

**Gran Colombia Gold Titiribi Corp.**

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019



KPMG LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 4600  
Toronto, ON M5H 2S5  
Canada  
Tel 416-777-8500  
Fax 416-777-8818

## INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of Directors of Gran Colombia Gold Titiribi Corp.

### *Opinion*

We have audited the consolidated financial statements of Gran Colombia Gold Titiribi Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of operations and comprehensive income for the years ended December 31, 2020 and December 31, 2019
- the consolidated statements of equity for the years ended December 31, 2020 and December 31, 2019
- the consolidated statements of cash flows for the years ended December 31, 2020 and December 31, 2019
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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

### *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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Other Information***

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

[Insert for the other information available as at the date of the audit report:

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard / We have concluded that the following material misstatement of this other information exists: (describe material misstatement).]

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

April 22, 2021

Gran Colombia Gold Titiribi Corp.  
Consolidated Statements of Financial Position  
(Expressed in thousands of U.S. dollars)

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 30	\$ 56
Income tax and other receivables		5	6
		35	62
Non-current			
Due from related party	8	-	18
Mining interest	5	-	-
<b>Total assets</b>		<b>\$ 35</b>	<b>\$ 80</b>
<b>LIABILITIES AND EQUITY</b>			
Current			
Accounts payable and accrued liabilities		\$ 2	\$ 1
Due to related parties	8	4	-
		6	1
Non-current			
Due to related parties	8	-	6,755
<b>Total liabilities</b>		<b>6</b>	<b>6,756</b>
<b>Equity</b>			
Share capital	6	30,086	23,666
Accumulated other comprehensive loss		(688)	(1,058)
Deficit		(29,369)	(29,284)
<b>Total equity</b>		<b>29</b>	<b>(6,676)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 35</b>	<b>\$ 80</b>

Subsequent events (Note 11)

On behalf of the Board of Directors of Gran Colombia Gold Titiribi Corp.:

"Lombardo Paredes" (Signed)

"Michael Davies" (Signed)

Gran Colombia Gold Titiribi Corp.

Consolidated Statements of Operations and Comprehensive Income

(Expressed in thousands of U.S. dollars, except share and per share amounts)

	Years ended December 31,	
	2020	2019
<b>Expenditures</b>		
General and administrative	\$ 64	\$ 1
Consulting and other services	20	-
<b>Total expenditures</b>	<b>84</b>	<b>1</b>
<b>Other expenses</b>		
Bank charges	1	13
	1	13
<b>Loss before income tax</b>	<b>(85)</b>	<b>(14)</b>
Income tax	-	-
<b>Net loss</b>	<b>\$ (85)</b>	<b>\$ (14)</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit in subsequent periods:</b>		
Foreign currency translation adjustment (nil tax effect)	370	140
<b>Comprehensive income</b>	<b>\$ 285</b>	<b>\$ 126</b>
<b>Basic and diluted loss per share</b>	<b>\$ (170)</b>	<b>\$ (28)</b>
Weighted average number of common shares outstanding	500	500

Gran Colombia Gold Titiribi Corp.  
Consolidated Statements of Equity  
(Expressed in thousands of U.S. dollars)

	Notes	Years ended December 31,	
		2020	2019
<b>Share capital</b>			
Balance, beginning of period	6	\$ 23,666	\$ 20,516
Share capital contributions	6	6,420	3,150
Balance, end of period		30,086	23,666
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of period		(1,058)	(1,198)
Foreign currency translation adjustment		370	140
Balance, end of period		(688)	(1,058)
<b>Deficit</b>			
Balance, beginning of period		(29,284)	(29,270)
Net loss		(85)	(14)
Balance, end of period		(29,369)	(29,284)
<b>Total equity</b>		<b>\$ 29</b>	<b>\$ (6,676)</b>

Gran Colombia Gold Titiribi Corp.  
Consolidated Statements of Cash Flows  
(Expressed in thousands of U.S. dollars)

