



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2020. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

RADIUS GOLD INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(Expressed in Canadian Dollars)

As at:	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	\$ 2,691,156	\$ 1,344,891
Equity investments (Note 6)	926,059	2,275,534
Derivative investments (Note 7)	6,575	1,529
Receivables (Notes 8 and 15)	25,258	71,573
Prepaid expenses and deposits (Note 15)	34,129	49,621
Total current assets	3,683,177	3,743,148
Non-current assets		
Long-term deposits (Note 15)	123,098	123,098
Property and equipment (Note 9)	25,228	32,941
Right-of-use asset (Note 10)	257,272	302,667
Mineral and royalty interests (Note 12)	128,452	117,817
Investment in associate (Note 11)	1	1
Total non-current assets	534,051	576,524
TOTAL ASSETS	\$ 4,217,228	\$ 4,319,672
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	\$ 90,974	\$ 106,350
Current portion of lease liability (Note 10)	54,781	49,547
	145,755	155,897
Non-current liabilities		
Lease liability (Note 10)	233,501	275,487
Total liabilities	379,256	431,384
Shareholders' equity		
Share capital (Note 13)	56,687,886	56,647,011
Other equity reserve	7,159,243	7,134,168
Deficit	(57,068,973)	(56,476,067)
Accumulated other comprehensive loss	(2,940,184)	(3,416,824)
Total shareholders' equity	3,837,972	3,888,288
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 4,217,228	\$ 4,319,672

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 24, 2020 BY:

"Simon Ridgway", Director
Simon Ridgway

"William Katzin", Director
William Katzin

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

RADIUS GOLD INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)**
(UNAUDITED)

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Exploration expenditures	\$ 144,379	\$ 255,088	\$ 573,448	\$ 448,347
General and administrative expenses				
Amortization (Note 9)	3,200	3,608	9,898	12,430
Depreciation of right-of-use asset (Note 10)	15,241	15,241	45,395	45,061
Interest expense on lease liability (Note 10)	7,156	8,229	22,187	24,986
Legal and audit fees	4,500	15,703	5,581	39,149
Management fees (Note 15)	10,500	10,500	29,250	31,500
Office and miscellaneous (Note 15)	1,125	9,233	15,521	23,481
Salaries and benefits (Note 15)	16,425	34,980	63,718	87,326
Share-based compensation (Note 14)	-	3,103	43,450	3,103
Shareholder communications (Note 15)	14,009	29,661	51,177	36,163
Transfer agent and regulatory fees (Note 15)	2,341	2,312	14,118	13,649
Travel and accommodation (Note 15)	722	2,727	6,330	9,115
	75,219	135,297	306,625	325,963
Loss from operations	(219,598)	(390,385)	(880,073)	(774,310)
Investment income	1,030	36,351	5,110	41,302
Foreign currency exchange loss	(8,742)	(22,961)	(29,387)	(30,363)
Gain from mineral property option agreements (Note 12)	100,000	-	306,398	199,170
Fair value gain (loss) on derivative investments (Note 7)	(7,058)	(93,514)	5,046	(129,181)
Net loss for the period	\$ (134,368)	\$ (470,509)	\$ (592,906)	\$ (693,382)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on sale of equity investments (Note 6)	(954,485)	69,905	(1,016,708)	78,106
Fair value gains (losses) on equity investments (Note 6)	1,055,197	279,419	1,493,348	(287,104)
Total comprehensive loss	\$ (33,656)	\$ (121,185)	\$ (116,266)	\$ (902,380)
Basic and diluted loss per share	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)
Weighted average number of common shares outstanding	87,022,838	86,804,800	86,966,522	86,780,020

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

RADIUS GOLD INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

For the nine months ended September 30, 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 period	-	-	-	-	(693,382)	(693,382)
Options exercised	55,000	8,250	-	-	-	8,250
Transfer of other equity reserve on exercise of options	-	5,605	(5,605)	-	-	-
Equity investments	-	-	-	(208,998)	-	(208,998)
Share-based compensation	-	-	3,103	-	-	3,103
Balance, September 30, 2019	86,804,800	56,613,144	6,976,582	(3,115,757)	(54,606,324)	5,867,645
Loss for the period	-	-	-	-	(1,869,743)	(1,869,743)
Shares issued for mineral property acquisition	33,255	6,617	-	-	-	6,617
Options exercised	100,000	15,000	-	-	-	15,000
Transfer of other equity reserve on exercise of options	-	12,250	(12,250)	-	-	-
Equity investments	-	-	-	(301,067)	-	(301,067)
Share-based compensation	-	-	169,836	-	-	169,836
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 period	-	-	-	-	(592,906)	(592,906)
Options exercised	150,000	22,500	-	-	-	22,500
Transfer of other equity reserve on exercise of options	-	18,375	(18,375)	-	-	-
Equity investments	-	-	-	476,640	-	476,640
Share-based compensation	-	-	43,450	-	-	43,450
Balance, September 30, 2020	87,088,055	\$ 56,687,886	\$ 7,159,243	\$ (2,940,184)	\$ (57,068,973)	\$ 3,837,972

