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**Golden Birch Resources Inc.**

**Financial Statements**

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**December 31, 2019 and 2018**

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# Golden Birch Resources Inc.

## Index to Financial Statements

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<b>December 31, 2019 and 2018</b>	<b>Page</b>
Independent Auditor's Report	1 - 3
Balance Sheets	4
Statements of Changes in Equity	5
Statements of Operations and Comprehensive Loss	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 27

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*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Golden Birch Resources Inc.

### **Opinion**

We have audited the financial statements of Golden Birch Resources Inc. (the "Company"), which comprise the balance sheets as at December 31, 2019 and 2018, and the statements changes in equity, statements of operations and comprehensive loss, and 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended 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 Auditor's responsibilities for the audit of the 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 financial statements in Canada. 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. The other information comprises Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 risks 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 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.

# McGovern Hurley

- 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.

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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 29, 2020

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## Golden Birch Resources Inc.

### Balance Sheets

Expressed in Canadian Dollars

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As at,	December 31, 2019	December 31, 2018
	\$	\$
<b>Assets</b>		
<b>Current:</b>		
Cash and term deposits	1,638,012	789,216
Due from related party, <i>note 9</i>	20,000	-
Prepaid expenses	14,206	11,884
Total current assets	1,672,218	801,100
<b>Equipment, <i>note 6</i></b>	20,638	-
<b>Total Assets</b>	<b>1,692,856</b>	<b>801,100</b>
<b>Liabilities</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities, <i>note 9</i>	105,738	266,426
Total current liabilities	105,738	266,426
<b>Total Liabilities</b>	105,738	266,426
<b>Shareholders' Equity</b>		
Issued capital, <i>note 7</i>	4,759,050	1,464,916
Equity reserves, <i>note 8</i>	1,250,291	117,000
Deficit	(4,422,223)	(1,047,242)
Total Shareholder's Equity	1,587,118	534,674
<b>Total Liabilities and Shareholder's Equity</b>	<b>1,692,856</b>	<b>801,100</b>

Going concern, commitments and contingencies, *notes 1, 5 and 10*

Subsequent events, *note 13*

See accompanying notes to the financial statements.

Approved on behalf of the Board:

"Alan Martin" \_\_\_\_\_ Director

"Iain Martin" \_\_\_\_\_ Director

## Golden Birch Resources Inc.

### Statements of Changes in Equity

Expressed in Canadian Dollars

	Class A Shares #	Issued Capital \$	Equity reserves \$	Deficit \$	Total equity \$
<b>December 31, 2017</b>	-	-	-	(44,876)	(44,876)
Non-brokered private placement, net of issuance costs	26,915,294	1,332,926	-	-	1,332,926
Shares issued in settlement of accounts payable	4,578,236	131,990	-	-	131,990
Share-based payments	-	-	117,000	-	117,000
Loss for the year	-	-	-	(1,002,366)	(1,002,366)
<b>December 31, 2018</b>	31,493,530	1,464,916	117,000	(1,047,242)	534,674
Non-brokered private placement, net of issuance costs	28,590,000	2,824,639	-	-	2,824,639
Shares issued in settlement of accounts payable	4,459,950	469,495	-	-	469,495
Warrants issued, <i>note 8</i>	-	-	851,950	-	851,950
Share-based payments	-	-	281,341	-	281,341
Loss for the year	-	-	-	(3,374,981)	(3,374,981)
<b>Balance at December 31, 2019</b>	<b>64,543,480</b>	<b>4,759,050</b>	<b>1,250,291</b>	<b>(4,422,223)</b>	<b>1,587,118</b>

See accompanying notes to the financial statements.

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## Golden Birch Resources Inc.

### Statements of Operations and Comprehensive Loss

Expressed in Canadian Dollars

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For the years ended December 31,	2019	2018
	\$	\$
<b>Expenses:</b>		
Amortization, <i>note 6</i>	5,996	-
Consulting services	7,805	15,300
Exploration and evaluation expenses, <i>notes 5 and 9</i>	2,134,920	461,941
Foreign exchange loss	29,883	-
General exploration	5,000	10,039
Insurance	8,155	-
Investor relations	29,286	1,062
Management fees, <i>note 9</i>	425,520	327,658
Office and general	17,152	4,104
Professional fees, <i>note 9</i>	366,307	50,465
Rent, <i>note 9</i>	3,000	-
Share-based payments, <i>notes 8 and 9</i>	281,341	117,000
Transfer agent and filing fees	10,691	-
Travel	49,925	14,797
<b>Total expenses</b>	<b>3,374,981</b>	<b>1,002,366</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(3,374,981)</b>	<b>(1,002,366)</b>
<b>Net loss per common share:</b>		
- basic	(0.07)	(0.12)
- diluted	(0.07)	(0.12)
<b>Weighted average number of common shares outstanding:</b>		
- basic	49,785,546	8,221,642
- diluted	49,785,546	8,221,642

See accompanying notes to the financial statements.



