 | 160,714 |

| | Metalla | Metallum | Volcanic | Warrior | Total |
|---|----------------|-----------------|-----------------|----------------|-----------------|
| Balance, December 31, 2018 | \$ 63,933 | \$ 3,586 | \$ 1,400 | \$ 217 | \$ 69,136 |
| Acquisition of warrants | - | 63,000 | - | - | 63,000 |
| Net change in fair value recorded in net loss | (63,933) | (66,261) | (196) | (217) | (130,607) |
| Balance, December 31, 2019 | - | 325 | 1,204 | - | 1,529 |
| Net change in fair value recorded in net loss | - | 1,040 | 1,020 | - | 2,060 |
| Balance, December 31, 2020 | \$ - | \$ 1,365 | \$ 2,224 | \$ - | \$ 3,589 |

During the year ended December 31, 2020, the following share purchase warrant activity occurred:

- i) 4,200,000 pre-consolidation share purchase warrants of Metallum expired unexercised.

During the year ended December 31, 2019, the following share purchase warrant activity occurred:

- ii) Acquired 4,200,000 pre-consolidation share purchase warrants of Metallum pursuant to a private placement of 4,200,000 units (Note 6). Each warrant entitled the Company to purchase one additional pre-consolidation common share of Metallum at \$0.05 for one year.
- iii) 166,700 share purchase warrants of Metalla were exercised at a cost of \$100,000.
- iv) Pursuant to the Volcanic share consolidation described in Note 6, the 1,125,000 share purchase warrants of Volcanic held by the Company at the time of consolidation were converted to 160,714 share purchase warrants.
- v) 116,890 share purchase warrants of Warrior expired unexercised.

The share purchase warrants for Metallum and Volcanic are not tradable on an exchange.

The fair value of the derivative investments as of December 31, 2020 was determined using the Black-Scholes option pricing model with the following inputs:

| | Volatility factor | Risk-free interest rate | Expected Life (years) | Expected dividend yield |
|----------|--------------------------|--------------------------------|------------------------------|--------------------------------|
| Metallum | 206% | 0.15% | 1.22 | 0% |
| Volcanic | 116% | 0.15% | 1.18 | 0% |

The fair value of the derivative investments as of December 31, 2019 was determined using the Black-Scholes option pricing model with the following inputs:

| | Volatility factor | Risk-free interest rate | Expected Life (years) | Expected dividend yield |
|----------|--------------------------|--------------------------------|------------------------------|--------------------------------|
| Metallum | 103% – 115% | 1.69% | 0.04 – 2.22 | 0% |
| Volcanic | 113% | 1.69% | 2.19 | 0% |

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

8. RECEIVABLES

| | December 31, 2020 | December 31, 2019 |
|---|----------------------|----------------------|
| Royalty receivable | \$ 784,180 | \$ 784,180 |
| Provision for impairment (Note 12 – Guatemala Tambor Project) | (784,180) | (784,180) |
| Royalty revenue receivable, net | - | - |
| Sales taxes | 11,605 | 14,482 |
| Exploration expenditure recoveries | 14,489 | 40,439 |
| Other receivables | 33,061 | 16,652 |
| | \$ 59,155 | \$ 71,573 |

The provision for impairment of the royalty receivable was included in profit or loss during the 2016 fiscal year. Uncollectable amounts included in the provision are written off against the provision when there is no expectation of recovery. The royalty revenue receivable was uncollected as of December 31, 2020 as the Company has allowed Kappes, Cassidy & Associates (“KCA”) to defer payment of the balance while KCA continues a legal strategy to overturn the suspension of operations of its mine-site and seek compensation from the Guatemalan authorities, from which the Company would seek to benefit as well (Note 12).

9. PROPERTY AND EQUIPMENT

| | Leasehold improvements | Trucks | Computer equipment | Furniture and equipment | Geophysical equipment | Field equipment | Total |
|-----------------------------------|---------------------------|-------------------|-----------------------|-------------------------------|--------------------------|--------------------|-------------------|
| Cost | | | | | | | |
| Balance, December 31, 2018 | \$ 62,762 | \$ 253,095 | \$ 252,068 | \$ 62,656 | \$ 84,882 | \$ 2,480 | \$ 717,943 |
| Additions | - | - | 660 | - | - | - | 660 |
| Balance, December 31, 2019 | 62,762 | 253,095 | 252,728 | 62,656 | 84,882 | 2,480 | 718,603 |
| Additions | - | - | - | - | - | 2,185 | 2,185 |
| Balance, December 31, 2020 | \$ 62,762 | \$ 253,095 | \$ 252,728 | \$ 62,656 | \$ 84,882 | \$ 4,665 | \$ 720,788 |
| Accumulated amortization | | | | | | | |
| Balance, December 31, 2018 | \$ 61,267 | \$ 228,909 | \$ 245,168 | \$ 55,647 | \$ 75,936 | \$ 2,480 | \$ 669,407 |
| Charge for year | 1,495 | 9,301 | 2,268 | 1,402 | 1,789 | - | 16,255 |
| Balance, December 31, 2019 | 62,762 | 238,210 | 247,436 | 57,049 | 77,725 | 2,480 | 685,662 |
| Charge for year | - | 8,455 | 1,629 | 1,122 | 1,521 | 655 | 13,382 |
| Balance, December 31, 2020 | \$ 62,762 | \$ 246,665 | \$ 249,065 | \$ 58,171 | \$ 79,246 | \$ 3,135 | \$ 699,044 |
| Carrying amounts | | | | | | | |
| At December 31, 2019 | \$ - | \$ 14,885 | \$ 5,292 | \$ 5,607 | \$ 7,157 | \$ - | \$ 32,941 |
| At December 31, 2020 | \$ - | \$ 6,430 | \$ 3,663 | \$ 4,485 | \$ 5,636 | \$ 1,530 | \$ 21,744 |

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

10. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its headquarter office space in Vancouver, British Columbia. Upon transition to IFRS 16 on January 1, 2019, the Company recognized \$362,969 for a ROU asset and \$362,969 for a lease liability.

The continuity of the ROU asset and lease liability for the years ended December 31, 2020 and 2019 are as follows:

| Right-of-use asset | |
|--|-------------------|
| Value of right-of-use asset recognized as at January 1, 2019 | \$ 362,969 |
| Depreciation | (60,302) |
| Value of right-of-use asset as at December 31, 2019 | 302,667 |
| Depreciation | (60,636) |
| Value of right-of-use asset as at December 31, 2020 | \$ 242,031 |
| Lease liability | |
| Lease liability recognized as of January 1, 2019 | \$ 362,969 |
| Lease payments | (70,918) |
| Lease interest | 32,983 |
| Lease liability recognized as of December 31, 2019 | 325,034 |
| Lease payments | (78,585) |
| Lease interest | 29,038 |
| Lease liability recognized as of December 31, 2020 | \$ 275,487 |
| Current portion | \$ 56,596 |
| Long-term portion | 218,891 |
| | \$ 275,487 |

11. INVESTMENT IN ASSOCIATE

Rackla

As at December 31, 2020, the Company held 3,973,275 (2019: 3,973,275) common shares of Rackla, representing 15.7% (2019: 19.6%) of Rackla's outstanding common shares.

Rackla meets the definition of an associate and has been equity accounted for in the consolidated financial statements.

The following table shows the continuity of the Company's investment in Rackla for years ended December 31, 2020 and 2019:

| Balance, December 31, 2018, 2019, and 2020 | \$ | 1 |
|---|-----------|----------|
|---|-----------|----------|

Prior to the 2015 fiscal year the Company's share of losses in Rackla exceeded the carrying value of its interest and therefore the Company discontinued recognizing its share of further losses. The cumulative unrecognized share of losses for the associate as at December 31, 2020 is \$689,982 (2019: \$655,382).

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

11. INVESTMENT IN ASSOCIATE (cont'd)

The financial statement balances of Rackla are as follows:

| | December 31, 2020 | December 31, 2019 |
|----------------------|----------------------|----------------------|
| Total current assets | \$ 36,563 | \$ 19,350 |
| Total assets | \$ 107,564 | \$ 80,351 |
| Total liabilities | \$ 47,748 | \$ 308,347 |
| Net loss | \$ 220,441 | \$ 273,047 |

At December 31, 2020, the fair value of the 3,973,275 common shares of Rackla was \$595,991 (2019: \$397,328) based on the market price of the common shares of Rackla.

12. MINERAL INTERESTS AND ROYALTIES

| <u>Acquisition costs</u> | Mexico | United States | Guatemala | Peru | Total |
|-----------------------------------|------------------|-------------------|-------------|--------------|-------------------|
| Balance, December 31, 2018 | \$ - | \$ 117,816 | \$ 1 | \$ 1,259,505 | \$ 1,377,322 |
| Additions – cash | 59,883 | - | - | - | 59,883 |
| Additions – shares | 6,617 | - | - | - | 6,617 |
| Acquisition costs recovered | (66,500) | - | - | - | (66,500) |
| Write-off acquisition costs | - | - | - | (1,259,505) | (1,259,505) |
| Balance, December 31, 2019 | - | 117,816 | 1 | - | 117,817 |
| Additions – cash | 164,313 | - | - | - | 164,313 |
| Additions – shares | 6,375 | - | - | - | 6,375 |
| Acquisition costs recovered | (137,356) | - | - | - | (137,356) |
| Balance, December 31, 2020 | \$ 33,332 | \$ 117,816 | \$ 1 | \$ - | \$ 151,149 |

Mexico

i) Amalia Project (including the Palmillas Property)

In 2017, the Company signed a binding agreement with a private individual to option the Amalia Project in the State of Chihuahua, Mexico. The Company can earn a 100% interest in the Amalia Project by making an initial cash payment of US\$5,000 (paid) and by completing staged payments over a period of five years totaling US\$845,000 cash (US\$145,000 paid, of which \$111,078 / US\$80,000 was paid during the year ended December 31, 2020) and US\$15,000 in shares of the Company (US\$15,000 in shares issued, of which \$6,375 / US\$5,000 in shares was issued during the year ended December 31, 2020).

In 2018, the Company entered into an option agreement with Pan American Silver Corp. (“Pan American”) whereby Pan American can earn an initial 65% interest in the Amalia Project and the Palmillas Property (described below) by making cash payments to the Company totaling US\$1.5 million and expending US\$2.0 million on exploration over four years. Pan American may earn an additional 10% by advancing the property to a preliminary feasibility stage. As of December 31, 2020, cash payments totaling \$536,188 (US\$400,000) has been received, of which \$206,398 (US\$150,000) was received in during the year ended December 31, 2020. The option payment of \$206,398 received during the current year was recorded as a gain from mineral property option agreements (2019: \$199,170).

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. MINERAL INTERESTS AND ROYALTIES (cont'd)

Mexico (cont'd)

i) Amalia Project (including the Palmillas Property) (cont'd)

In November 2019, the Company signed a binding agreement with a private family to option the Palmillas property that adjoins the Amalia Project in the State of Chihuahua, Mexico. The Company can earn a 100% interest in the Palmillas property by completing staged payments over a period of five years totaling US\$350,000 of which \$6,742 (US\$5,000) was paid in 2019 upon signing of the agreement, \$19,903 (US\$15,000) was paid during the current year and US\$200,000 is a final payment at the end of five years. The owners retain a 1% NSR royalty.

Pursuant to the Company's option agreement with Pan American on the Amalia Project, Pan American had the right to elect to pay the acquisition costs of the Palmillas property and add the property to the Amalia Project. During the year ended December 31, 2020, Pan American elected to exercise this right.

ii) Plata Verde Project

During the year ended December 31, 2020, the Company entered into an option agreement with a local concession holder to acquire the Plata Verde Project which consisted of the 300 hectare Don Benja concession located in the State of Chihuahua, Mexico. The Company can earn a 100% interest in the Don Benja concession by making staged payments totaling US\$801,000 over four years, of which the final payment is US\$400,000 at the end of the fourth year. To December 31, 2020, the Company has made payments totaling \$21,206 (US\$16,000). The concession holder retains a 1% NSR royalty which the Company can buy back for US\$1,000,000.

During the year ended December 31, 2020, the Company also entered into an option agreement with local concession holders to acquire the 500 hectare Don Jose concession that surrounds the Don Benja concession, bringing the Company's holdings at Plata Verde to 800 hectares. The Company can earn a 100% interest in the Don Jose concession by making staged payments totaling US\$500,000 over four years, of which the final payment is US\$185,000 at the end of the fourth year. The Company has paid US\$9,000 (\$12,126) upon signing of the agreement. The concession holders retain a 1% NSR royalty which the Company can buy back for US\$600,000.