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

RADIUS GOLD INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (134,368)	\$ (470,509)	\$ (592,906)	\$ (693,382)
Items not involving cash:				
Amortization	3,200	3,608	9,898	12,430
Gain from mineral property option agreement	(100,000)	-	(306,398)	(199,170)
Depreciation of right-of-use asset	15,241	15,241	45,395	45,061
Interest expense on lease liability	7,156	8,229	22,187	24,986
Fair value (gain) loss on derivative investments	7,058	93,514	(5,046)	129,181
Share-based compensation	-	3,103	43,450	3,103
	(201,713)	(346,814)	(783,420)	(677,791)
Changes in non-cash working capital items:				
Receivables	78,062	92,803	46,315	156,442
Prepaid expenses and deposits	(15,443)	3,721	15,492	201,322
Accounts payable and accrued liabilities	497	28,845	(15,376)	12,799
Cash used in operating activities	(138,597)	(221,445)	(736,989)	(307,228)
FINANCING ACTIVITIES				
Proceeds on issuance of common shares	22,500	-	22,500	8,250
Repayment of lease obligation	(19,647)	(17,729)	(58,940)	(53,188)
Cash provided by (used for) financing activities	2,853	(17,729)	(36,440)	(44,938)
INVESTING ACTIVITIES				
Purchase of equity investments	-	(100,000)	-	(310,000)
Expenditures on exploration and evaluation asset acquisition costs	-	-	(78,487)	-
Proceeds from mineral property option agreements	100,000	-	374,250	199,170
Proceeds from sale of equity investments	416,121	101,665	1,826,116	113,826
Purchase of property and equipment	-	-	(2,185)	-
Cash provided by investing activities	516,121	1,665	2,119,694	2,996
Increase (decrease) in cash and cash equivalents	380,377	(237,509)	1,346,265	(349,170)
Cash and cash equivalents, beginning of period	2,310,779	1,493,529	1,344,891	1,605,190
Cash and cash equivalents, end of period	\$ 2,691,156	\$ 1,256,020	\$ 2,691,156	\$ 1,256,020

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

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(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 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

Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company, except as described in Note 3. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis as modified by any revaluation of financial assets measured at fair value.

The condensed interim consolidated financial statements are presented in Canadian dollars (“CDN”), which is also the Company’s 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 of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Nature of Operations

These 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.

Basis of Consolidation

These condensed interim 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 September 30, 2020 are as follows:

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

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

3. 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.

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 comprehensive income 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 condensed interim 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 requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

If, after exploration and evaluation assets is 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; and
- e) The Company applies judgement in determining whether a 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.

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

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; and
- 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.

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 September 30, 2020 and December 31, 2019, cash and cash equivalents is comprised of the following:

	September 30, 2020	December 31, 2019
Cash	\$ 516,725	\$ 475,089
Cash equivalents	2,174,431	869,802
	<u>\$ 2,691,156</u>	<u>\$ 1,344,891</u>

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

6. EQUITY INVESTMENTS

The Company's equity investments consisted of the following:

Number of common shares held as at:					
			September 30, 2020	December 31, 2019	
CROPS Inc. ("CROPS")			380,000	6,764,027	
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	
Southern Silver Exploration Corp. ("Southern Silver")			-	767,000	
Volcanic Gold Mines Inc. ("Volcanic")			460,412	460,412	
Warrior Gold Inc. ("Warrior")			233,781	233,781	

	CROPS	Fortuna	GrowMax	Medgold	Metalla Royalty & Streaming Ltd.
Balance, December 31, 2018	\$ 89,741	\$ 1,196,925	\$ 92,000	\$ 1,265,813	\$ 140,028
Acquisition of shares	147,000	-	-	-	100,000
Disposition of shares	-	-	-	-	(165,000)
Net change in fair value recorded in other comprehensive income	(169,101)	69,422	(57,500)	(658,223)	(75,028)
Balance, December 31, 2019	67,640	1,266,347	34,500	607,590	-
Disposition of shares	(1,309,246)	(1,472,218)	-	-	-
Net change in fair value recorded in other comprehensive income	1,245,406	205,871	(3,450)	-	-
Balance, September 30, 2020	\$ 3,800	\$ -	\$ 31,050	\$ 607,590	\$ -

