

**Galway Gold Inc.**

**Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019**

**(Expressed in United States Dollars)**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Galway Gold Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date.

Management has established processes which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)  
*Robert Hinchcliffe*  
President and Chief Executive Officer

(signed)  
*Robert D.B. Suttie*  
Chief Financial Officer

April 28, 2021  
Toronto, Canada



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
**Galway Gold Inc.**

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of International Galway Gold Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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 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.

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 International Financial Reporting Standards, 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 relating 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.

### **Auditor's 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 auditor's 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 scepticism 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 auditor's 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 auditor's 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.

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 auditor's report is Pat Kenney.

*Clearhouse LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Mississauga, Ontario  
April 28, 2021

**Galway Gold Inc.**  
**Consolidated Statements of Financial Position**  
**(Expressed in United States Dollars)**

| As at December 31,                                 | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>Assets</b>                                      |                     |                     |
| Current assets                                     |                     |                     |
| Cash and cash equivalents                          | \$ 3,561,735        | \$ 5,111,742        |
| Prepays and other assets                           | 103,745             | 44,736              |
|  | <b>\$ 3,665,480</b> | <b>\$ 5,156,478</b> |
| <b>Liabilities</b>                                 |                     |                     |
| Current liabilities                                |                     |                     |
| Accounts payable and accrued liabilities (Note 10) | \$ 238,287          | \$ 84,790           |
| <b>Shareholders' Equity</b>                        |                     |                     |
| Common shares (Note 6)                             | 19,753,250          | 19,753,250          |
| Contributed surplus                                | 1,948,316           | 1,923,416           |
| Accumulated other comprehensive income (loss)      | 1,642               | (1,258)             |
| Deficit  | (18,276,015)        | (16,603,720)        |
|  | <b>3,427,193</b>    | <b>5,071,688</b>    |
|  | <b>\$ 3,665,480</b> | <b>\$ 5,156,478</b> |

**Nature of Operations** (Note 1)

**Approved by the Board**           "Robert Hinchcliffe"           Director  
          "Mike Sutton"           Director

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

**Galway Gold Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in United States Dollars)**

| <b>For the year ended December 31,</b>                      | <b>2020</b>           | <b>2019</b>           |
|---|-----------------------|-----------------------|
| <b>Expenses (Income)</b>                                    |                       |                       |
| Project support costs (Note 8)                              | \$ 289,635            | \$ 282,416            |
| Administrative expenses (Note 9)                            | 1,389,284             | 1,138,358             |
| Stock-based compensation (Note 7)                           | 24,900                | 28,624                |
| Loss (Gain) on foreign exchange                             | (16,488)              | (11,428)              |
| Interest income   | (15,036)              | (72,778)              |
| <b>Net loss</b>   | <b>\$ (1,672,295)</b> | <b>\$ (1,365,192)</b> |
| <b>Other Comprehensive Loss</b>                             |                       |                       |
| Items that will be reclassified subsequently into income:   |                       |                       |
| Cumulative translation adjustment                           | 2,900                 | (7,216)               |
| <b>Net comprehensive loss</b>                               | <b>\$ (1,669,395)</b> | <b>\$ (1,372,408)</b> |
| <b>Loss per share - basic and diluted</b>                   | <b>\$ (0.04)</b>      | <b>\$ (0.03)</b>      |
| <b>Weighted average number of common shares outstanding</b> | <b>41,627,979</b>     | <b>41,627,979</b>     |