The Company is responsible for paying taxes owing on the properties of up to US\$138,000.

iii) Maricela Project

Subsequent to December 31, 2020, the Company entered into an option agreement to acquire the Maricela group of properties located in the State of Sonora that covers several mineral concessions totaling 155 hectares. The Company can earn a 100% interest in the Maricela Project by making staged payments to the private property owner totaling US\$1,250,000 over three years with a final payment of US\$1,060,000 due at the end of year three. A total of US\$30,000 has been paid subsequent to December 31, 2020. The property owner retains a 1% NSR royalty which the Company can purchase back for US\$1,000,000.

iv) Rambler Project

During the year ended December 31, 2019, the Company staked a 10,379-hectare property called the Rambler Project, located in the State of Chihuahua.

v) Tinamaxte Property

In October 2019, the Company entered into an option agreement with a private individual to acquire a 100% interest in the Tinamaxte Property in the State of Sonora, Mexico. The Company made an initial cash option payment in 2019 of US\$15,000. Prior to the end of 2019, the Company terminated the option agreement after it was unsuccessful in negotiating an access agreement with the local community.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. MINERAL INTERESTS AND ROYALTIES (cont'd)

Mexico (cont'd)

vi) Lithium Brine Projects

In 2016, the Company submitted applications for mineral concessions covering four lithium brine projects in the States of Chihuahua and Coahuila, Mexico at a cost of \$23,748.

In 2017, the Company submitted an application for an additional 10,000-hectare mineral concession covering an adjacent lithium brine project in the State of Chihuahua, but subsequently withdrew this and allowed three other lithium applications in Chihuahua to lapse. The Company currently retains one application in the State of Coahuila.

USA

i) Bald Peak Property

In 2017, the Company acquired a 100% interest in the Bald Peak gold property from Nevada Select Royalty, Inc. ("Nevada Select") in consideration of a cash payment to Nevada Select of \$46,032 (US\$35,115), the granting to Nevada Select and/or a former property owner of a total 3% NSR royalty, and making annual advance royalty payments to Nevada Select of US\$25,000. The advance royalty payments become payable on the date the Company receives a drill permit for the property and on each annual anniversary thereof so long as the Company holds title to the property. The Company has the right to reduce either royalty by 1% by paying US\$1.0 million to Nevada Select, and/or US\$500,000 to the former owner.

In 2017, the Company staked an additional 113 unpatented mining claims at a cost of \$71,784, increasing the land position of the Bald Peak Property to 140 unpatented mining claims in Mineral County, Nevada and 11 unpatented mining claims and one mineral prospecting licence in Mono County, California. During the year ended December 31, 2020, the Company allowed a portion of the Mineral County claims to lapse, reducing the unpatented mining claims in Nevada from 140 to 50.

Guatemala

i) Southeast Guatemala Ag-Au Epithermal Fields (formerly called Banderas)

The Company's 100% owned land holdings in southeast Guatemala as at December 31, 2020 consist of 32 concessions (one granted exploration licence, twenty-seven exploration applications, three exploitation applications, and one reconnaissance application) filed with the Guatemala Ministry of Energy and Mines covering a total of 222,209 hectares. The three exploitation applications were filed in order to convert one previously granted exploration licence to exploitation; until the exploitation licences are granted, the granted exploration licence remains in place.

In May 2020, the Company signed an agreement whereby it granted to Volcanic the exclusive option (the "Option") to acquire a 60% interest in the Company's granted exploration licence (known as the Holly and Banderas gold-silver properties) (the "Properties"). Volcanic may exercise the Option by raising a minimum \$3.0 million financing (completed on July 27, 2020) and spending US\$7.0 million on exploration of the Properties within 48 months from the date drilling permits for the Properties are granted (granted subsequent to December 31, 2020). An initial US\$1.0 million must be spent on exploration within 12 months of receiving the required drill permits, including a minimum 3,000 metres of drilling. Volcanic was also required to make a cash payment to the Company of \$100,000 which was received during the current year and recorded as a gain on mineral property option agreements. Upon exercise of the Option, Volcanic will enter into a standard 60/40 joint venture with the Company in order to further develop the Properties.

Volcanic also has the exclusive right for 24 months following the execution of the Option to evaluate the Company's other land holdings in Guatemala and to enter into an agreement to acquire an interest in any of such other properties on reasonable mutually agreed upon terms.

RADIUS GOLD INC.

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12. MINERAL INTERESTS AND ROYALTIES (cont'd)

Guatemala (cont'd)

ii) Tambor Project Royalty

In 2012, the Company sold its interest in its subsidiary, Exploraciones Mineras de Guatemala S.A., which holds the Tambor gold project, to KCA, giving KCA a 100% interest in the project. KCA agreed to make royalty payments to the Company, upon commercial production, based on the then price of gold and the number of ounces produced from the property.

Commercial production commenced in December 2014. In May 2016, KCA informed the Company that mining operations were suspended by the Supreme Court of Guatemala due to a lack of consultation by the Guatemalan Ministry of Mines with local indigenous people when the mine was permitted in 2011. To date, the Supreme Court has not made a decision on when the mine may re-open.

There was no royalty income recognized for the years ended December 31, 2020 and 2019.

As at December 31, 2020, all gold sales subject to the Company's royalty had been final settled and the balance that remained unpaid to the Company was \$784,180. Due to the uncertainty as to when the mine may re-open and when the amount owing by KCA to the Company will be paid, a provision of \$784,180 against the receivable amount was charged to operations in 2016.

Peru

Bayovar 12 Project Royalty

In April 2015, the Company purchased from Metallum a production royalty equivalent to 2% on Metallum's formerly held 70% interest in future phosphate production from the Bayovar 12 project located in the Sechura district of northern Peru. The purchase price for the royalty was \$1,259,505 (US\$1,000,000). During the year ended December 31, 2020, Metallum decided to relinquish its rights to the Bayovar 12 project. The Company wrote off the acquisition cost of \$1,259,505 in 2019.

The Company and Metallum have one common director.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. COMMITMENTS

The Company has entered into an operating lease agreement for its office premises. The Company also rents space to other companies related by common directors and officers on a month to month basis, the amounts of which are netted against rental expense; however, there are no commitments from these companies and thus the amounts presented below are the gross commitments. The annual commitments under the lease are as follows:

| | | |
|------|----|---------|
| 2021 | \$ | 128,119 |
| 2022 | | 130,035 |
| 2023 | | 131,952 |
| 2024 | | 133,869 |
| | \$ | 523,975 |

For the year ended December 31, 2020, the Company received a total of \$90,708 (2019: \$160,734) from those companies which share office space with the Company.

14. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

During the year ended December 31, 2020, the following share capital activity occurred:

- i) a total of 150,000 stock options were exercised for proceeds of \$22,500. The Company reallocated the fair value of these options previously recorded in the amount of \$18,375 from other equity reserve to share capital; and
- ii) the Company issued 30,495 common shares with a value of \$6,375 (US\$5,000) pursuant to its option agreement on the Amalia Project (Note 12).

During the year ended December 31, 2019, the following share capital activity occurred:

- iii) A total of 155,000 options were exercised for gross proceeds of \$23,250. The Company reallocated the fair value of these options previously recorded in the amount of \$17,855 from other equity reserve to share capital; and
- iv) the Company issued 33,255 common shares with a value of \$6,617 (US\$5,000) pursuant to its option agreement on the Amalia Project (Note 12).

15. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (“TSX-V”) under which it is authorized to grant options up to 10% of its outstanding shares to officers, directors, employees, and consultants. The exercise price of each option is not less than the closing market price of the Company’s stock on the trading day prior to the date of grant. Options granted to investor relations personnel vest in accordance with TSX-V regulations. The options are for a maximum term of ten years.

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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15. SHARE-BASED PAYMENTS (cont'd)

The following is a summary of changes in options for the year ended December 31, 2020:

| Grant date | Expiry date | Exercise price | Opening balance | During the year | | | Closing balance | Vested and exercisable |
|--|--------------|----------------|------------------|-----------------|------------------|---------------------|------------------|------------------------|
| | | | | Granted | Exercised | Cancelled / expired | | |
| Jan 8, 2010 | Jan 7, 2020 | \$0.29 | 10,000 | - | - | (10,000) | - | - |
| Jul 29, 2019 | Dec 1, 2022 | \$0.24 | 150,000 | - | - | (150,000) | - | - |
| Dec 13, 2012 | Dec 12, 2022 | \$0.20 | 1,585,000 | - | - | (90,000) | 1,495,000 | 1,495,000 |
| Oct 19, 2016 | Oct 18, 2026 | \$0.15 | 1,410,000 | - | (150,000) | (30,000) | 1,230,000 | 1,230,000 |
| May 22, 2018 | May 21, 2028 | \$0.15 | 1,490,000 | - | - | - | 1,490,000 | 1,490,000 |
| Nov 5, 2018 | Nov 4, 2028 | \$0.15 | 200,000 | - | - | - | 200,000 | 200,000 |
| Oct 8, 2019 | Oct 7, 2029 | \$0.25 | 850,000 | - | - | - | 850,000 | 850,000 |
| Mar 16, 2020 | Mar 15, 2030 | \$0.15 | - | 280,000 | - | - | 280,000 | 280,000 |
| Dec 9, 2020 | Dec 8, 2030 | \$0.27 | - | 50,000 | - | - | 50,000 | 50,000 |
| | | | 5,695,000 | 330,000 | (150,000) | (280,000) | 5,595,000 | 5,595,000 |
| Weighted average exercise price | | | \$0.18 | \$0.17 | \$0.15 | \$0.22 | \$0.18 | \$0.18 |

The weighted average stock price for options exercised during the year ended December 31, 2020 was \$0.35 per share (2019: \$0.29).

The following is a summary of changes in options for the year ended December 31, 2019:

| Grant date | Expiry date | Exercise price | Opening balance | During the year | | | Closing balance | Vested and exercisable |
|--|--------------|----------------|------------------|------------------|------------------|---------------------|------------------|------------------------|
| | | | | Granted | Exercised | Cancelled / expired | | |
| Jan 8, 2010 | Jan 7, 2020 | \$0.29 | 10,000 | - | - | - | 10,000 | 10,000 |
| Jul 29, 2019 | Dec 1, 2022 | \$0.24 | - | 150,000 | - | - | 150,000 | 37,500 |
| Dec 13, 2012 | Dec 12, 2022 | \$0.20 | 1,585,000 | - | - | - | 1,585,000 | 1,585,000 |
| Oct 19, 2016 | Oct 18, 2026 | \$0.15 | 1,540,000 | - | (130,000) | - | 1,410,000 | 1,410,000 |
| May 22, 2018 | May 21, 2028 | \$0.15 | 1,515,000 | - | (25,000) | - | 1,490,000 | 1,490,000 |
| Nov 5, 2018 | Nov 4, 2028 | \$0.15 | 200,000 | - | - | - | 200,000 | 200,000 |
| Oct 8, 2019 | Oct 7, 2029 | \$0.25 | - | 850,000 | - | - | 850,000 | 850,000 |
| | | | 4,850,000 | 1,000,000 | (155,000) | - | 5,695,000 | 5,582,500 |
| Weighted average exercise price | | | \$0.17 | \$0.25 | \$0.15 | - | \$0.18 | \$0.18 |

b) Fair Value of Options Granted During the Year

The weighted average fair value at grant date of options granted during the year ended December 31, 2020 was \$0.13 per option (2019: \$0.19).

The weighted average remaining contractual life of the options outstanding at December 31, 2020 is 5.93 years (2019: 6.55 years).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian Dollars)

15. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Options Granted During the Year (cont'd)

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the year ended December 31, 2020 included:

| Grant date | Expiry date | Share price at grant date | Exercise price | Risk-free interest rate | Expected life | Volatility factor | Dividend yield |
|-------------------|--------------------|----------------------------------|-----------------------|--------------------------------|----------------------|--------------------------|-----------------------|
| Mar 16, 2020 | Mar 15, 2030 | \$0.14 | \$0.15 | 0.84% | 10 years | 81% | 0% |
| Dec 9, 2020 | Dec 8, 2030 | \$0.30 | \$0.27 | 0.81% | 10 years | 81% | 0% |

The model inputs for options granted during the year ended December 31, 2019 included:

| Grant date | Expiry date | Share price at grant date | Exercise price | Risk-free interest rate | Expected life | Volatility factor | Dividend yield |
|-------------------|--------------------|----------------------------------|-----------------------|--------------------------------|----------------------|--------------------------|-----------------------|
| Jul 29, 2019 | Dec 1, 2022 | \$0.23 | \$0.24 | 1.43% | 3.35 years | 86% | 0% |
| Oct 8, 2019 | Oct 7, 2029 | \$0.24 | \$0.25 | 1.29% | 10 years | 81% | 0% |

The expected volatility is based on the historical volatility (based on the remaining contractual life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

c) Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share-based payment transactions recognized during the year ended December 31, 2020 as part of share-based compensation expense were \$55,694 (2019: \$172,939).

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16. INCOME TAXES

Taxation in the Company and its subsidiaries' operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

| | December 31, 2020 | December 31, 2019 |
|---|--------------------------|--------------------------|
| Loss before income taxes | \$ (893,037) | \$ (2,563,125) |
| Tax recovery based on the statutory rate of 27% | (241,000) | (692,000) |
| Non-deductible expenses | (416,000) | 39,000 |
| Different tax rates in other jurisdictions | (21,000) | (34,000) |
| Non-taxable portion of capital gains | - | (50,000) |
| Under provided in prior years | 158,000 | - |
| Changes in unrecognized deferred tax assets | 520,000 | 737,000 |
| Total income tax expense / (recovery) | \$ - | \$ - |

The tax rates represent the federal statutory rate applicable for the 2020 taxation year, 0% for Cayman Islands, 27% for the United States, 30.0% for Mexico and 25.0% for Guatemala.