	Notes	Years ended December 31,	
		2020	2019
<b>Operating Activities</b>			
Net loss		\$ (85)	\$ (14)
Changes in non-cash working capital items:			
Income tax and other receivables		1	-
Accounts payable and accrued liabilities		1	-
		(83)	(14)
Operating cash flows before taxes			
Income taxes paid		-	-
		-	-
Net cash used in operating activities		(83)	(14)
<b>Financing Activities</b>			
Share capital contributions	6b	6,420	3,150
Decrease in amounts due to related parties	8	(6,358)	(3,077)
Net cash provided from financing activities		62	73
Impact of foreign exchange rate changes on cash and cash equivalents		(5)	(3)
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(26)</b>	<b>56</b>
Cash and cash equivalents, beginning of period		56	-
<b>Cash and cash equivalents, end of period</b>		<b>\$ 30</b>	<b>\$ 56</b>



Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

## 1. NATURE OF OPERATIONS

Gran Colombia Gold Titiribi Corp. and its Colombian branch, Gran Colombia Gold Titiribi Sucursal Colombia (collectively the "Company"), are engaged in the acquisition, exploration and evaluation of gold properties in Colombia, with its principal operations in the Zancudo project located in the municipality of Titiribi in the mining district of Antioquia. The Company, incorporated under the laws of Panama, is a wholly-owned subsidiary of Gran Colombia Gold S.A. ("GCG Panama"), which in turn is a wholly-owned Panamanian subsidiary of Gran Colombia Gold Corp. ("Gran Colombia"), a Canadian-listed public company.

As described in Note 11, subsequent to December 31, 2020, Gran Colombia and GCG Panama completed a transaction (the "RTO Transaction") on February 19, 2021 with ESV Resources Ltd. ("ESV"), a company listed on the Toronto Stock Venture Exchange ("TSXV"), whereby ESV acquired all of the issued and outstanding shares of the Company. Concurrently with closing of the transaction, ESV changed its name to Denarius Silver Corp. ("Denarius").

## 2. BASIS OF PRESENTATION

These financial statements, approved by its Board of Directors on April 22, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in U.S. dollars, rounded to the nearest thousand except when otherwise indicated.

### *Going concern*

These consolidated financial statements have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due for the foreseeable future. As further described in Note 11, the Company became a legal subsidiary of Denarius through an RTO Transaction completed on February 19, 2021, in which the Company is considered to be the accounting acquiror. The RTO Transaction included a concurrent private placement financing raising gross proceeds of CA\$8.4 million for Denarius. Although the Company has no direct sources of revenue or cash inflows, it has access to funding, as required, from Denarius, which is expected to be sufficient to fund the Company's committed activities for a period of at least the next 12 months. In addition, exploration and evaluation expenditures on the Zancudo Project in the foreseeable future are expected to be funded by IAMGOLD Corp. ("IAMGOLD") pursuant to its Option Agreement (Note 5).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

### **Consolidation**

These financial statements comprise the financial results of the Company including its subsidiary. Details regarding the Company and its subsidiary, both of which have a December 31 year end, are as follows:

Entity	Property/ function	Registered	Functional currency <sup>(1)</sup>	Interest as at December 31, 2020 2019	
Gran Colombia Gold Titiribi, Corp. Gran Colombia Gold Titiribi Sucursal Colombia	Corporate Zancudo Project	Panama Colombia	USD COP	100%	100%

(1) "USD" = U.S. dollar; "COP" = Colombian peso

Intercompany transactions, balances and unrealized gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

**Foreign currency translation**

a) Functional and presentation currencies

Items included in the financial statements of each entity consolidated by the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its subsidiary are disclosed in the table under "Consolidation" above. The financial statements are presented in U.S. dollars.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations.

c) Group companies

The results and financial position of the Company's subsidiary which has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii) income and expenses for each consolidated statement of operations and cash flows for the periods presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- iii) components of equity are translated at the exchange rates at the dates of the relevant transactions or at average exchange rates where this is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, and are not re-translated; and
- iv) all resulting exchange differences are recognized in other comprehensive income (loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of operations as part of the gain or loss on sale.

**Segment reporting**

Reportable segments are those whose operating results are reviewed by the chief operating decision-maker, identified as the Board of Directors, which is responsible for allocating resources and assessing performance.

The Company currently operates in one reportable operating segment, being the acquisition, exploration and evaluation of gold properties in Colombia.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in liabilities as bank indebtedness.

**Accounts receivable**

Receivables are measured at amortized cost using the effective interest method less a provision for impairment. Provision is made in the allowance for doubtful accounts based on management's best estimate of the accounts receivable balances that may not be collectible.

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

**Mining interests and exploration and evaluation (“E&E”) assets**

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation expenditures include costs which are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- completing pre-feasibility and feasibility studies; and
- costs incurred in acquiring mineral rights.