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

**Galway Gold Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in United States Dollars)**

|                                   | Share<br>Capital     | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income | Deficit                | Total               |
|-----------------------------------|----------------------|------------------------|---|------------------------|---------------------|
| Balance, December 31, 2018        | \$ 19,753,250        | \$ 1,894,792           | \$ 5,958  | \$ (15,238,528)        | \$ 6,415,472        |
| Stock based compensation          | -                    | 28,624                 | -   | -                      | 28,624              |
| Cumulative translation adjustment | -                    | -                      | (7,216)   | -                      | (7,216)             |
| Net loss for the year             | -                    | -                      | -   | (1,365,192)            | (1,365,192)         |
| <b>Balance, December 31, 2019</b> | <b>\$ 19,753,250</b> | <b>\$ 1,923,416</b>    | <b>\$ (1,258)</b>                               | <b>\$ (16,603,720)</b> | <b>\$ 5,071,688</b> |
| Cumulative translation adjustment | -                    | -                      | 2,900   | -                      | 2,900               |
| Stock-based compensation          | -                    | 24,900                 | -   | -                      | 24,900              |
| Net loss for the year             | -                    | -                      | -   | (1,672,295)            | (1,672,295)         |
| <b>Balance, December 31, 2020</b> | <b>\$ 19,753,250</b> | <b>\$ 1,948,316</b>    | <b>\$ 1,642</b>                                 | <b>\$ (18,276,015)</b> | <b>\$ 3,427,193</b> |

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



**Galway Gold Inc.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in United States Dollars)**

| <b>For the year ended December 31,</b>                   | <b>2020</b>         | <b>2019</b>         |
|--|---------------------|---------------------|
| <b>Cash (used in) provided by:</b>                       |                     |                     |
| <b>Operating activities</b>                              |                     |                     |
| Net loss for the year                                    | \$ (1,672,295)      | \$ (1,365,192)      |
| Items not affecting cash:                                |                     |                     |
| Stock-based compensation                                 | 24,900              | 28,624              |
| Changes in current assets and liabilities:               |                     |                     |
| Prepays and other assets                                 | (59,009)            | (16,930)            |
| Accounts payable and accrued liabilities                 | 153,497             | 6,184               |
|  | <b>(1,552,907)</b>  | <b>(1,347,314)</b>  |
| Effect of foreign exchange rate changes on cash balances | 2,900               | (7,216)             |
| <b>Net change in cash and cash equivalents</b>           | <b>(1,550,007)</b>  | <b>(1,354,530)</b>  |
| Cash and cash equivalents, beginning of year             | 5,111,742           | 6,466,272           |
| <b>Cash and cash equivalents, end of year</b>            | <b>\$ 3,561,735</b> | <b>\$ 5,111,742</b> |

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

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**1. Nature of Operations**

Galway Gold Inc. ("the Company") was incorporated pursuant to the Business Corporations Act (New Brunswick) on May 9, 2012, and continued to the Province of Ontario on August 11, 2015. The Company's head office is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1. The Company was incorporated for the sole purpose of participating in the Plan of Arrangement (the "Arrangement") announced October 19, 2012 involving the Company, Galway Metals Inc., Galway Resources Ltd. ("Galway"), AUX Acquisition 2 S.à.r.l ("AUX") and AUX Canada Acquisition 2, formerly 2346407 Ontario Inc. ("AUX Canada"), a wholly owned subsidiary of AUX. Prior to the close of the Arrangement, the Company did not carry on any active business.

On January 21, 2013, the Company's common shares commenced trading on the TSX Venture Exchange under the symbol "GLW".

The Company was in the process of exploring the Vetás Project and has not yet determined whether the mineral properties contain mineral reserves that are economically recoverable. The continuing operations of the Company and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon maintaining a license to operate, the existence of economically recoverable mineral reserves, the ability to obtain the necessary financing to complete the exploration and development of the mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests.

On February 24, 2016, the Colombian Constitutional Court (the "Court") published a ruling, which deemed certain provisions to the National Development Plan (Law 1753) issued in July, 2015, in respect of exemptions to mining operations in areas of Colombia considered to be páramos (high altitude eco-systems) to be unconstitutional. Prior to the Court's ruling, mining titles issued before 2010, such as the Vetás Project were allowed to continue to mine. As a result of the Court's unfavourable ruling, mining in all páramo eco-systems throughout the country were declared to be damaging to the páramos and to the water supply. As such, all mining and petroleum operations in the páramos were ordered to stop. Moreover, according to the ruling, the Company will not be able to transfer title of the Reina de Oro project and the mining permit will no longer be valid. The ruling is currently under appeal, the ultimate resolution of the case is unknown.