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

| | December 31, 2020 | December 31, 2019 |
|--|--------------------------|--------------------------|
| Loss carry forwards | \$ 2,663,000 | \$ 2,294,000 |
| Property and equipment | 13,000 | (8,000) |
| Lease liability | 74,000 | 88,000 |
| Mineral properties | 2,081,000 | 2,091,000 |
| Available-for-sale investments | 381,000 | 423,000 |
| Investment in Associates | 492,000 | 492,000 |
| Other deductible temporary differences | 411,000 | 411,000 |
| Unrecognized tax assets | (6,115,000) | (5,791,000) |
| | \$ - | \$ - |

As at December 31, 2020, the Company has estimated non-capital losses of \$9,132,000 (2019: \$7,768,000) for Canadian income tax purposes and \$658,000 (2019: \$610,000) for Mexico income tax purposes that may be carried forward to reduce taxable income derived in future years. Non-capital Canadian tax losses expire in various amounts from 2026 to 2040. Non-capital Mexico tax losses expire in various amounts until 2030.

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17. RELATED PARTY TRANSACTIONS

The Company had transactions during the years ended December 31, 2020 and 2019 with related parties who consisted of directors, officers, and the following companies with common directors:

| Related Party | Nature of Transactions |
|---|--|
| Mill Street Services Ltd. ("Mill Street") | Management fees |
| Gold Group Management Inc. ("Gold Group") | Shared general and administrative expenses |
| Volcanic | Investment and exploration support |
| Metallum | Investment |
| Rackla (Associate) | Investment and shared personnel expenses |

In addition to related party transactions disclosed elsewhere in the consolidated financial statements, the Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company in the years ended December 31, 2020 and 2019:

| | 2020 | 2019 |
|--------------------------------------|------------------|------------------|
| General and administrative expenses: | | |
| Salaries and benefits | \$ 9,200 | \$ 20,800 |
| Exploration expenditures: | | |
| Salaries and benefits | 17,186 | 15,922 |
| | \$ 26,386 | \$ 36,722 |

The Company reimburses Gold Group, a company controlled by Simon Ridgway, a Director of the Company, for shared administrative costs and other business-related expenses paid by Gold Group on behalf of the Company. During the years ended December 31, 2020 and 2019, the Company reimbursed Gold Group the following:

| | 2020 | 2019 |
|---|-------------------|-------------------|
| General and administrative expenses: | | |
| Office and miscellaneous | \$ 28,086 | \$ 31,876 |
| Shareholder communications | 10,450 | 5,885 |
| Salaries and benefits | 77,744 | 116,160 |
| Transfer agent and regulatory fees | 4,439 | 4,005 |
| Travel and accommodation | 5,962 | 7,322 |
| | \$ 126,681 | \$ 165,248 |
| Exploration expenditures | \$ 1,214 | \$ 2,886 |

Gold Group salaries and benefits costs for the years ended December 31, 2020 and 2019 include those for the Chief Financial Officer and Corporate Secretary.

During the year ended December 31, 2020, the Company was reimbursed \$164,835 (2019: \$NIL) from Volcanic, a company which has a common director with the Company, for exploration costs incurred on behalf of Volcanic and relating to the option agreement between the two parties (Note 12).

Receivables include an amount of \$6,053 (2019: \$7,445) owed from Rackla, a company which has two common directors with the Company, for shared exploration personnel costs, \$4,700 (2019: \$Nil) owed from Gold Group for shared administrative costs, and \$11,735 (2019: \$Nil) owed from Volcanic.

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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17. RELATED PARTY TRANSACTIONS (cont'd)

Prepaid expenses and deposits include an amount of \$1,823 (2019: \$5,115) paid to Gold Group for shared office and administrative services.

Long-term deposits include an amount of \$60,000 (2019: \$60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement.

Accounts payable and accrued liabilities include \$Nil (2019: \$4,853) payable to Gold Group for shared administrative costs.

During the year ended December 31, 2019, the Company purchased 4,200,000 pre-consolidation units in a Metallum private placement at a cost of \$210,000 (Note 6).

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Management fees | \$ 39,750 | \$ 42,000 |
| Geological fees included in exploration expenditures | 58,000 | 60,000 |
| Salaries, benefits and fees* | 22,733 | 34,375 |
| | \$ 120,483 | \$ 136,375 |

*Included in reimbursements to Gold Group

Key management compensation includes management and geological fees paid to Mill Street, a company controlled by Simon Ridgway.

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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18. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to mineral exploration except for a royalty interest in a gold producing property. 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 were located in Canada, USA, Guatemala, Mexico, and Cayman Islands. Details of identifiable assets by geographic segments are as follows:

| Year ended December 31, 2020 | Canada | USA | Guatemala | Mexico | Other | Consolidated |
|--|---------------|------------|------------------|---------------|--------------|---------------------|
| Exploration expenditures | \$ - | \$ 86,670 | \$ 50,147 | \$ 508,118 | \$ 86,086 | \$ 731,021 |
| Gain from mineral property option agreements | - | - | 100,000 | 206,398 | - | 306,398 |
| Investment income | 6,186 | - | - | - | - | 6,186 |
| Amortization | 4,747 | - | - | 8,635 | - | 13,382 |
| Depreciation on right-of-use asset | 60,636 | - | - | - | - | 60,636 |
| Interest expense on lease liability | 29,038 | - | - | - | - | 29,038 |
| Net income (loss) | (474,699) | (86,670) | 49,853 | (391,125) | 9,604 | (893,037) |
| Capital expenditures* | 2,185 | - | - | 170,688 | - | 172,873 |

| Year ended December 31, 2019 | Canada | USA | Guatemala | Mexico | Other | Consolidated |
|--|---------------|------------|------------------|---------------|--------------|---------------------|
| Exploration expenditures | \$ - | \$ 118,696 | \$ 148,339 | \$ 388,483 | \$ 98,442 | \$ 753,960 |
| Mineral property acquisition costs written off | - | - | - | - | 1,259,505 | 1,259,505 |
| Gain from mineral property option agreements | - | - | - | 199,170 | - | 199,170 |
| Investment income | 43,875 | - | - | - | - | 43,875 |
| Amortization | 6,756 | - | - | 9,499 | - | 16,255 |
| Depreciation on right-of-use asset | 60,302 | - | - | - | - | 60,302 |
| Interest expense on lease liability | 32,983 | - | - | - | - | 32,983 |
| Net income (loss) | (790,177) | (118,696) | (148,339) | (188,715) | (1,317,198) | (2,563,125) |
| Capital expenditures* | - | - | - | 67,160 | - | 67,160 |

*Capital expenditures consists of additions of property and equipment and exploration and evaluation assets

| As at December 31, 2020 | Canada | USA | Guatemala | Mexico | Other | Consolidated |
|--------------------------------|---------------------|-------------------|------------------|-------------------|-----------------|---------------------|
| Total current assets | \$ 3,038,782 | \$ - | \$ 33,872 | \$ 134,006 | \$ 8,560 | \$ 3,215,220 |
| Total non-current assets | 380,163 | 117,816 | - | 40,044 | - | 538,023 |
| Total assets | \$ 3,418,945 | \$ 117,816 | \$ 33,872 | \$ 174,050 | \$ 8,560 | \$ 3,753,243 |
| Total liabilities | \$ 338,634 | \$ - | \$ 22,125 | \$ 12,649 | \$ - | \$ 373,408 |

| As at December 31, 2019 | Canada | USA | Guatemala | Mexico | Other | Consolidated |
|--------------------------------|---------------------|-------------------|------------------|-------------------|---------------------|---------------------|
| Total current assets | \$ 2,365,556 | \$ - | \$ 8,005 | \$ 85,380 | \$ 1,284,207 | \$ 3,743,148 |
| Total non-current assets | 443,361 | 117,816 | - | 15,347 | - | 576,524 |
| Total assets | \$ 2,808,917 | \$ 117,816 | \$ 8,005 | \$ 100,727 | \$ 1,284,207 | \$ 4,319,672 |
| Total liabilities | \$ 407,291 | \$ - | \$ 13,823 | \$ 10,270 | \$ - | \$ 431,384 |

RADIUS GOLD INC.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure but has no hedge positions. As at December 31, 2020 and 2019, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

| | December 31, 2020 | | | December 31, 2019 | | |
|---------------------|----------------------------------|--|---|----------------------------------|--|---|
| | US Dollar (CDN equivalent) | Mexican Peso (CDN equivalent) | Guatemala Quetzal (CDN equivalent) | US Dollar (CDN equivalent) | Mexican Peso (CDN equivalent) | Guatemala Quetzal (CDN equivalent) |
| Cash | \$ 130,620 | \$ 1,128 | \$ 2,843 | \$ 49,500 | \$ 965 | \$ 2,925 |
| Receivables | 11,300 | 5,235 | - | 28,248 | 5,557 | - |
| Current liabilities | (10,557) | - | (2,780) | (38,991) | (1,503) | (13,823) |
| | \$ 131,363 | \$ 6,363 | \$ 63 | \$ 38,757 | \$ 5,019 | \$ (10,898) |

Based on the above net exposures at December 31, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$13,800 (2019: \$3,300) increase or decrease in profit or loss, respectively.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Commodity Price Risk

The Company's royalty revenue is derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in gold prices. The Company has not engaged in any hedging activities. The Company is not exposed to commodity price risk as the Company has not earned any royalties during the years ended December 31, 2020 and 2019.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited as it holds no assets or liabilities subject to variable rates of interest.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments consisting of common shares and derivative investments consisting of share purchase warrants are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The Company's equity investments are monitored by the Board with decisions on sale or exercise taken by Management. A 10% decrease in fair value of the shares and warrants would result in an approximate \$90,000 (2019: \$228,000) decrease in comprehensive income and shareholders' equity.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2020, the Company had working capital of \$3.1 million (2019: \$3.6 million) available to apply against short-term business requirements. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms with the expectation of the Company's lease liability which matures based on the lease agreement.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Management considers that due to their short-term nature the carrying amounts of financial assets and financial liabilities, which include cash and cash equivalents, receivables, deposits, and accounts payables and accrued liabilities are assumed to approximate their fair values.

RADIUS GOLD INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Determination of Fair value (cont'd)

The fair value investments in associate are detailed in the following table:

| | December 31, 2020 | December 31, 2020 |
|---------------------------------|----------------------|----------------------|
| | Book value | Fair value |
| Financial assets | | |
| Shares held in Rackla (Note 11) | \$ 1 | \$ 595,991 |

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

| | |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities; |
| Level 2 | Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and |
| Level 3 | Inputs for the asset or liability that are not based on observable market data (unobservable inputs). |

The equity investments are based on quoted prices and are therefore considered to be Level 1. The derivative instruments are based on inputs other than quoted prices and therefore considered to be Level 3. The lease liability is based on prices and therefore considered to be Level 2. As of December 31, 2020, there was no embedded derivative on royalty income receivables derived from gold prices to include as a Level 2 measurement and therefore no fair value measurement was necessary.

20. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash and cash equivalents, equity investments, derivative investments, common shares, warrants and stock options as capital. There were no changes in the Company's approach to capital management during the year ended December 31, 2020. The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company expects its current capital resources to be sufficient to carry out its planned exploration programs and operating costs for the next twelve months.

RADIUS GOLD INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

21. SUPPLEMENTAL CASH FLOW INFORMATION

| | 2020 | | 2019 |
|---|-------------|----|-------------|
| Shares issued for mineral property option payment | \$ 6,375 | \$ | 6,617 |
| Taxes paid | - | | - |
| Interest paid | - | | - |

22. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2020, the following events which have not been disclosed elsewhere in these consolidated financial statements have occurred:

- i) A total of 125,000 stock options with an exercise price of \$0.15 per share were exercised for proceeds of \$18,750.
- ii) The Company granted 50,000 stock options with an exercise price of \$0.34 per share, and 50,000 stock options with an exercise price of \$0.24 per share.



(the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year End Report – December 31, 2020

General

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the annual audited consolidated financial statements of the Company for the fiscal year ended December 31, 2020. The following information, prepared as of April 15, 2021, should be read in conjunction with the December 31, 2020 consolidated financial statements. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars unless otherwise indicated.

The Company’s public filings, including its most recent unaudited and audited financial statements can be reviewed on the SEDAR website (www.sedar.com).

Forward Looking Information

This MD&A contains certain statements which constitute forward-looking information within the meaning of applicable Canadian securities legislation (“Forward-looking Statements”). All statements included herein, other than statements of historical fact, are Forward-looking Statements and are subject to a variety of known and unknown risks and uncertainties which could cause actual events or results to differ materially from those reflected in the Forward-looking Statements. The Forward-looking Statements in this MD&A include, without limitation, statements relating to:

- the Company’s planned exploration activities for its mineral properties;
- The Company’s derivative investments and equity investments;
- the suspension of receiving royalty payments from the Tambor Project;
- the intended use of proceeds received from past and possible future financing activities;
- the sufficiency of the Company’s cash position and its ability to raise, if needed, equity capital or access debt facilities; and
- maturities of the Company’s financial liabilities or other contractual commitments.