E&E expenditures are capitalized as mining interests and are classified as such until the project demonstrates technical feasibility and commercial viability. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves; however, they may also occur when the Company makes a decision to proceed with development or begins production. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation costs are transferred to mineral properties within property, plant and equipment.

**Current and deferred income tax**

The provision for income tax for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statement of operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the asset and liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Provision for Decommissioning**

The provision for decommissioning arises from the development, construction and normal operation of mining property, plant and equipment as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

The estimated present value of reclamation liabilities is recorded in the period in which the liabilities are incurred and the resulting costs are capitalized to the carrying amount of the related asset. The liability will be

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimates of the amount, timing and cost of the work to be carried out.

As at December 31, 2020 and December 31, 2019, the Company has not incurred such obligations.

#### **Provisions for other liabilities and charges**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are based on management's best estimate of the expenditure required to settle the obligation and are generally measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

#### **Earnings per share**

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period.

#### **Financial instruments**

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

The Company has assessed the classification and measurement of its financial assets and financial liabilities as follows:

	<b>Classification category</b>
Cash and cash equivalents	Amortized cost
Income tax and other receivables	Amortized cost
Due to/from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

#### *Fair value hierarchy*

IFRS requires an entity to classify financial assets and liabilities that are recognized in the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

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

#### **Impairment**

##### *Financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired using an expected credit loss impairment model. If such evidence exists, the Company recognizes an impairment loss. The Company's financial assets are comprised primarily of amounts due from related parties for which there is no history or expectation of default. Impairment losses on financial assets carried at amortized

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

*Non-financial assets*

Assets that are subject to amortization are reviewed for impairment, or reversal of impairment, as the case may be, whenever events or changes in circumstances indicate there is a change in the recoverability of the carrying amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units or "CGUs"), which are typically the individual mining projects. The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36, *Impairment of Assets*.

Value in use is determined based on discounted cash flow models taking into consideration estimates of the quantities of the reserves and mineral resources, future production levels, future metal prices, and future cash costs of production, capital expenditure, shutdown, restoration and environmental clean-up. Assumptions used are specific to the Company and the discount rate applied in the value in use test is based on the Company's estimated weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

When evaluating fair value less costs of disposal, fair value is determined based on the amount that could be obtained in an arm's length transaction and generally uses a discounted cash flow model based on the present value of estimated future cash flows, including future expansions or development projects. In a fair value less costs of disposal analysis the assumptions used are those that a market participant would be expected to apply.

An impairment charge is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded in the consolidated statement of operations. Non-financial assets, other than goodwill, that were previously impaired are reviewed for possible reversal of the impairment at each reporting date when an event warrants such consideration. The reversal is limited to the carrying value that would have been determined, net of any applicable depreciation, had no impairment charge been recognized in prior years.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Judgments and estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the financial statements.

##### **a) Significant judgments in the application of accounting policies**

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are as follows:

##### **E&E assets**

E&E assets are assessed for impairment or reversal of prior impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount or that previous facts and circumstances leading to a prior impairment may have changed. In assessing the facts and circumstances that may indicate impairment or reversal of impairment for E&E assets, the Company is required to apply judgment in considering various factors.

##### **Assets' carrying values and impairment charges or reversals**

Non-financial assets other than E&E assets are tested for impairment when events or changes in circumstances indicate there has been a change in the estimates used to determine the asset's recoverable

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

amount. Factors which could trigger an impairment review include, but are not limited to, significant industry or economic trends, current, historical or projected losses that demonstrate continuing losses or sufficient data exists to indicate that although development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development of by sale.

In determining the recoverable amount and impairment charges or reversals, management looks at the higher of value in use and fair value less costs of disposal in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management use judgment when making a decision based on the best available information at each reporting period.

#### **Income taxes**

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

At each reporting date, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Company believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgments.

#### **b) Significant accounting estimates and assumptions**

The areas which require management to make significant estimates and assumptions in determining carrying values include:

##### **Impairment**

The measurement of the recoverable amount of the Company's non-financial assets, for the purpose of comparison with the carrying value, is based on numerous assumptions.

The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions including, but not limited to, estimated metal prices, operating costs, recoveries, resources, capital and site restoration expenditures and estimated future foreign exchange rates. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations. Reserve and resource estimates are the most important variable in the Company's fair value estimates. A change in the Company's reserves and resources may result in an impairment charge or reversal of impairment, as the case may be, which could impact the Company's net income.