In March 2018, Company engaged in discussions with the Ministry of Commerce and the Agency for the Defense of the State to settle the damages for the loss of the Reina de Oro project. In order to further protect its claim, the Company announced that it filed an application for arbitration under the Canada-Colombia Free Trade Agreement ("FTA") to preserve Galway Gold's rights under the FTA. Discussions between the government and the Company are ongoing.

**2. Significant Accounting Policies**

**Basis of Preparation and Measurement**

These consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting., as issued and effective for the year ended December 31, 2020.

These consolidated financial statements were approved by the Board of Directors on April 23, 2021.

These consolidated financial statements have been prepared on a historical cost basis.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**2. Significant Accounting Policies (Continued)**

**Basis of Consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Galway Resources Vetas Holdco Ltd. (Cayman Islands), Galway Resources Vetas Holdco Ltd. Sucursal Colombia and Galway Gold US Inc. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

**Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer of the Company.

The Company has determined that it has one operating segment, the acquisition, exploration and development of mineral resource properties.

**Financial Instruments**

Financial Assets

*Recognition and Initial Measurement*

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

*Classification and Subsequent Measurement*

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of investment and accounts receivable.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**2. Significant Accounting Policies (Continued)**

**Financial Instruments (Continued)**

Financial Assets (Continued)

*Classification and Subsequent Measurement (Continued)*

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. The entity does not hold any equity investments.

*Business Model Assessment*

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

*Contractual Cash Flow Assessment*

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

*Impairment*

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**2. Significant Accounting Policies (Continued)**

**Financial Instruments (Continued)**

*Derecognition of Financial Assets*

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial Liabilities

*Recognition and Initial Measurement*

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

*Classification and Subsequent Measurement*

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

*Derecognition of Financial Liabilities*

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

**Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks, cash invested in money market mutual funds, and cash on hand. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company for its programs.

**Resource Property Costs**

The Company is in the exploration stage with respect to its investment in resource property costs and accordingly follows the practice of capitalizing significant acquisition costs on active exploration properties. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**2. Significant Accounting Policies (Continued)**

**Impairment of Non-Financial Assets**

When circumstances or events indicate that impairment may exist, resource property costs are tested for impairment and the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Company has identified the following cash-generating unit: Vetas Project.

Management reviews the following industry-specific indicators for an impairment review when evaluating resource property costs:

- Exploration activities have ceased;
- Exploration results are not promising such that exploration will not be planned for the foreseeable future;
- Lease ownership rights expire;
- Sufficient funding is not expected to be available to complete the mineral exploration program; or
- An exploration property has no material economic value to the Company's business plan.

Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future mineral prices, and reports and opinions of outside geologists, mine engineers and consultants.

**Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material rehabilitation, environmental, or other provisions at December 31, 2020 or 2019.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**2. Significant Accounting Policies (Continued)**

**Income Taxes**

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

**Loss Per Share**

The Company presents basic and diluted loss per share data for its common shares outstanding, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding to include potential common shares for the assumed conversion of all dilutive securities under the treasury stock method.

**Share-Based Payments**

The Company grants share options to acquire common shares of the Company to directors, officers, consultants and employees.