Often, but not always, these Forward-looking Statements can be identified by the use of words such as “anticipates”, “believes”, “plans”, “estimates”, “expects”, “forecasts”, “scheduled”, “targets”, “possible”, “strategy”, “potential”, “intends”, “advance”, “goal”, “objective”, “projects”, “budget”, “calculates” or statements that events, “will”, “may”, “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by the Forward-looking Statements. Such uncertainties and factors include, among others:

- risks associated with mineral exploration activities, and investing in companies which conduct mineral exploration and development activities;
- due diligence investigations on potential investments not identifying all relevant facts;
- inability to dispose of illiquid securities;
- receipt of royalty payments from the Tambor Project;
- fluctuations in commodity prices;
- fluctuations in foreign exchange rates and interest rates;
- credit and liquidity risks;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in countries in which the Company does or may carry on business;
- reliance on key personnel;
- property title matters and local community relationships;
- risks associated with potential legal claims generally or with respect to environmental matters;
- adequacy of insurance coverage;
- dilution from further equity financing;
- competition;
- uncertainties relating to general economic conditions; and
- risks relating to a global pandemic, including the coronavirus COVID-19, which unless contained could cause a slowdown in global economic growth and impact the Company's business, operations, financial condition and share price.

as well as those factors referred to in the "Risks and Uncertainties" section in this MD&A.

Forward-looking Statements contained in this MD&A are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to:

- all required third party contractual, regulatory and governmental approvals will be obtained for the exploration and development of the Company's properties;
- there being no significant disruptions affecting operations, whether relating to labor, supply, power, damage to equipment or other matter;
- permitting, exploration and/or development activities proceeding on a basis consistent with the Company's current expectations;
- ability to sell our equity investments as needed;
- royalty payments from the Tambor Project to begin being received again;
- due diligence investigations on potential investments will reveal all relevant facts;
- expected trends and specific assumptions regarding commodity prices and currency exchange rates; and
- prices for and availability of fuel, electricity, equipment and other key supplies remaining consistent with current levels.

These Forward-looking Statements are made as of the date hereof and the Company disclaims any obligation to update any Forward-looking Statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that Forward-looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on Forward-looking Statements.

Business of the Company

The Company has been exploring for precious metals in the Americas for two decades which has resulted in the discovery of several gold deposits in Central America. Management has been conducting an ongoing review of exploration projects and/or distressed junior companies that may be available for acquisition or joint venture with the aim of expanding the geographic and commodity focus of the Company.

A summary of the Company’s investments, properties, and royalty interests is provided below:

Investments

For a description of the Company’s equity investments activity during the period from January 1, 2019 to December 31, 2020, please see Note 6 of the Company’s December 31, 2020 consolidated financial statements.

The Company’s current cash and cash equivalents on hand is approximately \$1,821,000 and its current investments consist of:

| | |
|--|---|
| <p><i>GrowMax Resources Corp (“GrowMax”)</i> 1,150,000 shares Current market value: \$71,000</p> | <p>GrowMax is a TSX Venture Exchange (“TSX-V”) listed company in which is in the process of becoming an investment company with a focus on long-term capital growth.</p> |
| <p><i>Medgold Resources Corp. (“Medgold”)</i> 10,126,500 shares Current market value: \$455,000</p> | <p>Medgold is a TSX-V listed, project generator company targeting early-stage gold properties in the Balkan region. Its holdings include the Tlamino gold-silver project in Serbia which has an Inferred Mineral Resource containing approximately 680,000 oz AuEq.</p> |
| <p><i>Metallum Resources Inc. (“Metallum”)</i> 38,000 shares Current market value: \$5,700 Plus: warrants to purchase an additional 68,568 shares</p> | <p>Metallum (formerly called CROPS Inc.) is a Canadian-based exploration company which has recently completed the acquisition of the Superior Lake Zinc Project in Ontario, Canada.</p> |
| <p><i>Rackla Metals Inc. (“Rackla”)</i> 3,973,275 shares (10+% of issued) Current market value: \$1,529,000</p> | <p>Rackla is a mineral exploration company actively looking for new projects to add to its portfolio of mineral claims in the Yukon Territory.</p> |

| | |
|---|--|
| <p><i>Volcanic Gold Mines Inc. (“Volcanic”)</i> 810,412 shares Current market value: \$364,000</p> <p>Plus: warrants to purchase an additional 160,714 shares</p> | <p>Volcanic is a TSX-V listed company focused on building multi-million ounce gold and silver resources in underexplored countries. It holds an option to acquire a 60% interest in the Company’s Holly and Banderas gold/silver properties located in eastern Guatemala.</p> |
| <p><i>Warrior Gold Inc. (“Warrior Gold”)</i> 233,781 shares Current market value: \$18,000</p> | <p>Warrior Gold is a TSX-V listed company engaged in the exploration of mineral resource properties in northern Ontario with a focus on gold deposits. It has a significant land position in the world class Kirkland Lake Gold Camp five kilometres from the Town of Kirkland Lake.</p> |

Property Interests

Current Status

Due to restrictions on travel and for the safety of our employees because of the COVID-19 pandemic, the Company has curtailed certain portions of its operations for the time being. In the first half of 2020, during the initial stages of the COVID-19 pandemic, the Company’s field work, permitting and advancing contracts were all significantly impacted. In the last six months, the Company has re-established field and permitting operations in Mexico, Guatemala and USA using our local field and administrative teams and utilizing strategies that minimize contacts and COVID-19 risks.

Mexico – Amalia Project

The Amalia Project comprises 10,250 hectares located in the Sierra Madre gold belt in the State of Chihuahua, Mexico. In June 2017, the Company signed a binding agreement with a private individual to option 380 hectares of the project area which is host to high grade epithermal silver-gold mineralization. Following the signing of the option agreement, the Company staked an additional 9,081 hectares surrounding the Amalia Project, covering three new regional target areas. In late 2019, the Company signed a binding agreement with a private family to option the adjacent 800-hectare Palmillas Property which hosts high-grade epithermal gold-silver mineralization. The Palmillas concessions cover the northeastern and southwestern strike extension of the Amalia fault zone.

The Amalia Project is located approximately 25 kilometres SW of the historic Guadalupe y Calvo mining district in Chihuahua, Mexico. During due diligence evaluation the Company’s geologists sampled bonanza grade outcrop containing 20.4 g/t Au and 5,360 g/t Ag from a 1.2 metre chip. The Company established a camp at Amalia and completed an initial exploration program comprising geological mapping, prospecting, and channel sampling of the three main targets: San Pedro, Guadalupe and Dulces. Epithermal Au-Ag mineralization was sampled by the Company in several veins, vein breccias and disseminated zones over 3.5 kilometres of strike length and a 600 metre vertical interval following the trace of the large regional Amalia fault zone.

In July 2018, the Company entered into an agreement with Pan American Silver Corp. (“Pan American”) to drill and explore the Amalia Project – see “Pan American Option Terms” below.

Initial Drill Program

In October and November 2018, the Company conducted an initial 9 hole - 1,909 metre diamond core drill program at Amalia to test the three target zones across a strike length of 1.8 kilometres following the trace of the Amalia regional fault and associated surficial epithermal gold and silver mineralization.

Five drill holes (AMDD-001 / 003 / 007 / 008 / 009) were drilled within the San Pedro structural corridor, intercepting gold and silver mineralization in all holes and defining a 650 metre strike length of epithermal banded veining, stockworks and multiphase breccia with significant gold and silver mineralization. A table of drill results is listed below. This initial drill program was designed to test the targets between 50 and 150 metres below ground surface. Considering the topography, the drill holes cut mineralization in a range between 1,988 metres above sea level (asl) and 1,882 metres asl, effectively testing the mineralization over a 100 metre vertical interval. AMDD-009 cut the system at the deepest level (1,908 metres als) and recorded the best widths (26 metres) and highest grades with bonanza intervals, including 5 metres at 14.71 g/t Au and 1,378 g/t Ag.

Stage 2 Drill Program

During January and February 2019, the Company completed access agreements with the landowners at Amalia to allow for a second drill program. The Company submitted a new environmental permit and constructed a permanent camp, and Stage 2 drilling commenced at Amalia in April 2019, designed to follow-up the high grade drill intercepts from Stage 1 drilling within the San Pedro zone.

The Company completed the Stage 2 drill program with six diamond holes, AMDD19-010 to AMDD19-015, drilled totalling 1,743 metres. The Stage 2 drill program expanded multiphase gold and silver mineralization with high grade mineralized shoots expanded at San Pedro. Geological controls on the mineralization are complex with multiple events of gold and silver mineralization within veins, stockworks and hydrothermal breccias. The Amalia structure trends 320/60E and can be traced for several kilometres. The Amalia fault is a large regional fault zone separating Tertiary rhyolitic ignimbrites from the Late Cretaceous Tarahumara formation with gold and silver mineralization typically occurring within the hanging wall. High grade shoot control is still uncertain but appears to be located by cross faults.

Stage 3 Drill Program

With Pan American as operator, a Stage 3 drill program at Amalia was conducted in October 2019. The drill program included holes AMDD19-016 to AMDD19-021. The program was successful in proving that the high-grade mineralized shoot continues with depth, beyond its current testing up to 300 metres, and its lateral extents have been better defined. The gold-silver mineralization remained open to expansion at depth and laterally, and multiple targets had yet to be drill tested.

Amalia drill results - Stages 1, 2 and 3:

| Hole | Collar, WGS84 | | From (m) | To (m) | Interval (m) | Estimated | Au g/t | Ag g/t |
|------------|---------------|-----------|-----------------------|-----------|-----------------|-----------|--------|--------|
| | UTM E | UTM N | | | | True | | |
| | | | width (m) | | | | | |
| AMDD18-001 | 295,962 | 2,863,423 | 44.4 | 56.4 | 12 | 9.5 | 0.1 | 44 |
| AMDD18-003 | 295,989 | 2,863,458 | 107.4 | 137.4 | 30 | 24 | 0.3 | 65 |
| AMDD18-007 | 296,198 | 2,863,056 | 129.1 | 133.1 | 4 | 3 | 0.29 | 229 |
| AMDD18-008 | 296,041 | 2,863,361 | 98.7 | 99.7 | 1 | 0.8 | 2.28 | 521 |
| and | | | 126.7 | 131.7 | 5 | 4 | 0.59 | 571 |
| AMDD18-009 | 295,952 | 2,863,536 | 144.4 | 170.4 | 26 | 22 | 7.08 | 517 |
| including | | | 165.4 | 170.4 | 5 | 4 | 14.71 | 1378 |
| AMDD19-010 | 295,978 | 2,863,560 | 210.7 | 254.7 | 44 | 34 | 12.38 | 309 |
| AMDD19-011 | 296,019 | 2,863,477 | 170.5 | 176.5 | 6 | 4 | 1.05 | 24 |
| AMDD19-012 | 296,090 | 2,863,401 | 176.9 | 181.9 | 5 | 4 | - | 647 |
| AMDD19-013 | 295,878 | 2,863,631 | no significant result | | | | | |
| AMDD19-014 | 295,964 | 2,863,626 | 235.7 | 263.7 | 28 | 24 | 2.3 | 126 |
| including | | | 256.7 | 259.7 | 3 | 2.6 | 9.85 | 761 |
| AMDD19-015 | 295,978 | 2,863,560 | 216.7 | 297.7 | 81 | 65 | 3.75 | 61 |
| including | | | 234.7 | 255.7 | 21 | 17 | 7.91 | 65 |
| AMDD19-016 | 295,978 | 2,863,560 | 251.2 | 371.2 | 120 | 78 | 1.53 | 21 |
| including | | | 293.2 | 316.4 | 23 | 15 | 4.61 | 41 |
| AMDD19-017 | 295,955 | 2,863,672 | 316.6 | 322.1 | 6 | - | 0.88 | - |
| AMDD19-018 | 296,022 | 2,863,480 | 268.2 | 269.5 | 1.3 | - | 12.5 | 2320 |
| and | | | 332.5 | 346.1 | 13.7 | - | 1.39 | 22 |
| AMDD19-019 | 296,143 | 2,863,434 | 336.7 | 344.1 | 7.4 | - | 0.49 | 22 |

Drill holes AMD002 / 004 / 005 / 006 targeted mineralization at the Guadalupe and Dulces zones. These drill holes did not intercept significant gold/silver mineralization

Stage 4 Drill Program

The Chihuahua permitting authorities were suspended due to COVID-19 but processing of permits resumed at the end of June, and in late October 2020, a new drill permit for the Amalia Project was issued. Preparations for a Stage 4 drill program were undertaken, including geological work, drill pad construction and road building. The teams at Amalia are following strict COVID-19 safety protocols.

The Stage 4 drilling commenced in November 2020 and was designed to test down dip and lateral expansions of the high-grade gold and silver mineralization of the San Pedro structure that was previously defined by drilling Stages 1-3.

The Company completed the Stage 4 drill program with 10 diamond holes, AMDD20-022 to AMDD21-031, drilled totalling 4,386 metres. Results have been received to date are as follows:

AMDD20-022 intersected 23.1 metres grading 6.8 g/t Au and 321 g/t Ag with an estimated true width of 14.5 metres, including 6.25 metres (est. true 3.5 metres) at 18.34 g/t Au and 813 g/t Ag. Hole 22 was drilled within the high grade San Pedro shoot previously defined by drill holes 9, 10, 14, 15 and 16. Drill hole 22 was drilled approximately 85 metres down dip and on section from drill hole 14 (28 metres at 2.3 g/t Au and 126 g/t Ag (see news release [13 June 2019](#)). These drillholes define a continuous zone of high grade multi-phase gold-silver mineralization from surface to current drill defined depth of 300 metres. Mineralization is hosted along the Amalia fault with disseminated fine black sulphides and sulphide veining commencing within rhyolitic ignimbrites, and transitioning to intense silicification, stockwork veining and brecciation at the contact with the lower andesite volcanic agglomerates.