	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 income	887	9,208	2,337	(877,998)
Balance, December 31, 2019	207,089	73,666	18,702	2,275,534
Disposition of shares	(61,359)	-	-	(2,842,823)
Net change in fair value recorded in other comprehensive income	(145,730)	179,561	11,690	1,493,348
Balance, September 30, 2020	\$ -	\$ 253,227	\$ 30,392	\$ 926,059

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

6. EQUITY INVESTMENTS (cont'd)

CROPS and Fortuna each have two common directors with the Company, namely, Simon Ridgway and Mario Szotlender. Medgold 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 September 30, 2020.

During the period ended September 30, 2020, the Company sold in the open market:

- i) 239,385 common shares of Fortuna for net proceeds of \$1,409,995;
- ii) 6,384,027 common shares of CROPS for net proceeds of \$93,884; and
- iii) 767,000 common shares of Southern Silver for net proceeds of \$322,236.

Subsequent to the period ended September 30, 2020, the Company purchased in the open market 234,000 common shares of Volcanic for a cost of \$119,958.

The Company also held 3,973,275 free trading common shares of Rackla with a fair value of \$675,457 as of September 30, 2020, which are recorded as an investment in associate (Note 11). Rackla has two common directors with the Company, namely, Simon Ridgway and William Katzin.

7. DERIVATIVE INVESTMENTS

	Number of share purchase warrants held as at:	
	September 30, 2020	December 31, 2019
CROPS	685,675	4,885,675
Volcanic	160,714	160,714

	CROPS	Metalla	Volcanic	Warrior	Total
Balance, December 31, 2018	\$ 3,586	\$ 63,933	\$ 1,400	\$ 217	\$ 69,136
Acquisition of warrants	63,000	-	-	-	63,000
Net change in fair value recorded in net income	(66,261)	(63,933)	(196)	(217)	(130,607)
Balance, December 31, 2019	325	-	1,204	-	1,529
Net change in fair value recorded in net income	1,487	-	3,559	-	5,046
Balance, September 30, 2020	\$ 1,812	\$ -	\$ 4,763	\$ -	\$ 6,575

During the period ended September 30, 2020, a total of 4,200,000 share purchase warrants of CROPS held by the Company expired unexercised.

The fair value of the derivative investments as of September 30, 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
CROPS	202%	0.21%	1.47	0%
Volcanic	109%	0.21%	1.44	0%

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

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

8. RECEIVABLES

	September 30, 2020	December 31, 2019
Royalty receivable	\$ 784,180	\$ 784,180
Provision for impairment	(784,180)	(784,180)
Royalty revenue receivable, net	-	-
Sales taxes	9,682	14,482
Exploration expenditure recoveries	8,090	40,439
Other receivables	7,486	16,652
	\$ 25,258	\$ 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 September 30, 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.

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, September 30, 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 period	-	6,180	1,222	841	1,163	492	9,898
Balance, September 30, 2020	\$ 62,762	\$ 244,390	\$ 248,658	\$ 57,890	\$ 78,888	\$ 2,972	\$ 695,560
Carrying amounts							
At December 31, 2019	\$ -	\$ 14,885	\$ 5,292	\$ 5,607	\$ 7,157	\$ -	\$ 32,941
At September 30, 2020	\$ -	\$ 8,705	\$ 4,070	\$ 4,766	\$ 5,994	\$ 1,693	\$ 25,228

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(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 an ROU asset and \$362,969 for a lease liability.

The continuity of the ROU asset and Lease liability for the nine months ended September 30, 2020 is 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	(45,395)
Value of right-of-use asset as at September 30, 2020	\$ 257,272
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	(58,938)
Lease interest	22,186
Lease liability recognized as of September 30, 2020	\$ 288,282
Current portion	\$ 54,781
Long-term portion	233,501
	\$ 288,282

11. INVESTMENT IN ASSOCIATE

Rackla

As at September 30, 2020, the Company held 3,973,275 (December 31, 2019: 3,973,275) common shares of Rackla, representing 15.7% (December 31, 2019: 19.6%) of Rackla's outstanding common shares.

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

The following table shows the continuity of the Company's interest in Rackla for the period ended September 30, 2020:

Balance, December 31, 2019	\$ 1
Balance, September 30, 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 of September 30, 2020 is \$677,782.