The fair value of the instruments granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the instruments are granted. The fair value of the awards is adjusted by the estimate of the number of awards that are expected to vest as a result of non-market conditions and is expensed over the vesting period using the graded vesting method of amortization. At each balance sheet date, the Company reviews its estimates of the number of options that are expected to vest based on the non-market vesting conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**2. Significant Accounting Policies (Continued)**

**Foreign Currencies**

The functional currency of the parent company and Galway Gold US Inc. is the United States dollar, and its other subsidiaries, the Colombian Peso as determined by management. The United States dollar is the currency in which it presents these consolidated financial statements. The Company recognizes transactions in currencies other than the United States dollar or the Colombian Peso for its subsidiaries at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of reporting period exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each statement of financial position date presented are translated at the closing rate at the date of that statement of financial position;
- b) income and expenses for each income statement are translated at average exchange rates; and
- c) all resulting exchange differences are recognised in other comprehensive income (loss)

**Critical Accounting Estimates and Judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment of Resource Property Costs

Management reviews the carrying values of exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may not be recoverable. The recoverable amount of cash-generating units for an exploration stage company requires various subjective assumptions. These assumptions may change significantly over time when new information becomes available and may cause original estimates to change.

Stock-Based Compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the statements of loss and comprehensive loss based on estimates of forfeiture, risk free interest rates, volatility of the Company's stock, and expected lives of the underlying stock options.



**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**3. Capital Management**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, accumulated other comprehensive loss, and deficit, which at December 31, 2020 totaled \$3,427,193 (December 31, 2019 - \$5,071,688). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties, exploration and administration expenditures. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2020.

**4. Property and Financial Risk Factors**

**(a) Property Risk**

The Company's significant mineral property is the Vetas Project. Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Vetas Project. If no additional mineral properties are acquired by the Company, any adverse development affecting the Vetas Project would have a material adverse effect on the Company's financial condition and results of operations.

**(b) Financial Risk**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate, and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

---

**4. Property and Financial Risk Factors (Continued)**

**(b) Financial Risk (Continued)**

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is attributable to cash. Cash consists of cash at banks and on hand. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2020, the Company had a cash balance of \$3,561,735 (December 31, 2019 - \$5,111,742) to settle current liabilities of \$238,287 (December 31, 2019 - \$84,790). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate revenue, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest Rate Risk

The Company has cash balances and regularly monitors its cash management policy. As a result, the Company is not subject to significant interest rate risk.

(ii) Foreign Exchange Risk

The Company's functional currency is the United States dollar and it transacts major purchases in United States dollars, Colombian Pesos, and Canadian dollars. To fund exploration expenses, it maintains United States dollar, Colombian Peso and Canadian dollar denominated bank accounts containing sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal, and therefore does not hedge its foreign exchange risk.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**4. Property and Financial Risk Factors (Continued)**

**(b) Financial Risk (Continued)**

**Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over the next twelve months:

- (i) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the year ended December 31, 2020.
- (ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, prepaids and deposits and accounts payable denominated in Canadian dollars and Colombian Pesos. Sensitivity to a plus or minus one percentage point change in exchange rates would not have a material impact on the reported net loss for the year ended December 31, 2020.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious and base metals. These metal prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of these metals may be produced in the future, a profitable market will exist for them.

As of December 31, 2020, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

**5. Resource Property**

As part of the Arrangement, the Company acquired the option to earn a 100% interest in the Vetás Project and assumed the contracts to secure land packages in the Vetás-Surata gold region in the state of Santander, Colombia as described below. As of December 31, 2020 and 2019, there were no outstanding payment obligations under the agreement.

The Company has the option to earn 100% of the Reina de Oro concession, the Vetás Project, by paying 1.5% of the gold value of measured and indicated gold resources and will not be encumbered by further royalty commitments.

In January 2014, the Company exercised its right to acquire the Vetás Project. The total option exercise price was approximately US \$4.3 million. The Company was advised that the counterparty to the Reina de Oro Option Contract rejected the exercise of the option. The Company sought arbitration of this matter pursuant to the terms of the Option Contract. On February 13, 2015, the Company received a favourable ruling and was awarded damages of approximately \$490,000. As the ultimate collection of the judgement is uncertain, no contingent asset has been recorded in these financial statements.