Management's estimates of future cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Company's non-financial assets.

## **5. MINING INTEREST**

The Company owns the Zancudo Project located in the municipality of Titiribi in the mining district of Antioquia, Colombia. The carrying amount of the Zancudo project equals its deemed cost of nil upon adoption of IFRS on January 1, 2018.

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

*IAMGOLD Option Agreement*

The Company entered into an Option Agreement dated as of February 27, 2017 with IAMGOLD for the exploration and potential purchase of an interest in the Company's Zancudo Project.

Under the agreement, IAMGOLD has been granted an option to acquire an initial undivided 65% interest (the "First Option") in the Zancudo Project by incurring an aggregate of \$10.0 million of mineral exploration expenditures over a six-year period ending in March 2023, subject to meeting specified annual work commitments during the First Option period. IAMGOLD has the right to cease its obligations at any time.

IAMGOLD has also been granted an additional option (the "Second Option") to acquire a further 5% undivided interest for an aggregate 70% undivided interest in the Zancudo Project by completing a feasibility study within three years after exercising the First Option.

Upon exercise of the First Option or the Second Option, as the case may be, the parties will form a joint venture to hold the Zancudo Project, to advance the exploration and, if feasible, to advance the development and mining of any commercially exploitable ore body.

**6. SHARE CAPITAL**

*a) Authorized*

500 common shares with no par value.

*b) Issued and fully paid*

As at December 31, 2020 and December 31, 2019, the Company had 500 common shares issued and outstanding.

During the year ended December 31, 2020, the GCG Panama made cash contributions to share capital in the amount of \$6.4 million (2019 - \$3.2 million), without issuing additional common shares.

**7. FINANCIAL RISK MANAGEMENT**

*a) Credit risk*

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held with highly-rated Colombian financial institutions.

*b) Foreign currency risk*

The Company is primarily exposed to foreign currency fluctuations in COP/USD exchange rate. Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. For the years ended December 31, 2020 and 2019, the Company did not utilize derivative financial instruments to manage this risk.

The following table summarizes, in USD equivalents, the Company's major currency exposures in COP:

	December 31, 2020	December 31, 2019
Cash	\$ 30	\$ 56
Income tax and other receivables	5	6
Net amount due from related parties	(4)	(6,737)
Accounts payable and accrued liabilities	(2)	(1)
Net financial assets (liabilities)	\$ 29	\$ (6,676)



Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

Based on the net exposure at December 31, 2020 and 2019, a 10% depreciation or appreciation of the COP against the USD would result in approximately a \$0.1 million and \$0.7 million, respectively, decrease or increase in the Company's other comprehensive income.

*c) Liquidity risk*

The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements. Since Company has no sources of revenue, cash inflows are dependent on the funding from Gran Colombia and/or other related parties. The Company's primary financial obligations currently consist of accounts payable and accrued liabilities. These obligations arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one month. The Company from time to time may also enter into payment plans to pay these amounts over extended periods, typically less than 12 months. The carrying value of accounts payable and accrued liabilities approximates its fair value as they are short-term in nature.

*d) Fair value risk*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and taxes payable, approximate their carrying values due to the short-term maturity of these financial instruments.

*e) Capital management*

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to maintain investor, creditor and market confidence to sustain the future development of the business.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern. The Company is not subject to any externally imposed capital requirements.

*f) Risks related to COVID-19*

Due to the worldwide COVID-19 situation, conditions may come into existence in future that could influence the exploration and evaluation activities on the Company's Zancudo Project and the ability of the Company to raise capital. Impacts that COVID-19 may have that could impact the Company include:

- global gold prices;
- the severity and the length of potential measures taken by the Colombian government to manage the spread of the disease and their effect on IAMGOLD's performance under its Option Agreement due to labour availability and supply lines;
- availability of government supplies, such as water and electricity;
- local currency purchasing power; or
- ability to obtain funding, if needed.

The COVID-19 situation has not significantly impacted the Company as its direct exploration and evaluation activities, in light of the IAMGOLD Option Agreement (Note 5), are currently minor. In response to the COVID-19 situation, IAMGOLD temporarily suspended its exploration and evaluation activities in 2020 on the Zancudo Project. There is risk that a reinstatement of a prolonged period of quarantine in Colombia may adversely impact the Company's activities, including IAMGOLD's exploration program.



Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

**8. RELATED PARTY TRANSACTIONS**

*Net amount due to related parties*

	December 31, 2020	December 31, 2019
Due from related party GCG Panama	\$ -	\$ 18
Due to related parties Other subsidiaries of Gran Colombia	(4)	(6,755)
<b>Net amount due to related parties</b>	<b>\$ (4)</b>	<b>\$ (6,737)</b>

The amounts due to and from related parties arise primarily from Gran Colombia's global cash management program to fund the activities of its various subsidiaries in Colombia. The amounts due to and from related parties, all of which are denominated in COP, are non-interest bearing and due on demand. At December 31, 2020, the net amount due to related parties amounted to COP 13.9 million (2019 – COP 22.1 billion).

During the year ended December 31, 2019, GCG Panama made capital contributions to share capital amounting to approximately \$3.2 million (Note 6b) which were used to repay a portion of the amount due to related parties.

On December 29, 2020, GCG Panama made a capital contribution to the share capital of the Company in the amount of \$6.4 million (Note 6b), the proceeds of which were used to settle in full the net amount due to related parties amounting to COP 22.2 billion, equivalent to \$6.4 million at the exchange rate on the settlement date.

*Key management personnel compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of the Board of Directors and executive officers of Gran Colombia. Gran Colombia does not charge the Company any fees with respect to the services of the key management personnel.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**9. INCOME TAXES**

The provision for the income tax differs from the amount that would have resulted by applying the Colombian statutory income tax rate as provided below:

	Year ended December 31, 2020	2019
Loss before income tax	\$ (85)	\$ (14)
Colombian statutory income tax rate	32%	33%
Income tax expense at statutory rate	(27)	(5)
Change in unrecognized deferred tax asset	27	5
<b>Income tax expense</b>	<b>\$ -</b>	<b>\$ -</b>

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Deductible temporary differences for which no deferred tax assets have been recognized are attributable to the following deductible temporary differences:

	December 31, 2020	December 31, 2019
Colombian income tax losses	\$ 1,540	\$ 1,523
Mining interests	12,502	13,095
	<u>\$ 14,042</u>	<u>\$ 14,618</u>

The income tax losses in Colombia can be carried forward to reduce taxable income in future years. The losses are scheduled to expire as follows:

Year of expiry	Amount
2030	\$ 13
2031	40
2032	86
Indefinite	1,401
	<u>\$ 1,540</u>

## 10. SEGMENT DISCLOSURES

The Company currently operates in one operating segment, being the acquisition, exploration and evaluation of gold properties in Colombia. As at December 31, 2020 and 2019, all material non-current assets of the Company were located in Colombia.

## 11. SUBSEQUENT EVENTS

On November 20, 2020, Gran Colombia and the GCG Panama, entered into a definitive Share Purchase Agreement ("SPA") with ESV whereby ESV agreed to acquire all of the issued and outstanding shares of the Company in exchange for 27,000,000 common shares of ESV. ESV also agreed to be bound by the terms of the IAMGOLD Option Agreement as described in Note 5.

Concurrently, on November 20, 2020, ESV entered into an amalgamation agreement with 1255269 B.C. Ltd (the "Guia Antigua Vendor"), which owns the rights for exploration, mining and processing operations and the commercialization of mineral products from the Guia Antigua Project located within Gran Colombia's Segovia mining title in Colombia. Pursuant to the amalgamation agreement, in exchange for all of the outstanding shares of the Guia Antigua Vendor, ESV issued 15,000,000 common shares to the former shareholders of the Guia Antigua Vendor and paid a financial advisory fee to a third party equal to 300,000 common shares.

In connection with these transactions and as a condition to completing the acquisition of the Company, on November 9, 2020, the Guia Antigua Vendor completed a private placement offering ("Guia Antigua Private Placement") for gross proceeds of approximately CA\$8.4 million by issuing 18,675,053 at a price of CA\$0.45 per subscription receipt ("Guia Antigua Subscription Receipt"). Gran Colombia subscribed for 6,666,666 Guia Antigua Subscription Receipts amounting to CA\$3.0 million.