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# Golden Birch Resources Inc.

## Statements of Cash Flows

Expressed in Canadian Dollars

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For the years ended December 31,	2019	2018
	\$	\$
<b>Cash was provided by (used in):</b>		
<b>Operating activities:</b>		
Net loss for the year	(3,374,981)	(1,002,366)
Items not affecting cash:		
Shares issued for consulting and advisory services	469,495	-
Amortization	5,996	-
Share-based payments	281,341	117,000
	<b>(2,618,149)</b>	<b>(885,366)</b>
Cash was provided by (used to finance) changes in the following working capital items:		
Amounts receivable	(20,000)	-
Prepaid expenses	(2,322)	(11,884)
Accounts payable and accrued liabilities	(160,688)	353,220
Net change in non-cash working capital	<b>(183,010)</b>	<b>341,336</b>
Net cash used in operating activities	<b>(2,801,159)</b>	<b>(544,030)</b>
<b>Investing activities:</b>		
Equipment additions	(26,634)	-
Advances to director	-	320
Net cash (used in)/provided by in investing activities	<b>(26,634)</b>	<b>320</b>
<b>Financing activities:</b>		
Non-brokered private placement	2,859,000	1,354,180
Issue costs	(34,361)	(21,254)
Warrants issued for common shares	851,950	-
Net cash provided by financing activities	<b>3,676,589</b>	<b>1,332,926</b>
<b>Change in cash and term deposits</b>	<b>848,796</b>	<b>789,216</b>
Cash and term deposits, beginning of year	789,216	-
<b>Cash and term deposits, end of year</b>	<b>1,638,012</b>	<b>789,216</b>
<b>Cash and term deposits are composed of the following:</b>		
Cash	138,013	89,216
Term deposits	1,499,999	700,000
	<b>1,638,012</b>	<b>789,216</b>
Supplemental information, Common Shares issued in settlement of accounts payable, <i>note 9</i>	469,495	131,990

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See accompanying notes to the financial statements.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 1. Nature of operations and going concern

Golden Birch Resources Inc. (the "Company" or "Golden Birch") was incorporated on October 4, 2017 under the Canada Business Corporations Act (the "Act"). The principal business of the Company is the acquisition, exploration and development of mineral property interests in Papua New Guinea. The Company is a public company incorporated in Canada with limited liability under the legislation of Canada and trades on the Canadian Securities Exchange. The head office is located at 140 Cook's Lake Road, Timmins, Ontario P4R 0B7.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts expended on exploration and evaluation activities is dependant upon a discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and restrictions and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, unregistered prior claims and agreements, aboriginal claims, social license requirements and non-compliance with regulatory requirements.

The Company had a net loss of \$3,374,981 (2018 - \$1,002,366) for the year ended December 31, 2019 and had an accumulated deficit of \$4,422,223 (2018 - \$1,047,242) and working capital of \$1,566,480 (2018 - \$534,674) as at December 31, 2019. The Company's ability to continue as a going concern is dependent on the Company being able to satisfy its liabilities as they become due, the Company being able to obtain the necessary financing to complete the development of its mineral properties, the attainment of profitable mining operations, and, or the receipt of proceeds from the disposition of its mineral properties. The outcome of these matters cannot be predicted at this time. There is no assurance that funds will be available on terms acceptable to the Company or at all. These financial statements do not include any adjustments to the carrying values and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its liabilities in anything other than the ordinary course of operations. Such adjustments could be material.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 2. Basis of presentation

- (a) Statement of compliance with International Financial Reporting Standards

These financial statements, including comparatives, have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

- (b) Basis of preparation

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

These financial statements were authorized for issuance by the Board of Directors on April 29, 2020.

#### Current accounting changes

During 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards. These included IFRS 16, Leases, and IFRIC 23, Uncertainty over Income Tax Treatments. These new standards and changes did not have any material impact on the Company's financial statements.

#### Future Accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2020 or later. Updates that are not applicable or are not consequential to the Company have been excluded. The Company is currently evaluating the impact of these new standards on the Company's financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition, it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies

(a) Currency translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss.