AMDD21-023 intersected 9.55 metres grading 0.59 g/t Au and 151 g/t Ag (6.5 metres estimated true width, 520.85 metres to 530.40 metres). Hole 23 was drilled within the high grade San Pedro shoot previously defined by drill holes 9, 10, 14, 15, 16 and 22. Hole 23 was drilled approximately 120 metres down dip and on section from drill hole 16 (65.8 metres at 2.3 g/t Au and 23 g/t Ag - see news release [4 Dec 2019](#)). These drillholes define a continuous zone of gold-silver mineralization from surface to 410 metres down dip.

AMDD21-024 did not intersect significant mineralization.

AMDD21-025 intersected 3 mineralized zones:

- 0.85 metres grading 1.48 g/t Au and 475 g/t Ag (0.6 metres estimated true width, 150.85 metres to 151.7metres)
- 7.6 metres grading 1.73 g/t Au and 70 g/t Ag (5.0 metres estimated true width, 170.85 metres – 178.45 metres)
- 8.05 metres grading 0.93 g/t Au and 99 g/t Ag (5.5 metres estimated true width, 285.85 metres – 293.9 metres)

Results for AMDD21-026 to -031 are pending. Cross-sections, long-section, plan map and core photos are available on the Company's website (<http://www.radiusgold.com/s/amalia.asp>).

Geological teams are now conducting detailed mapping and sampling of the El Cuervo extensions and California vein system. New environmental permits have been submitted for drilling of these targets later this year.

Addition of Palmillas Property / El Cuervo Target

In late 2019, the Company signed a binding agreement with a private family to option the 800-hectare Palmillas Property which hosts high-grade epithermal gold-silver mineralization. The Palmillas concessions are immediately adjoining the Amalia Project and cover the northeastern and southwestern strike extension of the Amalia fault zone.

Pan American has elected to exercise its right to include the Palmillas Property within the Amalia Project joint venture. Pan American, as the operator will fund and manage the expanded project according to its option agreement with the Company. The Palmillas Property hosts multiple exploration targets, including high-grade silver-gold

mineralization, outcropping 1.8 kilometres northwest along strike from the drill defined high-grade zone at San Pedro.

The highlight of progress to date is the development of the El Cuervo target at Palmillas, where wide zones (up to 40 metres) of silicification, breccias and veining with strong gold and silver rock chip geochemistry is being mapped and sampled 3.8 kilometres southeast of the current drilled area at San Pedro.

Since optioning the Palmillas Property, Pan American has conducted detailed geological mapping and collected over 250 rock chip samples from selected targets along 6 kilometres of the Amalia fault system.

El Cuervo Target

The El Cuervo target is located within the newly acquired Palmillas properties, 3.8 kilometres southeast of San Pedro. Geological mapping has identified a zone of veining, silicification, and breccias approximately 750 metres long and up to 40 metres wide in a geological setting similar to the San Pedro zone. Results from initial prospecting rock chip samples range from below detection up to 637 g/t Ag and 2.24 g/t Au. Geological maps and sampling data is available at <http://www.radiusgold.com/s/amalia.asp>.

California Target

The California target is located partially within the Palmillas property roughly 1.5 kilometres northeast of the San Pedro high grade drilling. Recent geological mapping has identified mineralization outcropping for 2 kilometres along a regional structure parallel to the main Amalia Fault Zone, with veining, silicification and breccias. Results from initial prospecting chip channel sampling range from below detection up to 27 g/t Au. Some highlights of the most recent sampling program include: 1.3 metres @ 7.66 g/t Au, 1.2 metres @ 10.55 g/t Au, 1 metre @ 17.45 g/t Au, and 1.5 metres @ 27 g/t Au. The geological setting of the California structure is similar to the Amalia Fault Zone and the San Pedro high-grade mineralization.

Quality Assurance / Quality Control

Reported drilling was carried out using NQ and HQ size tooling. Drill core was cut in half using a rock saw with one half of the core then taken as a sample for analysis. Sample intervals are generally 1 metre intervals, producing samples of between 2 to 9 kilograms. Half-core samples are delivered to the ALS Geochemistry laboratory facilities in Chihuahua, Mexico. The samples are fire assayed for Au and are analysed for Ag and multi-elements using method code ME-ICP61 following a four-acid digestion. Over-limits are analysed using an appropriate method. Multi-element geochemical standards and blanks are routinely entered into the drill core sample stream to monitor laboratory performance. Quality control samples submitted to ALS were returned within acceptable limits.

Pan American Option Terms

Pursuant to an agreement signed in June 2018, Pan American has the option to earn up to an initial 65% interest in the Company's Amalia Project and Palmillas Properties by making cash payments to the Company totaling US\$1.5 million (of which US\$400,000 has been received) and expending over four years US\$ 2 million on exploration and reimbursement of the Company's costs to maintain its option agreements with the owners of Amalia and Palmillas. Pan American may earn an additional 10% by advancing the property to preliminary feasibility.

Mexico – Plata Verde Project

In early 2020, the Company entered into an option agreement with a local concession holder to acquire a 100% interest in the Plata Verde Project which consisted of the 300 hectare Don Benja concession covering an historic silver mining camp located in Chihuahua, Mexico. The Plata Verde Project is located north of the Company's Amalia Gold-Silver project and east of the historic Batopilas silver mining district (1708 to 1920) which reputedly produced over 300 million ounces of silver from high grade veins and structures. The property is accessible by road, with a 4 hour hike required to access the historic mines.

The Company subsequently signed an option agreement with local concession holders to acquire the rights to the 500 hectare Don Jose concession that surrounds the 300 hectare Don Benja concession, bringing the Company's holdings at Plata Verde to 800 hectares. The Don Jose concession has no exploration history and covers the same prospective rocks that host the Plata Verde silver mineralization. The Company has conducted limited prospecting and stream sediment geochemistry at Don Jose. Within the property there are several highly anomalous silver values in stream sediment sampling that the Company will prioritize for exploration.

When the Company's geologists discovered Plata Verde Project, the property was accessed by a strenuous 4 to 6 hour hike and all supplies and samples for subsequent exploration programs were transported by mules. A local landowner has since constructed 4x4 road access to the property and has allowed the Company to use the road. The Company is currently negotiating a long term legal access right that will allow it to use the road for future exploration and drilling programs.

At Plata Verde, the Company's geologists re-discovered an undocumented large scale underground bulk mining operation where in the late 1800's, historic miners hand excavated an extensive series of anastomosing caverns, producing silver bars at an associated smelter operation. The project was un-explored since the historic miners ceased their operations. Initial phases of rock chip sampling by the Company returned widespread silver mineralization between 5 and 1,070 g/t Ag over a large area within the historic mines.

New Geological Model and Silver Mineralization

At Plata Verde, the Company's geological team have recently completed several weeks of detailed underground mapping and sampling of the historic Mina Real and Mina Mojonera. Three distinct mineralization styles have been defined within the basaltic andesite volcanic host rock:

1. Multiple large scale breccia zones with chimney type structures up to 75 metre diameter and sampled on multiple mine levels. The breccias are cemented by massive to crustiform banded barite calcite with silver chlorides, sulphosalt minerals and native silver.
2. Fracture fill and stockwork silver mineralization occurs as massive to crustiform banded barite calcite with silver chlorides, sulphosalt minerals and native silver.
3. Disseminated style mineralization with fine silver sulphosalts disseminated within the volcanic host with little to no brecciation, veining or fracture fill.

All three mineralization styles host significant silver grades, although the highest grades are related to intense brecciation and fracturing. Geological maps and sampling data are available at <http://www.radiusgold.com/s/plata-verde.asp>.

In total, 73 new 2 x 2 metre panel samples were collected from the historic Mina Real and Mina Mojonera. Each mine covers a shallow dipping anastomosing sequence of mining areas on at least 3 levels with Mina Real covering approximately 200 x 200 metres and Mina Mojonera 150 x 150 metres. The latest results reported between 2 and 815 g/t Ag and averaging 185 g/t Ag. Samples were collected to represent all rock types and mineralization styles.

| Historic Mine | Rock chip samples | Average all rocks (Silver g/t) | Breccia samples (number) | Average breccia (Silver g/t) |
|---------------|-------------------|-----------------------------------|-----------------------------|---------------------------------|
| Mojonera | 133 | 168 | 57 | 262 |
| Real | 122 | 143 | 17 | 244 |
| Total | 255 | 156 | 74 | 258 |

Table 1. Summary of underground rock chip sampling. Majority are 2 x 2 m rock panel samples.

The sampling completed within the historic mines shows that the mineralization is open to expansion in all directions.

Regional Geology and Stream Sediments

At Plata Verde, silver mineralization occurs as massive to crustiform banded barite calcite with silver chlorides, sulphosalt minerals and native silver infilling and cementing breccias and fractures within a basaltic/andesite extrusive volcanic. The basaltic/andesite host occurs at the base of the Upper Rhyolitic Volcanics of the Northern Sierra Madre. In general, the silver mineralization is covered by the overlying rhyolitic volcanics and is only exposed within the historic mines and at surface in a few areas along the length of a small creek.

The Company conducted a geological mapping and stream sediment sampling program within the district which indicates that a north south orientated regional structural zone likely controls development of the mineralization at Plata Verde. Stream sediment sampling at Plata Verde clearly identifies the creek where the historic mines are exposed. There are also strong silver stream sediment anomalies (several times higher than background) that indicate potential for further mineralization 300 metres to the east and 1,000 metres south of the known mines.

Discussion and Exploration Targets

The Company recently completed orientation IP / Resistivity and ground magnetic geophysical surveys at Plata Verde. New IP/Resistivity sections show significant structural zones extending to depth directly below the known large scale historic silver mines. The structural zones are clearly connected with the historic mines and are possibly feeders zones for the silver mineralizing system. The Company has now defined two priority targets:

- 1) Extensions and repetitions of the shallow dipping large scale silver rich breccias, stockworks and disseminated silver mineralization exposed within the historic mines.
- 2) Sub-vertical feeder zones below the historic silver mines.

The Company has also completed sampling and processing geophysical programs at Plata Verde, consisting of 7.5 line kilometre magnetic survey and 4.5 line kilometre IP/Resistivity survey conducted by consultants, Geofisica TMC. The program was designed to locate potential feeder systems below the historic silver mines and successfully identified compelling drill targets below the known mines. All relevant data and sections from the geophysical surveys are available on the Company's website.

The Company's geological team have completed detailed underground mapping and sampling of the historic Mina Real and Mina Mojonera. Three distinct mineralization styles have been defined within the basaltic andesite volcanic host rock:

1. Multiple large scale breccia zones with chimney type structures up to 75 metres in diameter and sampled on multiple mine levels. The breccias are cemented by massive to crustiform banded barite calcite with silver chlorides, sulphosalt minerals and native silver.
2. Fracture fill and stockwork silver mineralization occurs as massive to crustiform banded barite calcite with silver chlorides, sulphosalt minerals and native silver.
3. Disseminated style mineralization with fine silver sulphosalts disseminated within the volcanic host with little to no brecciation, veining or fracture fill.

In general, the silver mineralization is covered by the overlying rhyolitic volcanics and is only exposed within the historic mines and at surface in a few areas along the length of a small creek.

The barite/silver chloride mineralization appears to be a late-stage low temperature mineralizing event with the source and feeder systems an attractive exploration target. Barite and silver chloride are often part of the upper levels or supergene zone around large silver deposits. The solubility of barite and silver chlorides is low, and hence the source zone is likely to be close by. Extensions of the known mineralization below the ignimbrite cover to the north, east and west are open. Potential feeder structures have been clearly defined by the recent geophysics.

The Company has completed an environmental study in support of drill permits which have been recently filed. The Company looks forward to drill testing the compelling targets once drill permits are granted.

Due to COVID-19 and associated travel restrictions, the work at the project will not advance as quickly as normal. The Company has a Mexican geological team in Chihuahua who are following COVID-19 safety protocols and the Company is monitoring how best to advance, based on the situation in Chihuahua and our team's personal and family safety.

The Plata Verde Agreements

The Company may earn a 100% interest in the 300 hectare Don Benja concession by making staged payments totalling US\$801,000 over four years with the final payment equal to \$400,000 at the end of year four. \$16,000 has been paid to date. The owner retains a 1% NSR which the Company may buy back for US\$1,000,000.

The Company can earn a 100% interest in the 500 hectare Don Jose concession by making staged payments totalling US\$500,000 over four years with a final payment of \$185,000 due at the end of year four. A \$9,000 signing payment has been paid. The owner retains a 1% NSR which the Company can buy back for US\$600,000.

The Company is responsible for paying taxes owing on the properties of up to US\$138,000 and is working to minimize and then pay the outstanding taxes, file outstanding claim reports and restore the properties to compliance.