Radius Gold Inc.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

11. INVESTMENT IN ASSOCIATE (cont'd)

The financial statement balances of Rackla are as follows:

	September 30, 2020	December 31, 2019
Total current assets	\$ 137,177	\$ 19,350
Total assets	\$ 198,178	\$ 80,351
Total liabilities	\$ 67,059	\$ 308,347
Net loss	\$ 142,763 ⁽¹⁾	\$ 273,047 ⁽²⁾

⁽¹⁾ Net loss for nine month period ended September 30, 2020.

⁽²⁾ Net loss for the year ended December 31, 2019.

At September 30, 2020, the fair value of the 3,973,275 common shares of Rackla was \$675,457 (December 31, 2019: \$397,328).

12. MINERAL PROPERTY AND ROYALTY INTERESTS

Acquisition costs	United States	Mexico	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	-	78,487	-	-	78,487
Acquisition costs recovered	-	(67,852)	-	-	(67,852)
Balance, September 30, 2020	\$ 117,816	\$ 10,635	\$ 1	\$ -	\$ 128,452

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

Details of the Company's mineral property interests are disclosed in full in the consolidated financial statements for the year ended December 31, 2019. Significant exploration and evaluation asset transactions that have occurred since January 1, 2020 are as follows:

Mexico

i) Palmillas Property

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 upon signing of the agreement, \$7,037 (US\$5,000) was paid during the current period 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 Silver Corp. ("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 period ended September 30, 2020, Pan American elected to exercise this right.

Radius Gold Inc.

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12. MINERAL PROPERTY AND ROYALTY INTERESTS (cont'd)

Mexico (cont'd)

ii) Plata Verde Project

During the period ended September 30, 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 September 30, 2020, the Company has paid \$10,635 (US\$8,000), upon signing of the agreement. The concession holder retains a 1% NSR royalty which the Company can buy back for US\$1,000,000.

Subsequent to the period ended September 30, 2020, the Company 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 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.

Guatemala

i) Southeast Guatemala Ag-Au Epithermal Fields

The Company's 100% owned land holdings in southeast Guatemala as at September 30, 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. 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 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.

13. SHARE CAPITAL AND RESERVES

a) Common Shares

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

During the period ended September 30, 2020, 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.

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14. 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.

The following is a summary of changes in options for the period ended September 30, 2020:

Grant date	Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
				Granted	Exercised	Forfeited / 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
			5,695,000	280,000	(150,000)	(280,000)	5,545,000	5,545,000
	Weighted average exercise price		\$0.18	\$0.15	\$0.15	\$0.22	\$0.18	\$0.18

b) Fair Value of Options Granted During the Period

The weighted average fair value at grant date of options granted during the period ended September 30, 2020 was \$0.11 per option (2019: \$0.13).

The weighted average remaining contractual life of the options outstanding at September 30, 2020 is 6.14 years (December 31, 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.

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 period ended September 30, 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%

Radius Gold Inc.

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14. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Options Issued During the Period (cont'd)

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 period ended September 30, 2020 as part of share-based compensation expense was \$43,450 (2019: \$3,103).

15. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2020 and 2019 with related parties who consisted of directors, officers and the following companies with common directors:

<u>Related Party</u>	<u>Nature of Transactions</u>
Mill Street Services Ltd. ("Mill Street")	Management fees
Gold Group Management Inc. ("Gold Group")	Shared general and administrative expenses
Rackla (Associate)	Investment
Volcanic	Property transaction

In addition to related party transactions disclosed elsewhere in the condensed interim 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 periods ended September 30, 2020 and 2019:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General and administrative expenses:				
Salaries and benefits	\$ 1,200	\$ 7,600	\$ 6,000	\$ 14,800
Exploration expenditures:				
Salaries and benefits	-	3,962	17,186	11,962
	<u>\$ 1,200</u>	<u>\$ 11,562</u>	<u>\$ 23,186</u>	<u>\$ 26,762</u>

Radius Gold Inc.

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15. RELATED PARTY TRANSACTIONS (cont'd)

The Company reimburses Gold Group, a company controlled by the Chief Executive Officer of the Company, for shared administrative costs and other business-related expenses paid by Gold Group on behalf of the Company. During the periods ended September 30, 2020 and 2019, the Company reimbursed Gold Group the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
General and administrative expenses:				
Office and miscellaneous	\$ 5,809	\$ 8,349	\$ 20,029	\$ 23,019
Shareholder communications	5,667	500	9,950	5,385
Salaries and benefits	15,452	33,899	60,226	82,710
Transfer agent and regulatory fees	1,505	1,101	3,993	3,770
Travel and accommodation	722	2,665	5,573	5,918
	\$ 29,155	\$ 46,514	\$ 99,771	\$ 120,802
Exploration expenditures	\$ -	\$ 487	\$ 586	\$ 2,886

Gold Group salary and benefits costs for the periods ended September 30, 2020 and 2019 include those for the Chief Financial Officer and Corporate Secretary.