Subsequent to December 31, 2020, on February 19, 2021, the SPA and the amalgamation agreement with the Guia Antigua Vendor (collectively, the "RTO Transaction") closed. Immediately prior to closing of the RTO Transaction, the Guia Antigua Subscription Receipts automatically converted into the equivalent number of common shares of the Guia Antigua Vendor for no additional consideration and were immediately exchanged for common shares of ESV on a one-for-one basis. On February 19, 2021, ESV changed its name to Denarius and commenced trading on the TSXV on March 8, 2021 under the symbol "DSLX".

As a result of the RTO Transaction, Gran Colombia acquired a total of 33,666,666 common shares of Denarius, decreasing its equity interest in the Company to 36.2% while the ESV shareholders and former

Gran Colombia Gold Titiribi Corp.  
Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019  
(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

---

shareholders of the Guia Antigua Vendor retained an approximately 34.2% and 29.3% equity interest, respectively, in Denarius, the resulting issuer.

The RTO Transaction is considered to be a reverse acquisition, whereby the Company, legally a wholly-owned subsidiary of Denarius, is considered to be the accounting acquirer of the assets and liabilities of ESV and of Guia Antigua Vendor and is considered to be the continuing entity for accounting purposes. As such, the assets and liabilities of the Company will continue to be accounted for at their carrying amounts and the assets and liabilities of ESV and the Guia Antigua Vendor will be accounted for at fair value on acquisition.

In the accounting for the reverse takeover acquisition of ESV and the Guia Antigua Vendor, the consideration will be determined by reference to the fair value of the number of shares the legal subsidiary, being the Company, would have issued to the shareholders of ESV and the Guia Antigua Vendor to obtain the same overall percentage ownership interest of 36.2% in the combined entity, excluding the impact of the Guia Antigua Private Placement. As a result, the consideration is measured at the value of the common shares that would have been issued by the Company if it were the legal parent and acquirer. The excess of the fair value of the acquisition consideration over the estimated fair value of the assets and liabilities of ESV and the Guia Antigua Vendor acquired by the Company as at February 19, 2021 will be accounted for as a charge to expense in the period ending March 31, 2021. At the date of these financial statements, the initial accounting for the business combination is incomplete as the determination of the fair value of the consideration and acquired assets and liabilities of ESV and the Guia Antigua Vendor as of the closing of the RTO Transaction have not been finalized.

# GRAN COLOMBIA GOLD TITIRIBI CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 APRIL 22, 2021

---

*The following discussion and analysis of the results of operations and financial condition ("MD&A") for Gran Colombia Gold Titiribi Corp. (the "Company" or "Titiribi") should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2020 (the "Financial Statements") which are available on Denarius Silver Corp.'s ("Denarius") website at [www.denariussilver.com](http://www.denariussilver.com) and under Denarius' profile on [www.sedar.com](http://www.sedar.com). Readers are encouraged to read the Cautionary Note Regarding Forward Looking Information included on page 5 of this MD&A. The financial information in this MD&A is derived from the Company's Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"). **All figures contained herein are expressed in United States dollars ("USD"), except as otherwise stated.***

### Description of Business

The Company is incorporated under the laws of Panama and through its Colombian branch, Gran Colombia Gold Titiribi Sucursal Colombia, is engaged in the acquisition, exploration and evaluation of gold properties in Colombia, with its principal operations in the Zancudo Project located in the municipality of Titiribi in the mining district of Antioquia. As a result of a reverse takeover transaction (the "RTO Transaction") completed on February 19, 2021, as further described below, the Company became a wholly-owned subsidiary of Denarius, a Canadian company listed under the trading symbol "DSL.V" on the Toronto Stock Venture Exchange ("TSXV").

### RTO Transaction

Prior to February 19, 2021, the Company was a wholly-owned subsidiary of Gran Colombia Gold S.A. ("GCG Panama"), which in turn is a wholly-owned Panamanian subsidiary of Gran Colombia Gold Corp. ("Gran Colombia"), a Canadian-listed public company. On November 20, 2020, Gran Colombia and GCG Panama entered into a definitive Share Purchase Agreement ("SPA") with ESV Resources Ltd. ("ESV"), a company listed on the TSXV, whereby ESV agreed to acquire all of the issued and outstanding shares of the Company in exchange for 27,000,000 common shares of ESV. ESV also agreed to be bound by the terms of the IAMGOLD Option Agreement related to the Company's Zancudo Project.