Quality Assurance and Quality Control

Reported assays are rock chip and channels samples taken by Company geologists and trained sampling teams. Sample intervals are generally 2 metre chip channels or 2x2 metre panels producing samples of between 2 to 9

kilograms. Reported samples were delivered to SGN Laboratories in Paral, Chihuahua. The samples were crushed and pulverised. Two 100 gram splits were taken. The Company's geologists removed and stored the excess and a 100 gram split at the Company's offices. SGN performed initial Ag and Au analysis. The second split was subsequently sent to the ALS Geochemistry laboratory facilities in Chihuahua, Mexico and was analysed for Ag and multi-elements using method code ME-ICP61 following a four-acid digestion. Overlimits are analysed using an appropriate method. All assays reported above 30 g/t Ag have been analysed by ALS Geochemistry. The Company routinely inserts multi-element geochemical standards and blanks into the sample stream to monitor laboratories performance. Quality control samples submitted were returned within acceptable limits. Comparisons between sample splits demonstrate acceptable accuracy and precision.

Mexico – Maricela Project

In March 2021, the Company optioned the Maricela group of mineral concessions covering 155 hectares in the State of Sonora, Mexico. The Project is within a prolifically mineralized Arizona – Sonora porphyry belt, one of the most important centres of copper mineralization world-wide. Spatially and genetically related to this giant porphyry trend are numerous epithermal gold and silver deposits.

At Maricela, the Company's geologists have mapped and sampled a epithermal silver and gold mineralized vein system extending approximately 1.5 kilometres long by 300 metres wide, within which occurs multiple veins, stockworks and breccias which at intersections have exposed widths of +20 metres. The Company collected 92 due-diligence rock chip samples which returned from below detection to highs of 12.36 g/t gold and 2,877 g/t silver over 3 metres.

The Maricela property shows no evidence of previous drilling or systematic exploration. The property has a number of small open pits and shafts where limited high grade material was mined in the 1950's and 1960's and shipped to a processing plant in Cananea. The Mexican geological survey conducted a small sampling program (24 samples) in 2000, and since then no significant work has been completed.

The mineralization at Maricela consists of a series of intersecting epithermal vein systems and associated vein stockworks and breccias that have potential for bulk tonnage open pit deposit as well as high grade underground vein targets. The Company's geologists have spent a week on the property conducting due diligence, preliminary mapping and rock chip sampling and the system appears to be open for expansion.

The main vein, Virgin de Plata, strikes NW-SE and has been defined for approximately 1 kilometre. Virgin de Plata is intersected by at least 4 veins (striking NE-SW) forming a horse tail structure of intersecting veins. The veins are generally between 1 and 3 metres of massive quartz with mineralized stockworks and brecciated veins selvages, extending commonly +10 metres across the vein zones. At intersections, larger stockwork zones are observed. The mineralization type is low sulphidation silver plus gold epithermal vein system hosted within an andesite volcanic sequence, with felsic dykes emplaced sub-parallel to mineralized structures.

The Company's geological team believes there is potential for bulk tonnage lower grade silver gold mineralization that could be amenable to open pit mining as evidenced by the multiple intersecting mineralized vein systems with observed widths up to 20 metres and extending along strike for 1 kilometre.

Company sampling also returned high grades, such as sample RSM 103 a 3 metre chip of banded vein grading 12.36 g/t gold and 2877 g/t silver and several other samples exceeding 300 g/t silver. As the project has never been drill tested there is also potential to discover high grade vein systems and ore shoots at depth.

The next phase of work will commence promptly with detailed continuous channel sampling across the known vein systems and detailed mapping and prospecting across the entire property in order to define drill targets. Access is good along established roads and tracks on mild topography. Drill permit applications will be prepared and filed in the next few months.

The Option Agreement

The Company can earn a 100% interest in the Maricela Project by making staged payments to the private property owner totalling US\$1,250,000 over three years with a final payment of US\$1,060,000 due at the end of year three. A total of US\$30,000 has been paid to date. The owner retains a 1% NSR which the Company can buy back for US\$1,000,000.

Quality Assurance and Quality Control

Reported assays are rock chip and channels samples taken by Company geologists and trained sampling teams. Sample intervals are generally 3m chip channels producing samples of between 2 to 9 kilograms. Reported samples were delivered to ALS in Chihuahua. The samples were crushed and pulverised and two 100 gram splits were taken. Company geologists transported a 100 gram split to SGN laboratory in Parral for rapid initial Ag and Au analysis. The second split was analysed by ALS Geochemistry for Au and Ag and multi-elements using method code ME-ICP61 following a four-acid digestion. Overlimits are analysed using an appropriate method. In effect duplicate analysis was done on all samples, ALS geochemistry an internationally certified laboratory, and by SGN Laboratories in Parral, a reliable mining laboratory that is not internationally certified. This was completed to prevent delays which have become common during the COVID pandemic. The Company routinely inserts multi-element geochemical standards and blanks into the sample stream to monitor both laboratories performance. Quality control samples submitted were returned within acceptable limits. Comparisons between sample splits demonstrate acceptable accuracy and precision.

Mexico – Rambler Project

In January 2019, the Company staked the 10,379 hectare Rambler Project located in the Sierra Madre Mountains of the State of Chihuahua, Mexico, approximately 20 kilometres northwest of the Company's Amalia Project. The project area is previously unexplored with only minor historic artisanal-scale pitting of surface outcrops known. The Company's geologists discovered the project during regional prospecting surveys. Epithermal silver/gold (plus significant copper, zinc and lead) mineralization has been sampled by the Company in several veins, vein breccias and disseminated zones over a 9 kilometre north-west trend. Additional field campaigns of mapping and sampling defined several mineralized zones, but the identified mineralization appears to be discontinuous and the Company has not been able to define compelling drill targets. The property has additional targets that have not yet been explored, and the Company will evaluate these before a final decision is made on the merits of the property.

USA – Nevada – Bald Peak Property

The Company owns a 100% interest in an epithermal gold prospect located in the Aurora gold camp, Nevada known as the Bald Peak gold property which the Company acquired in 2017 from Ely Gold & Minerals Inc. ("Ely Gold") (TSX-V: ELY) and its wholly owned subsidiary, Nevada Select Royalty Inc. Subsequently, the Company increased its land position by staking an additional 113 unpatented mining claims which are contiguous to the claims acquired from Ely Gold.

In August 2020, the Company allowed a portion of the staked claims to lapse, so that the Bald Peak Property currently consists of 50 unpatented mining claims in Mineral County, Nevada, 11 mining claims in Mono County,

California, and one mineral prospecting licence in Mono County, California. The property covers an area which trends northeast from inside the California border into Nevada, parallel to the trend of the neighboring Bodie, Aurora, and Borealis mining camps.

Bald Peak is an un-eroded epithermal gold prospect in the Aurora-Bodie mining district. Sinter terraces outcrop along the length of the property, evidence that the epithermal system has not been eroded beyond its paleo-surface elevation and is thus likely fully preserved. Despite the property's proximity to several Au-rich mining districts, the area has seen limited exploration activity. Several operators have acquired the property over the last 30 years and mapped alteration zones and various other criteria pertinent to epithermal gold discoveries. The area has seen very limited drilling however, and its potential remains untested.

Sinters are formed at the surface by deposition of amorphous silica from a hot spring vent in active geothermal areas. They represent the paleo-surfaces of epithermal systems and are normally barren of gold and silver. Gold grades above 0.05 g/t Au within sinters are highly anomalous and gold grades above 1 g/t Au are extremely rare. The Company's management discovered the San Martin gold deposit in Honduras, and the Cerro Blanco gold deposit in Guatemala, both of which are significant gold deposits that occur beneath sinters anomalous in gold. The Company's team has been specifically searching for these unique systems since those early discoveries. The Bald Peak Property covers a 6 kilometre strike length of multiple sinter and epithermal vein targets and is one of the few hot spring sinter epithermal targets where the sinter carries relatively high-grade gold along with cross cutting veins and breccias. Combined with a large and deeply penetrating resistive root zone, the Bald Peak Property is a uniquely attractive target.

Work by the Company at Bald Peak in 2017 consisted of geological mapping and prospecting, rock and soil geochemistry, and compilation work of historical exploration and academic and government datasets. The work has demonstrated the presence of a strong gold-bearing epithermal alteration system that can be traced along strike for over six kilometres in a northeast trend, with an anomalous zone of up to several hundred metres in width on surface.

In 2018 the Company conducted a 128 station CSAMT survey, more rock and soil sampling, and planned for drill holes.

In July 2019, the Company announced it had sampled a 21 metre wide vein stockwork and hydrothermal breccia zone grading 1.32 g/t Au at Bald Peak. Significantly, the vein zone outcrops ~40 metre uphill of the Beauty Peak sinter. Combined with the recently completed CSAMT survey, the sampling shows the vein zone and sinter occur above a large and robust ~450 metre long resistive body that extends to at least an ~1,225 metre depth (the maximum depth of the survey). The vein and hot spring sinter outcrops, combined with the robust and deeply penetrating resistive zone, define compelling drill and exploration targets described below. Maps showing the property and the targets have been placed on the Company's website.

Beauty Peak Sinter: The vein and sinter outcrops at the Beauty Peak sinter target cover an area of roughly 300 x 200 metres before going under cover. The extensive sinter outcrops are frequently brecciated and cut by stockwork veins. Grades within the sinter have returned a maximum of 1.91 g/t Au and the banded vein float around the sinter runs up to 8.12 g/t Au.

Great Wall Vein: The Great Wall is a zone of robust outcropping stockwork of parallel quartz vein and vein breccias hosted in trachyandesite. Samples from this vein returned up to 5.36 g/t Au with a 2 metre chip-channel sample at 3.19 g/t Au. This vein is surrounded by multiple veins and anomalous soil and rock geochemical anomalies. The target is associated with a 2 kilometre NE trending gold in soil anomaly.

Central Gold Soil Anomaly: An approximately 2 kilometre by 150 metre wide well-defined gold in soil anomaly with values up to 1.24 g/t Au.

Northern Sinters: A 0.5 square kilometre area of sinter outcrops and float with clay alteration and soil anomalies in mercury, arsenic, and antimony.

Bald Peak Drill Permits

The Company is currently permitting a plan of operations with the United States Forest Service (“USFS”) and the California State Lands Commission. Archeological, cultural, biological and botany surveys have been completed by the USFS; however, the Company has recently put the process on hold as a result of COVID-19 travel restrictions.

Quality Assurance / Quality Control

The work program at the Bald Peak Property was planned by Company personnel and implemented by Company personnel, consultants, and contractors. The Company utilizes industry-standard QA/QC program. Samples were prepared and analyzed at ALS laboratories in Nevada and Canada. Blanks and certified reference standards are inserted into the sample stream to monitor laboratory performance and the results have been within acceptable limits.

Guatemala - Southeast Guatemala Ag-Au Epithermal Fields

The Company has not conducted active exploration activities in Guatemala since 2013, though care and maintenance of the properties has continued. Recent changes in the political landscape have given management optimism that the government will welcome the employment opportunities created by foreign investment in the resource sector.

The Company signed an agreement in May 2020 whereby it has granted to Volcanic the exclusive option (the “Option”) to acquire a 60% interest in the Company’s Holly and Banderas gold-silver properties in Guatemala. Volcanic may exercise the Option by spending US\$7.0 million on exploration of the properties within 48 months from the date drilling permits are granted, completing a minimum 3,000 metres of drilling, and making certain cash payments to the Company.

Volcanic also has the exclusive right for 24 months following the execution of the Option to evaluate the Company’s other property interests of in Guatemala and to enter into an agreement to acquire an interest in any of such other properties on reasonable mutually agreed upon terms.

Since Guatemala’s international borders re-opened in September 2020, Volcanic has made significant progress establishing a presence in the country. Mr. Pedro Garcia has been appointed Country Manager to oversee the permitting and social development in the region. Drill planning and corresponding environmental reports for drilling at Holly and Banderas projects have recently been completed and drill permits for Holly were issued in March 2021. Banderas drill permits are expected to be authorized in the next weeks. Volcanic has conducted formal meetings with the municipalities covering the Holly and Banderas targets which have been positively received. Access agreements with private landowners are ongoing, with a majority already signed at Holly and Banderas.

Drilling is expected to commence at Holly in April. The emphasis will be on exploring for high grade shoots associated with the intersection of the Jocotan Fault Zone zone and the NW-SE trending high grade vein systems, El Piño and La Peña. Sampling at El Pino has returned grades of up to 2 metres at 110.3 g/t Au and 3508 g/t Ag, and the La Peña vein, which crops out 620 metres to the west, sampling has returned 2 metres at 44 g/t Au and 88 g/t Ag. Surface rock and soil geochemistry indicates these two parallel quartz veins each have over a 600 metre strike potential.

Royalty Interests

Guatemala – Tambor Project Royalty

The Company holds a royalty interest in the Tambor gold project in Guatemala which is owned by Kappes, Cassidy & Associates (“KCA”). The initial royalty payments due to the Company are to be based on the price of gold at the time and the number of ounces of gold produced, ranging from US\$100 per ounce when the gold price is below \$1,200 up to \$250 per ounce when the gold price is \$1,500 or greater, up to a maximum of US\$10.0 million. After the US\$10.0 million has been paid and cumulative gold production from the Tambor Project has exceeded 100,000 ounces, the cash payments will be based on the then price of gold and the number of ounces of gold produced, ranging from US\$25 per ounce when the gold price is below \$1,500 up to \$50 per ounce when gold price is \$1,500 or greater.