Receivables include an amount of \$1,045 (December 31, 2019: \$7,445) owed from Rackla, a company which has two common directors with the Company, for shared exploration personnel costs.

Prepaid expenses and deposits include an amount of \$2,646 (December 31, 2019: \$5,115) paid to Gold Group for shared office and administrative services.

Long-term deposits include an amount of \$60,000 (December 31, 2019: \$60,000) paid to Gold Group as a deposit on the shared office and administrative services agreement.

Accounts payable and accrued liabilities include \$4,575 (December 31, 2019: \$4,853) payable to Gold Group for shared administrative costs.

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Management fees	\$ 10,500	\$ 10,500	\$ 29,250	\$ 31,500
Geological fees included in exploration expenditures	15,000	15,000	43,000	45,000
Salaries, benefits and fees*	4,675	9,167	16,775	24,750
	\$ 30,175	\$ 34,667	\$ 89,025	\$ 101,250

*Included in reimbursements to Gold Group

Key management compensation includes management and geological fees paid to Mill Street, a company controlled by the Chief Executive Officer of the Company.

Radius Gold Inc.

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16. 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:

Period ended September 30, 2020	Canada	USA	Guatemala	Mexico	Other	Consolidated
Exploration expenditures	\$ -	\$ 76,368	\$ 52,706	\$ 377,603	\$ 66,771	\$ 573,448
Gain from mineral property option agreements	-	-	100,000	206,398	-	306,398
Investment income	5,110	-	-	-	-	5,110
Amortization	3,584	-	-	6,314	-	9,898
Depreciation on right-of-use asset	45,395	-	-	-	-	45,395
Interest expense on lease liability	22,187	-	-	-	-	22,187
Net income (loss)	(135,365)	(76,368)	47,294	(356,969)	(71,498)	(592,906)
Capital expenditures*	2,185	-	-	78,487	-	80,672

Period ended September 30, 2019	Canada	USA	Guatemala	Mexico	Other	Consolidated
Exploration expenditures	\$ -	\$ 107,848	\$ 119,719	\$ 143,294	\$ 77,486	\$ 448,347
Gain from mineral property option agreements	-	-	-	199,170	-	199,170
Investment income	41,302	-	-	-	-	41,302
Amortization	5,441	-	-	6,989	-	12,430
Depreciation on right-of-use asset	45,061	-	-	-	-	45,061
Interest expense on lease liability	24,986	-	-	-	-	24,986
Net income (loss)	(387,781)	(107,848)	(119,719)	5,153	(83,187)	(693,382)
Capital expenditures*	-	-	-	26,626	-	26,626

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

As at September 30, 2020	Canada	USA	Guatemala	Peru	Mexico	Other	Consolidated
Total current assets	\$ 3,519,685	\$ -	\$ 68,259	\$ -	\$ 87,214	\$ 8,019	\$ 3,683,177
Total non-current assets	396,568	117,816	-	-	19,667	-	534,051
Total assets	\$ 3,916,253	\$ 117,816	\$ 68,259	\$ -	\$ 106,881	\$ 8,019	\$ 4,217,228
Total liabilities	\$ 318,532	\$ -	\$ 57,041	\$ -	\$ 3,683	\$ -	\$ 379,256

As at December 31, 2019	Canada	USA	Guatemala	Peru	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

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17. 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 condensed interim 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 September 30, 2020, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar:

	September 30, 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	\$ 196,257	\$ 2,248	\$ 52,905	\$ 49,500	\$ 965	\$ 2,925
Receivables	13,496	3,735	-	28,248	5,557	-
Current liabilities	(16,863)	-	(3,909)	(38,991)	(1,503)	(13,823)
	\$ 192,890	\$ 5,983	\$ 48,996	\$ 38,757	\$ 5,019	\$ (10,898)

Based on the above net exposures at September 30, 2020, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in an approximate \$24,800 (December 31, 2019: \$3,300) increase or decrease in profit or loss, respectively.

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

Commodity Price Risk

The Company's royalty revenue has been 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 or extracted. 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 royalty revenue during the periods ended September 30, 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 \$93,000 (December 31, 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 September 30, 2020, the Company had working capital of \$3.5 million (December 31, 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.

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

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

	September 30, 2020	September 30, 2020
	Book value	Fair value
Financial assets		
Shares held in Rackla (Note 11)	\$ 1	\$ 675,457

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. As of September 30, 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.

18. 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, 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 period ended September 30, 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.