Concurrently, on November 20, 2020, ESV entered into an Amalgamation Agreement with 1255269 B.C. Ltd (the "Guia Antigua Vendor"), which owns the rights for exploration, mining and processing operations and the commercialization of mineral products from the Guia Antigua Project located within Gran Colombia's Segovia mining title in Colombia. Pursuant to the amalgamation agreement, in exchange for all of the outstanding shares of the Guia Antigua Vendor, ESV issued 15,000,000 common shares to the former shareholders of the Guia Antigua Vendor and paid a financial advisory fee to a third party equal to 300,000 common shares.

In connection with these transactions and as a condition to completing the acquisition of the Company, on November 9, 2020, the Guia Antigua Vendor completed a private placement offering ("Guia Antigua Private Placement") for gross proceeds of approximately CA\$8.4 million by issuing 18,675,053 at a price of CA\$0.45 per subscription receipt ("Guia Antigua Subscription Receipt"). Gran Colombia subscribed for 6,666,666 Guia Antigua Subscription Receipts amounting to CA\$3.0 million.

---

Subsequent to December 31, 2020, the SPA and the Amalgamation Agreement with the Guia Antigua Vendor (collectively, the "RTO Transaction") closed on February 19, 2021. Immediately prior to closing of the RTO Transaction, the Guia Antigua Subscription Receipts automatically converted into the equivalent number of common shares of the Guia Antigua Vendor for no additional consideration and were immediately exchanged for common shares of ESV on a one-for-one basis.

On February 19, 2021, ESV changed its name to Denarius. As a result of the RTO Transaction, Gran Colombia acquired a total of 33,666,666 common shares of Denarius, decreasing its equity interest in the Company to 36.15%.

### Selected Financial Information

	Fourth Quarter		Years		
	2020	2019	2020	2019	2018
<i>(\$000's, except per share amounts)</i>					
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	(53)	(12)	(85)	(14)	(21)
Per share – basic and diluted	(106)	(6)	(170)	(28)	(42)
			December 31,		
			2020	2019	2018
<b>Balance sheet</b> (\$000's):					
Cash and cash equivalents			\$ 30	\$ 56	\$ -
Total assets			35	80	24

### IAMGOLD Option Agreement on the Company's Zancudo Project

The Company entered into an option agreement dated as of February 27, 2017 with IAMGOLD Corp. ("IAMGOLD") for the exploration and potential purchase of an interest in the Company's Zancudo Project.

Under the agreement, IAMGOLD has been granted an option to acquire an initial undivided 65% interest (the "First Option") in the Zancudo Project by incurring an aggregate of \$10.0 million of mineral exploration expenditures over a six-year period ending in March 2023, subject to meeting specified annual work commitments during the First Option period. IAMGOLD has the right to cease its obligations at any time.

IAMGOLD has also been granted an additional option (the "Second Option") to acquire a further 5% undivided interest for an aggregate 70% undivided interest in the Zancudo Project by completing a feasibility study within three years after exercising the First Option.

Upon exercise of the First Option or the Second Option, as the case may be, the parties will form a joint venture to hold the Zancudo Project, to advance the exploration and, if feasible, to advance the development and mining of any commercially exploitable ore body.

### Outlook

From 2017 through 2019, IAMGOLD completed a total of approximately 16,224 meters of drilling at the Zancudo Project and has incurred over \$4 million of its exploration commitment through that period. However, due to COVID-19, IAMGOLD suspended its exploration program from early 2020 through

September 2020 in response to the COVID-19 national quarantine implemented by the Colombian government. In October 2020, IAMGOLD resumed normal exploration activities at the Zancudo Project and by the end of 2020 had completed an additional five holes representing an additional 1,160 meters of drilling. IAMGOLD has advised the Company that it will continue with its exploration program on the Zancudo Project in 2021.

### Issued and Outstanding Securities

At April 22, 2021, December 31, 2020 and December 31, 2019, the Company had 500 common shares issued and outstanding.

### Results of Operations and Overall Performance

The Company does not have any active business operations. Its sole purpose is to hold a carried investment in the Zancudo Project and fulfil its obligations under the IAMGOLD Option Agreement. As such, the Company's expenditures are limited primarily to costs and expenses associated with the ongoing administration and maintenance of the Company and its Colombian branch.