Commercial production commenced at the Tambor project in December 2014 and receipt of royalty payments by the Company commenced during the third quarter of 2015. To date, the Company has recognized net royalty income of \$1,530,555 of which \$746,375 has been received. In May 2016, KCA informed the Company that mining operations were suspended by the Supreme Court of Guatemala due to a lack of consultation by the Guatemalan Ministry of Mines with local indigenous people when the mine was permitted in 2011.

The Supreme Court has not yet made a decision on when the mine may re-open, and as a result, KCA initiated a Central America Free Trade Agreement Arbitration action against the Guatemalan government to overturn the suspension of operations and seek compensation from the Guatemalan authorities, from which the Company would benefit as well. KCA is currently in the valuation stage of the Arbitration and the determinative hearing is scheduled for December 2021. Until these proceedings are concluded, the Company is allowing KCA to defer payment of the remaining balance owing to the Company. Due to these circumstances, for accounting purposes, a provision was recorded against the KCA receivable in the 2016 fiscal year.

Mexico - Tlacolula Property Royalty

In 2017, the Company completed the sale of its Tlacolula silver property, Mexico to Fortuna in consideration for 239,385 common shares of Fortuna, a cash payment of US\$150,000, and a 2% NSR royalty on the property. Fortuna retains the right to purchase one-half of the royalty by paying the Company US\$1.5 million.

Outlook

Management of the Company is encouraged by the results of drilling at its Amalia Project to date and looks forward to continued advancement of the Amalia, Plata Verde, and Maricela Projects in Mexico, and the Holly and Banderas properties in Guatemala. The Company plans to continue its strategy of conducting property evaluations and grassroots prospecting on properties in various jurisdictions and with various commodities but with a focus on gold and silver in the United States and Mexico. The Company’s geologists use a low cost and effective method of field testing targets that are generated through desktop research and through submittals.

Qualified Person: Bruce A Smith, M.Sc., MAIG., a member of the Australian Institute of Geoscientists, is the Company’s Qualified Person as defined by National Instrument 43-101, and has approved the disclosure of the technical information in this MD&A.

Selected Annual Information

The following table sets forth selected annual financial information of the Company for, and as at, the end of each of the last three financial years ended December 31, 2020, 2019, and 2018:

| | 2020 (\$) | 2019 (\$) | 2018 (\$) |
|---------------------------------|-----------|-------------|-------------|
| Investment and other income | 6,186 | 43,875 | 15,372 |
| Exploration expenditures | 731,021 | 753,960 | 934,434 |
| Net loss for the year | | | |
| Total | (893,037) | (2,563,125) | (1,565,694) |
| Basic & fully diluted per share | (0.01) | (0.03) | (0.02) |
| Total assets | 3,753,243 | 4,319,672 | 6,829,161 |
| Total long-term liabilities | 218,891 | 275,487 | - |
| Cash dividends | - | - | - |

Exploration activity for the most recently completed fiscal year was impacted by the COVID-19 pandemic and resulted in lower expenditures than the other two fiscal years presented. Exploration expenditures for the 2019 fiscal year was lower than the 2018 fiscal year due to more expenditures being reimbursed by Pan American per its option agreement on the Amalia Project.

The net loss for the 2019 fiscal year was significantly higher than the net loss for the 2018 and 2020 fiscal years due to a \$1,259,505 write-off of the Company's formerly held Bayovar 12 Project royalty interest. This write-off was also the primary reason for the decrease in total assets from the 2018 fiscal year to the 2019 fiscal year.

Long-term liabilities presented for the 2020 and 2019 fiscal years are related to the adoption of an accounting standard on January 1, 2019 whereby the Company began recording a lease liability associated with a right-to-use asset.

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2020:

| Quarter ended | Dec. 31, 2020 (\$) | Sep. 30, 2020 (\$) | June 30, 2020 (\$) | Mar. 31, 2020 (\$) | Dec. 31, 2019 (\$) | Sep. 30, 2019 (\$) | June 30, 2019 (\$) | Mar. 31, 2019 (\$) |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Investment and other income | 1,076 | 1,030 | 857 | 3,223 | 2,573 | 36,351 | 2,146 | 2,805 |
| Exploration expenditures | 157,573 | 144,379 | 119,517 | 309,552 | 305,613 | 255,088 | 76,954 | 116,305 |
| Net loss | (300,131) | (134,368) | (3,642) | (454,896) | (1,869,743) | (470,509) | (73,651) | (149,222) |
| Basic and diluted loss per share | (0.00) | (0.00) | (0.00) | (0.01) | (0.01) | (0.01) | (0.00) | (0.00) |

The net losses for the quarters ended June 30, 2020 and 2019 are less than all other quarters presented due to gains of \$206,398 and \$199,170 respectively, from the Amalia Project option agreement with Pan American. The results for the quarter ended September 30, 2020 also included a gain of \$100,000 from the recent Holly and Banderas properties option agreement with Volcanic. The net loss for the quarter ended December 31, 2019 is higher than all quarters presented due to a \$1,259,505 write-off of the Company's formerly held Bayovar 12 Project royalty interest.

Results of Operations

Quarter ended December 31, 2020

The quarter ended December 31, 2020 had a net loss of \$300,131 compared to \$1,869,743 for the quarter ended December 31, 2019, a decrease of \$1,569,612. The comparative quarter's net loss was higher primarily due to a \$1,259,505 write-off of the Company's formerly held Bayovar 12 Project royalty interest. Exploration expenditures for the current quarter were also \$148,040 less than the comparative quarter which is attributed to limited activities during the COVID-19 pandemic. Exploration expenditures include property investigation costs which relate to evaluating new opportunities and exploration activities on properties held by the Company. Exploration expenditures for both current and comparative quarters were both reduced by Pan American funding the exploration activity on the Amalia Project.

General and administrative expenses for the current quarter were \$126,196 compared to \$316,316 for the comparative quarter, a decrease of \$190,120. This decrease is primarily due to a share-based compensation expense of \$12,244 in the current quarter compared to \$169,836 for the comparative quarter, a decrease of \$157,592. Stock-based compensation expense relates to the fair value of stock options granted during the respective periods. Other general and administrative costs that were less in the current quarter were salaries and benefits, shareholder communications, and office and miscellaneous. Salaries and benefits and shareholder communication costs were lower due to cost-cutting efforts in response to the impact of COVID-19 on operations. Lower office and miscellaneous costs were due to the Company's office lease costs being partially offset by reimbursements from other companies that share the office space.

Year ended December 31, 2020

The year ended December 31, 2020 had a net loss of \$893,037 compared to \$2,563,125 for the year ended December 31, 2019, a decrease of \$1,670,088. As with the quarterly comparison, the net loss for the comparative year was significantly higher due to a \$1,259,505 write-off of the Company's formerly held Bayovar 12 Project royalty interest whereas there were no such write-offs for the current year. Net exploration expenditures for the current year totaled \$731,021 compared to \$753,960 for the comparative year, a decrease of \$22,939.

The current and comparative years recorded a gain from mineral property option agreements of \$306,398 and \$199,170, respectively. The current year also recorded a fair value gain of \$2,060 on derivative investments whereas the comparative year recorded a fair value loss of \$130,607, a difference of \$132,667. Derivative investments consist of share purchase warrants that were acquired along with common shares in private placement investments and the fair value gains and losses on such are charged to profit or loss.

General and administrative expenses for the current year were \$432,821 compared to \$642,279 for the comparative year, a decrease of \$209,458. Similar to the quarterly comparison, the current year recorded a share-based compensation charge of \$55,694 compared to \$172,939 for the comparative year, a decrease of \$117,245. The current year also recorded \$24,408 less in legal and audit fees, \$40,434 less in salaries and benefits, and \$17,293 less in office and miscellaneous costs. The comparative year recorded higher legal fees relating to the preparation of a definitive property option agreement. Salaries and benefits and office and miscellaneous costs were lower in the current year due to the impact of the COVID-19 pandemic.

Mineral Properties Expenditures

A summary of the Company's expenditures on its mineral properties during the year ended December 31, 2020 is as follows:

Mexico – A total of \$647,051, excluding cost recoveries, was incurred on exploration, property investigation, and miscellaneous administrative costs, of which \$224,229 was incurred on the Plata Verde property and \$112,379 on

the Amalia property. A cost recovery of \$138,933 relating to funding from the optionee on the Amalia property resulted in a net recovery of \$26,554 for that property.

United States – A total of \$86,670 was incurred on exploration, permitting, property investigation, and miscellaneous administrative costs, of which \$24,962 was on the Bald Peak property.

Guatemala – A total of \$50,147 was incurred on exploration, property investigation, and miscellaneous administrative costs, of which \$32,169 was on the Company's Guatemala properties.

Other – A total of \$86,086 was incurred on property investigation costs in regions other than USA, Mexico, and Guatemala.

Further details regarding exploration expenditures for the years ended December 31, 2020 and 2019 are provided in the schedules at the end of this MD&A.

Liquidity and Capital Resources

The Company's cash and cash equivalents were \$2.22 million at December 31, 2020 compared to \$1.34 million at December 31, 2019. As at December 31, 2020, working capital was \$3.06 million compared to \$3.59 million at December 31, 2019. Included in working capital is the fair value of the Company's equity investments which as at December 31, 2020 was \$0.90 million compared to \$2.28 million as at December 31, 2019. During the year ended December 31, 2020, the Company sold 239,385 Fortuna shares, 6,384,027 pre-consolidation Metallum shares, and 767,000 Southern Silver shares, for net proceeds of \$1.41 million, \$93,884, and \$322,236, respectively.

In addition to its working capital assets, the Company held 3,973,275 common shares in Rackla with a fair value of \$595,991 as at December 31, 2020; however, the investment is being accounted for as an investment in associate, using the equity method, since the Company may be able to exercise significant influence on Rackla.

The Company did not earn any royalty revenue from the Tambor Project during the current year as the operations at Tambor continue to be suspended.

The Company intends to use the proceeds from any sales of its equity and derivative investments, option payments received and royalty income payments received to fund its exploration programs, investment opportunities, and general working capital requirements. The Company expects its current capital resources to be sufficient to carry out its exploration and investment plans and operating costs for the next twelve months.

Commitment

The Company has entered into an operating lease agreement for its office premises. The Company shares its office space with other companies related by common directors and officers on a month to month basis, and the portion of the rent paid by these companies is netted against the Company's rental expense. However, as there are no commitments from these companies, the amounts presented below are the gross commitments of the Company. The annual commitments under the lease are as follows:

| | | |
|------|----|---------|
| 2021 | \$ | 128,119 |
| 2022 | | 130,035 |
| 2023 | | 131,952 |
| 2024 | | 133,869 |
| | \$ | 523,975 |

For the year ended December 31, 2020, the Company received a total of \$90,708 (2019: \$160,734) from those companies which share office space with the Company.

Financial Instruments and Risk Management

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the accompanying consolidated financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and equity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in foreign countries. The Company monitors this exposure but has no hedge positions. As at December 31, 2020 and 2020, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

| | December 31, 2020 | | | December 31, 2019 | | |
|---------------------|----------------------------------|--|---|----------------------------------|--|---|
| | US Dollar (CDN equivalent) | Mexican Peso (CDN equivalent) | Guatemala Quetzal (CDN equivalent) | US Dollar (CDN equivalent) | Mexican Peso (CDN equivalent) | Guatemala Quetzal (CDN equivalent) |
| Cash | \$ 130,620 | \$ 1,128 | \$ 2,843 | \$ 49,500 | \$ 965 | \$ 2,925 |
| Receivables | 11,300 | 5,235 | - | 28,248 | 5,557 | - |
| Current liabilities | (10,557) | - | (2,780) | (38,991) | (1,503) | (13,823) |
| | \$ 131,363 | \$ 6,363 | \$ 63 | \$ 38,757 | \$ 5,019 | \$ (10,898) |

Based on the above net exposures at December 31, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in approximately a \$13,800 (2019: \$3,300) increase or decrease in profit or loss, respectively.

Commodity Price Risk

The Company's royalty revenue is derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of gold discovered. Gold prices have historically fluctuated widely. Consequently, the economic viability of the Company's royalty interest cannot be accurately predicted and may be adversely affected by fluctuations in gold prices. The Company has not engaged in any hedging activities. The Company is not exposed to commodity price risk as the Company has not earned any royalties during the years ended December 31, 2020 and 2019.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited as it holds no assets or liabilities subject to variable rates of interest.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments consisting of common shares and derivative investments consisting of share purchase warrants are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The Company's equity investments are monitored by the Board with decisions on sale or exercise taken by Management. A 10% decrease in fair value of the shares and warrants would result in an approximate \$90,000 (2019: \$228,000) decrease in comprehensive income and shareholders' equity.

b) Credit Risk

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

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities.