On February 24, 2016, the Colombian Constitutional Court (the "Court") has published a ruling, which deemed certain provisions to the National Development Plan (Law 1753) issued in July, 2015, in respect of exemptions to mining operations in areas of Colombia considered to be páramos (high altitude eco-systems) to be unconstitutional. Prior to the Court's new ruling, mining titles issued before 2010, such as Reina de Oro, were allowed to continue to mine. As a result of the Court's new unfavorable ruling, mining in all páramo eco-systems throughout the country were declared to be damaging to the páramos and to the water supply. As such, all mining and petroleum operations in the páramos were ordered to stop. Moreover, according to the new ruling, the Company will not be able to transfer title of the Reina de Oro project and the mining permit will no longer be valid. The ruling is currently under appeal, the ultimate resolution of the case is unknown. Based on the underlying uncertainty, the Company recorded an impairment charge of \$895,282 on its Vetás project as at December 31, 2015.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

**6. Share Capital**

Authorized: Unlimited number of common shares  
 Unlimited number of preferred shares issuable in series, the terms of which may be fixed by the Board of Directors before the issuance thereof

Common shares issued:

|  | Number of<br>Shares | Amount               |
|--|---------------------|----------------------|
| <b>Balance, December 31, 2018, December 31, 2019 and<br/>December 31, 2020</b> | <b>41,627,979</b>   | <b>\$ 19,753,250</b> |

**7. Stock Options**

The following table reflects the continuity of stock options for the year ended December 31, 2020 and 2019:

|                                   | Number of<br>Stock Options | Weighted Average<br>Exercise Price (CDN) |
|-----------------------------------|----------------------------|--|
| Balance December 31, 2018         | 2,762,500                  | \$0.32                                   |
| Granted                           | 500,000                    | \$0.11                                   |
| <b>Balance, December 31, 2019</b> | <b>3,262,500</b>           | <b>\$0.28</b>                            |
| Expired/Cancelled                 | (250,000)                  | \$0.34                                   |
| Granted                           | 250,000                    | \$0.11                                   |
| <b>Balance, December 31, 2020</b> | <b>3,262,500</b>           | <b>\$0.28</b>                            |

On January 8, 2019, the Company granted 500,000 options to a director of the Company, exercisable for a period of 10 years at CDN\$0.11. The options were assigned a fair value of \$28,624 using the Black-Scholes valuation model with the following assumptions: 10 year expected life, volatility of 109%, risk-free interest rate of 1.96%, and a dividend yield and forfeiture rate of 0%. The options vested immediately upon grant.

On April 9, 2020, the Company granted 250,000 options to a director of the Company, exercisable for a period of 10 years at CDN\$0.11. The options were assigned a fair value of \$24,900 using the Black-Scholes valuation model with the following assumptions: 10 year expected life, volatility of 105%, risk-free interest rate of 0.57%, and a dividend yield and forfeiture rate of 0%. The options vested immediately upon grant.

The following table reflects the stock options outstanding as at December 31, 2020:

| Expiry Date      | Exercise<br>Price(CDN) | Weighted<br>Average<br>Life<br>Remaining | Options<br>Outstanding | Black-Scholes<br>Value |
|------------------|------------------------|--|------------------------|------------------------|
| June 4, 2023     | \$ 0.28                | 2.43 years                               | 1,512,500              | \$ 1,367,102           |
| January 31, 2024 | \$ 0.36                | 3.09 years                               | 1,000,000              | \$ 360,723             |
| January 8, 2029  | \$ 0.11                | 8.03 years                               | 500,000                | \$ 28,624              |
| April 28, 2030   | \$ 0.11                | 9.33 years                               | 250,000                | \$ 24,900              |
|                  | <b>\$ 0.28</b>         | <b>4.01 years</b>                        | <b>3,262,500</b>       | <b>\$ 1,781,349</b>    |

Of the 3,262,500 options outstanding as at December 31, 2020, all were exercisable.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