### Summary of Quarterly Results

\$000's except per share data	2020				2019			
	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr
Net loss	53	20	12	-	3	7	4	-
Per share - basic and diluted	106	40	24	-	6	14	8	-
Net cash used in operating activities	57	14	12	-	4	6	4	-

Results of operations can vary significantly by quarter as a result of a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by the level of working capital, the availability of external financing, the time required for ongoing administration and maintenance of the Company and its Colombian branch.

### Liquidity and Capital Resources

At December 31, 2020, the Company had working capital of \$29,000 compared with \$61,000 at December 31, 2019.

As stated on page 1, the Company became a legal subsidiary of Denarius through an RTO Transaction completed on February 19, 2021. The RTO Transaction included a concurrent private placement financing raising gross proceeds of CA\$8.4 million for Denarius. Although the Company has no direct sources of revenue or cash inflows, it has access to funding, as required, from Denarius, which is expected to be sufficient to fund the Company's committed activities for a period of at least the next 12 months. In addition, exploration and evaluation expenditures on the Zancudo Project in the foreseeable future are expected to be funded by IAMGOLD pursuant to its Option Agreement.

### **Related Party Transactions**

During the year ended December 31, 2019, GCG Panama made capital contributions to share capital amounting to approximately \$3.2 million which were used to repay a portion of the amount due to related parties.

During the year ended December 31, 2020, GCG Panama made an additional capital contribution to the share capital of the Company in the amount of \$6.4 million, the proceeds of which were used to settle in full the net amount due to related parties amounting to COP 22.2 billion, equivalent to \$6.4 million at the exchange rate on the settlement date.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel in 2020 and 2019 consisted of the Board of Directors and executive officers of Gran Colombia. Gran Colombia did not charge the Company any fees with respect to the services of the key management personnel.

### **Financial Instruments**

The carrying value of cash and cash equivalents, income tax and other receivables, and accounts payable and accrued liabilities approximate their fair values as they are short-term in nature.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Critical Accounting Estimates**

The preparation of the consolidated financial statements requires management to make significant estimates and assumptions in determining carrying values. Estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the consolidated financial statements. The critical estimates applied in the preparation of the Company's Financial Statements are consistent with those applied and disclosed in Note 4 to the Financial Statements.

#### *Valuation of long-lived assets*

The carrying amounts of E&E assets are assessed for any impairment triggers such as events or changes in circumstances which indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount.

The Company considers both internal and external sources of information in assessing whether there are any indications that long-lived assets are impaired. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its E&E assets. Internal sources of information the Company considers include the right to explore in the specific area has or will expire in the future and is not expected to be renewed, substantive E&E expenditures are neither budgeted or planned, exploration has not led to the discovery of commercially viable quantities of mineral resources or sufficient data exists that

although development of a specific area is likely to proceed, the carrying amount of the E&E assets is unlikely to be recovered.

## **Recent Accounting Pronouncements**

### *Accounting Standards Not Yet Adopted*

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

## **Risks and Uncertainties**

Exploration, development and mining of precious metals involve numerous inherent risks as a result of the economic conditions in the various areas of operation. As such, the Company is subject to several financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs, these risks cannot be eliminated.

Readers are encouraged to read and consider the risk factors which are more specifically described under the caption “*Risk Factors*” in the Filing Statement of Denarius as of dated February 18, 2021. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

### **Risks related to COVID-19**

Due to the worldwide COVID-19 situation, conditions may come into existence in future that could influence the exploration and evaluation activities on the Company’s Zancudo Project and the ability of the Company to raise capital. Impacts that COVID-19 may have that could impact the Company include:

- global gold prices;
- the severity and the length of potential measures taken by the Colombian government to manage the spread of the disease and their effect on IAMGOLD’s performance under its Option Agreement due to labor availability and supply lines;
- availability of government supplies, such as water and electricity;
- local currency purchasing power; or
- ability to obtain funding, if needed.

The COVID-19 situation has not significantly impacted the Company as its direct exploration and evaluation activities, in light of the IAMGOLD Option Agreement, are currently minor. In response to the COVID-19 situation, IAMGOLD temporarily suspended its exploration and evaluation activities on the Zancudo Project in 2020, resuming activities in October 2020. There is risk that a reinstatement of a prolonged period of quarantine in Colombia may adversely impact the Company’s activities, including IAMGOLD’s exploration program.



### Cautionary Note Regarding Forward Looking Statements

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, IAMGOLD's exploration activities and the Reverse Takeover Transaction, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Filing Statement of Denarius dated as of February 18, 2021 which is available for view on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.