Related Party Transactions

The Company had transactions during the years ended December 31, 2020 and 2019 with related parties who consisted of directors, officers and the following companies with common directors:

| Related Party | Nature of Transactions |
|---|--|
| Mill Street Services Ltd. ("Mill Street") | Management fees |
| Gold Group Management Inc. ("Gold Group") | Shared general and administrative expenses |
| Volcanic | Investment and exploration support |
| Metallum | Investment |
| Rackla (Associate) | Investment and shared personnel expenses |

The Company incurred the following expenditures charged by non-key management officers and companies which have common directors with the Company during the years ended December 31, 2020 and 2019:

| | Three months ended December 31, | | Year ended December 31, | |
|--------------------------------------|--|-----------------|------------------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| General and administrative expenses: | | | | |
| Salaries and benefits | \$ 3,200 | \$ 6,000 | \$ 9,200 | \$ 20,800 |
| Exploration expenditures: | | | | |
| Salaries and benefits | - | 3,960 | 17,1862 | 15,922 |
| | \$ 3,200 | \$ 9,960 | \$ 26,386 | \$ 36,722 |

The Company reimburses Gold Group, a company controlled by Simon Ridgway, a Director of the Company, for shared administrative costs and other business-related expenses paid by Gold Group on behalf of the Company. During the years ended December 31, 2020 and 2019, the Company reimbursed Gold Group the following:

| | Three months ended December 31, | | Year ended December 31, | |
|--------------------------------------|--|------------------|--------------------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| General and administrative expenses: | | | | |
| Office and miscellaneous | \$ 8,057 | \$ 8,857 | \$ 28,086 | \$ 31,876 |
| Shareholder communications | 500 | 500 | 10,450 | 5,885 |
| Salaries and benefits | 17,518 | 33,450 | 77,744 | 116,160 |
| Transfer agent and regulatory fees | 446 | 235 | 4,439 | 4,005 |
| Travel and accommodation | 389 | 1,404 | 5,962 | 7,322 |
| | \$ 26,910 | \$ 44,446 | \$ 126,681 | \$ 165,248 |
| Exploration expenditures | \$ 628 | \$ - | \$ 1,214 | \$ 2,886 |

Gold Group salaries and benefits costs for the years ended December 31, 2020 and 2019 include those for the Chief Financial Officer and Corporate Secretary.

During the year ended December 31, 2020, the Company was reimbursed \$164,835 (2019: \$NIL) from Volcanic, a company which has a common director with the Company, for exploration costs incurred on behalf of Volcanic and relating to the option agreement between the two parties.

Receivables include an amount of \$6,053 (2019: \$7,445) owed from Rackla, a company which has two common directors with the Company, for shared exploration personnel costs, \$4,700 (2019: \$Nil) owed from Gold Group for shared administrative costs, and \$11,735 (2019: \$Nil) owed from Volcanic.

Prepaid expenses and deposits include an amount of \$1,823 (2019: \$5,115) paid to Gold Group for shared office and administrative services.

Long-term deposits include an amount of \$60,000 (2019: \$60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement.

Accounts payable and accrued liabilities include \$Nil (2019: \$4,853) payable to Gold Group for shared administrative costs.

During the year ended December 31, 2019, the Company purchased 4,200,000 pre-consolidation units in a Metallum private placement at a cost of \$210,000.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

| | Three months ended December 31, | | Year ended December 31, | |
|------------------------------|------------------------------------|------------------|----------------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Management fees | \$ 10,500 | \$ 10,500 | \$ 39,750 | \$ 42,000 |
| Geological fees | 15,000 | 15,000 | 58,000 | 60,000 |
| Salaries, benefits and fees* | 5,958 | 9,625 | 22,733 | 34,375 |
| | \$ 31,458 | \$ 35,125 | \$ 120,483 | \$ 136,375 |

*Included in reimbursements to Gold Group

Key management compensation includes management and geological fees paid to Mill Street, a company controlled by Simon Ridgway.

Other Data

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

Share Position and Outstanding Options

As at the date of this MD&A, the Company's outstanding share position is 87,243,550 common shares and the following incentive stock options are outstanding:

STOCK OPTIONS

| Number of options | Exercise price | Expiry date |
|--------------------------|-----------------------|--------------------|
| 1,495,000 | \$0.20 | December 12, 2022 |
| 1,230,000 | \$0.15 | October 18, 2026 |
| 1,490,000 | \$0.15 | May 21, 2028 |
| 75,000 | \$0.15 | November 4, 2028 |
| 850,000 | \$0.25 | October 7, 2029 |
| 280,000 | \$0.15 | March 15, 2030 |
| 50,000 | \$0.27 | December 8, 2030 |
| 50,000 | \$0.34 | February 10, 2031 |
| 50,000 | \$0.24 | March 3, 2031 |
| 5,570,000 | | |

Investments in Associates

Rackla

The Company currently has an investment in one associated company, Rackla, which is equity accounted for in the consolidated financial statements.

As at December 31, 2020, the Company held 3,973,275 (2019: 3,973,275) common shares of Rackla, representing 15.7% (2019: 19.6%) of Rackla's outstanding common shares.

The following table shows the continuity of the Company's investment in Rackla for the years ended December 31, 2020 and 2019:

| Balance, December 31, 2018, 2019, and 2020 | \$ | 1 |
|---|-----------|----------|
|---|-----------|----------|

Prior to the 2015 fiscal year the Company's share of losses in Rackla exceeded the carrying value of its interest and therefore the Company has not recognized any of its share of losses for the year ended December 31, 2020 and 2019. The cumulative unrecognized share of losses for the associate as at December 31, 2020 is \$689,982 (2019: \$655,382).

The financial statement balances of Rackla are as follows:

| | December 31, 2020 | December 31, 2019 |
|----------------------|--------------------------|--------------------------|
| Total current assets | \$ 36,563 | \$ 19,350 |
| Total assets | \$ 107,564 | \$ 80,351 |
| Total liabilities | \$ 47,748 | \$ 308,347 |
| Net loss | \$ 220,441 | \$ 273,047 |

At December 31, 2020, the fair value of the 3,973,275 common shares of Rackla was \$595,991 (2019: \$397,328) based on the market price of the common shares of Rackla.

Accounting Policies and Basis of Presentation

The Company's significant accounting policies and future changes in accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2020.

Future Changes in Accounting Policies

The following new standard has been issued by the IASB but is not yet effective:

IFRS 17 Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

This standard will be effective for the Company's annual period beginning January 1, 2021. The Company has assessed that the impact of IFRS 17 on its consolidated financial statements would not be significant.

Risks and Uncertainties

Global Pandemic

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the COVID-19 coronavirus which was declared a global pandemic by the World Health Organization in March 2020. COVID-19 infections have been reported globally, including Canada, USA, Mexico and Guatemala, countries in which the Company operates.

The extent to which COVID-19 may impact the Company's business, including its operations and the market for its securities, will depend on future developments which cannot be predicted, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. The continued spread of COVID-19 globally could materially and adversely impact the Company's business, financial condition and results of operations including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to any drill programs and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating and supply chain delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation.

Royalty revenue

The Company cannot predict future revenues from or operating results of mining activity. Management expects any future royalty revenues from the Tambor Project to fluctuate depending on the level of future production and the price of gold. The owner of the Tambor Project is not obligated to re-start or continue production from the Tambor Project and the Company will not be entitled to any compensation if this mining operation does not meet its

forecasted gold production targets or if the mine operations are discontinued on a temporary or permanent basis. Risks that could negatively affect a mine's operations include, but are not limited to economics, lack of financial capital, floods, fire, mechanical malfunctions, social unrest, expropriation, environmental regulations, and legal and/or political changes. The Tambor Project is currently subject to a suspension of operations imposed by the Supreme Court of Guatemala.

Competition

The Company faces competition from other capital providers, all of which compete with it for investment opportunities. These competitors may limit the Company's opportunities to acquire interests in investments that are attractive to the Company. The Company may be required to invest otherwise than in accordance with its Investment Policy and strategy in order to meet its investment objectives. If the Company is required to invest other than in accordance with its Investment Policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

Inability to dispose of illiquid securities

There is a possibility that the Company will be unable to dispose of illiquid securities held in its portfolio and if the Company is unable to dispose of some or all of its investments at the appropriate time, a return on such investment may not be realized.

Due diligence

The due diligence process undertaken by the Company in connection with investments that it makes or wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Mineral property exploration and mining

The business of mineral deposit 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 main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

If the Company does not satisfactorily complete its contribution requirements to any joint ventures it may be a party to, the Company's interest in a joint venture can be diluted to a point where all interest in the joint venture is forfeited.

Joint venture funding

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on

whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity price

The Company is exposed to commodity price risk. Declines in the market price of gold, silver, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party. The Company's past royalty revenue was derived from a royalty interest that is based on the extraction and sale of gold. Factors beyond the control of the Company may affect the marketability of precious and base metals discovered or extracted. Metal prices have historically fluctuated widely. Consequently, the economic viability of the Company's property and royalty interests cannot be accurately predicted and may be adversely affected by fluctuations in metal prices.

Financing and share price fluctuation

The Company had a limited source of operating cash flow in the form of royalty revenue from the Tambor property; however, that property is currently subject to suspension of operations. There is no assurance that additional funding from this or other sources will be available to the Company when needed for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues or the value of the Company's equity and derivative investments and corresponding effect on the Company's financial position.

Political, regulatory and currency

Some of the Company's mineral property interests are located in emerging nations. Properties in emerging nations 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. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its exploration and property maintenance expenditures in US dollars, Guatemalan quetzals, and Mexican pesos. At this time there are no currency hedges in place. Therefore a weakening of the Canadian dollar against the US dollar, Guatemalan quetzal, or Mexican peso could have an adverse impact on the amount of exploration conducted.

Insurance

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes, and pandemics. Such occurrences could result in damage to

the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and social

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are fairly significant in some of the Company's areas of operations. Violence, kidnapping, theft and other criminal activities could disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Mineral Properties Expenditure Detail (see following page)

Mineral Properties Expenditure Detail

CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the year ended December 31, 2020

| | USA | | Guatemala | | Mexico | | Other | Total |
|----------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-------------------|
| | General Exploration | Mineral Properties | General Exploration | Mineral Properties | General Exploration | Mineral Properties | General Exploration | |
| Exploration administration | \$ 1,779 | \$ - | \$ 865 | \$ 4,341 | \$ 6,815 | \$ 1,943 | \$ 3,777 | \$ 19,520 |
| Field and camp | - | - | - | - | 478 | 22,034 | - | 22,512 |
| Geochemistry | 7,248 | - | - | - | 41,440 | 3,331 | - | 52,019 |
| Geological services | 13,751 | 8,332 | - | 24,863 | 151,652 | 113,301 | 58,000 | 369,899 |
| Legal and accounting | - | - | 2,024 | 2,442 | 39,817 | 615 | 1,185 | 46,083 |
| Licenses, rights and taxes | 691 | 15,273 | - | - | 1,779 | 46,982 | - | 64,725 |
| Salaries and wages | 31,752 | 564 | 12,228 | 523 | 19,657 | 89,364 | 19,560 | 173,648 |
| Travel and accommodation | 6,487 | 793 | 2,861 | - | 48,805 | 59,038 | 3,564 | 121,548 |
| | 61,708 | 24,962 | 17,978 | 32,169 | 310,443 | 336,608 | 86,086 | 869,954 |
| Expenditures recovered | - | - | - | - | - | (138,933) | - | (138,933) |
| | \$ 61,708 | \$ 24,962 | \$ 17,978 | \$ 32,169 | \$ 310,443 | \$ 197,675 | \$ 86,086 | \$ 731,021 |

CONSOLIDATED SCHEDULE OF EXPLORATION EXPENDITURES

For the year ended December 31, 2019

| | USA | | Guatemala | | Mexico | | Other | Total |
|----------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-------------------|
| | General Exploration | Mineral Properties | General Exploration | Mineral Properties | General Exploration | Mineral Properties | General Exploration | |
| Exploration administration | \$ 1,779 | \$ 573 | \$ 9,655 | \$ 340 | \$ 7,810 | \$ 7,993 | \$ 2,995 | \$ 31,145 |
| Field and camp | - | - | - | - | - | 20,206 | - | 20,206 |
| Geochemistry | 2,195 | 599 | - | - | 45,273 | 9,880 | - | 57,947 |
| Geological services | 13,596 | 47,586 | - | 91,037 | 186,625 | 172,629 | 72,745 | 584,218 |
| Legal and accounting | - | - | 3,382 | - | 18,742 | 19,372 | - | 41,496 |
| Licenses, rights and taxes | - | 43,189 | - | 3,043 | 10,658 | 13,228 | - | 70,118 |
| Salaries and wages | - | - | 25,672 | 662 | 20,358 | 95,952 | 22,702 | 165,346 |
| Travel and accommodation | - | 9,179 | 2,219 | 12,329 | 105,504 | 96,075 | - | 225,306 |
| Value-added taxes | - | - | - | - | 20,600 | - | - | 20,600 |
| | 17,570 | 101,126 | 40,928 | 107,411 | 415,570 | 435,335 | 98,442 | 1,216,382 |
| Expenditures recovered | - | - | - | - | - | (462,422) | - | (462,422) |
| | \$ 17,570 | \$ 101,126 | \$ 40,928 | \$ 107,411 | \$ 415,570 | \$ (27,087) | \$ 98,442 | \$ 753,960 |