**8. Project Support Costs**

|                   | <b>2020</b>       | <b>2019</b>       |
|-------------------|-------------------|-------------------|
| Support costs     | \$ 80,694         | \$ 85,999         |
| Professional fees | 204,406           | 191,235           |
| Utilities         | 4,535             | 5,182             |
| <b>Total</b>      | <b>\$ 289,635</b> | <b>\$ 282,416</b> |

**9. Administrative Expenses**

|                       | <b>2020</b>         | <b>2019</b>         |
|-----------------------|---------------------|---------------------|
| Professional fees     | \$ 672,290          | \$ 380,099          |
| Public company costs  | 50,728              | 53,059              |
| Salaries and benefits | 492,927             | 497,744             |
| Office and general    | 65,455              | 63,358              |
| Insurance             | 46,382              | 43,522              |
| Travel                | 61,502              | 100,576             |
| <b>Total</b>          | <b>\$ 1,389,284</b> | <b>\$ 1,138,358</b> |

**10. Related Party Transactions**

Remuneration of directors and officers are as follows:

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| Remuneration paid for CEO and CFO services        | \$ 303,430  | \$ 303,567  |
| Stock-based compensation - directors and officers | \$ 24,900   | \$ 28,624   |

During the year ended December 31, 2020, the Company expensed \$48,193 (2019 - \$51,436) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. ("DSA"), together known as the "Marrelli Group" for:

- (i) Robert D.B. Suttie, President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- (ii) Bookkeeping and office support services;
- (iii) Regulatory filing services
- (iv) Corporate secretarial services

The Marrelli Group is also reimbursed for out of pocket expenses.

As of December 31, 2020, the Marrelli Group was owed \$8,500 (2019 - \$8,343). These amounts are included in accounts payable and accrued liabilities.

The above noted transactions are in the normal course of business and are measured at fair value.

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**11. Commitments and Contingencies**

Due to the worldwide COVID-19 “COVID-19” outbreak, material uncertainties may come into existence that could influence management’s going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global gold prices;
- The severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines;
- Availability of essential supplies;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding

The outbreak of the novel strain COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

**12. Income Taxes**

The statutory tax rate is 26.5%. The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2020 and 2019 are as follows:

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| Loss before recovery of income taxes   | \$ (1,669,395) | \$ (1,365,192) |
| Expected income tax recovery   | \$ (442,390)   | \$ (361,775)   |
| Tax rate changes and other adjustments   | 83,230         | 79,984         |
| Difference in foreign tax rates  | 13,580         | 1,439          |
| Non-deductible expenses  | (5,140)        | 8,535          |
| Foreign exchange impact on taxes   | 25,500         | 4,591          |
| Stock-based compensation   | 6,600          | -              |
| Mineral properties   | -              | (1,921,508)    |
| Change in tax benefits not recognized  | 318,620        | 2,188,734      |
| Income tax expense reflected in the consolidated statements of loss and comprehensive loss | \$ -           | \$ -           |

**Galway Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Expressed in United States Dollars)**  
**December 31, 2020 and 2019**

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**12. Income Taxes (Continued)**

**Unrecognized Deferred Tax Assets**

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized with respect to the following deductible temporary differences:

|  | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
| Non-capital losses carried forward - Canada        | \$ 2,826,840 | \$ 1,989,050 |
| Non-capital losses carried forward - Colombia      | 998,030      | 1,077,720    |
| Non-capital losses carried forward - United States | 3,531,310    | 2,994,860    |
| Mineral properties                                 | 7,540,610    | 7,250,972    |
| Deferred tax assets                                | 14,896,790   | 13,312,602   |
| Less: deferred tax assets not recognized           | (14,896,790) | (13,312,602) |
| <b>Net deferred tax assets</b>                     | <b>\$ -</b>  | <b>\$ -</b>  |

The Canadian non-capital loss carryforwards expire between 2032 and 2040. The Colombian losses carryforward indefinitely. The U.S. non-capital loss carryforwards generated before 2018 expire between 2034 and 2037. US non-capital losses generated from 2018 onwards can be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.