(b) Critical judgments and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

i) Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

ii) Estimation of closure and reclamation costs and the timing of expenditure

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Closure, reclamation and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of closure, reclamation or similar liabilities that may occur upon closure of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(b) Critical judgments and estimation uncertainties (continued)

iii) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

iv) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

v) Contingencies

Refer to Note 10.

(c) Cash and term deposits

Cash and term deposits consist of bank balances and short-term deposits in redeemable guaranteed investment certificates.

(d) Exploration and evaluation costs

Exploration and evaluation costs are expensed as incurred and included in the statement of operations and comprehensive loss until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include an allocation of administration and salary costs as determined by management.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(e) Provision for closure and reclamation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs.

The Company does not currently have any significant legal or constructive obligations relating to reclamation or closure of its exploration and evaluation property interests and therefore, no closure and reclamation liabilities have been recorded as at December 31, 2019 and 2018.

(f) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects.

Common shares issued for consideration other than cash, are valued based on their market value at the date the agreement to issue shares was concluded.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

- (h) Financial instruments

#### Financial assets

##### Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

##### Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. Cash and term deposits and due from related party were held at amortized cost.

##### Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVPL.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

- (h) Financial instruments (continued)

#### Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of operations when the right to receive payments is established.

#### Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### Impairment of financial assets

The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are measured at amortized cost. All financial liabilities are recognized initially at fair value.



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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(h) Financial instruments (continued)

**Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

(i) Share-based payments

The Company has a share option plan that is described in note 8. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity reserves. Consideration received on the exercise of stock options is recorded as issued capital and the related equity reserve is transferred to issued capital. Charges for options that are forfeited before vesting are reversed from equity reserves. Upon expiry, the recorded value is transferred to deficit.

(j) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 4. Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures from the previous period.

#### **Credit risk**

The Company's credit risk is primarily attributable to cash and term deposits. The Company has no significant concentration of credit risk arising from operations. Cash and term deposits have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

#### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash and term deposit balance of \$1,638,012 (December 31, 2018 - \$789,216) to settle current liabilities of \$105,738 (December 31, 2018 - \$266,426). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

#### **Interest rate risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is sensitive to changes in the interest rates through interest income earned on its cash balance.

#### **Price risk**

Price risk with respect to commodity prices is remote since the Company is not a producing entity.

#### **Fair value of financial instruments**

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

As at December 31, 2019 and 2018, the carrying and fair value amounts of the Company's financial instruments are approximately the same because of the short-term nature of these instruments.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 4. Financial risk factors (continued)

#### Fair value of financial instruments (continued)

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the input used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted market prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At December 31, 2019 and 2018, the Company had no financial instruments carried at fair value to classify in the fair value hierarchy.

#### Market risk

##### Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to fluctuations in the market price of certain minerals.

##### Foreign exchange risk

The Company is subject to foreign exchange risk as some of its operating and investing activities are transacted in currencies other than the Canadian dollar, including the Australian dollar and the Papua New Guinea kina. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the Canadian dollar.

##### Sensitivity analysis

Based on management's knowledge and experience of the financial markets, management believes the following movements are "reasonably possible" over a one year period:

As at December 31, 2019, the Company held approximately \$9,369 (December 31, 2018 - \$36,071) of cash balances denominated in Papua New Guinea kinas. As at December 31, 2019, the Company had accounts payable and accrued liabilities denominated in US dollars of \$nil (December 31, 2018 - \$27,090), Australian dollars of \$7,040 (December 31, 2018 - \$nil), and Papua New Guinea kinas of 58,796 (December 31, 2018 - \$nil). A 10% change in the value of the Canadian dollar compared to the other foreign currencies in which the Company transacts would result in a corresponding foreign exchange gain/loss of approximately \$1,900 based on the balance of monetary assets and liabilities at December 31, 2019 (2018 - \$1,500).

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 5. Exploration and evaluation expenses

Transactions for the years ended December 31, 2019 and 2018 on the Keveri project are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accommodations	51,599	13,921
Accounting services	25,494	3,257
Administration	6,891	4,914
Assays	54,627	19,177
Communications	21,120	2,234
Compensation	3,819	
Field supplies	73,523	31,953
Geologists	246,900	75,567
Geophysics services	289,376	-
Helicopter chartering	361,477	95,924
In-country logistics	132,838	18,463
Option payments	279,115	124,068
Other	40,828	829
Professional fees	19,243	
Sampling	33,325	-
Site meal services	47,678	13,630
Technical report	56,956	-
Travel	56,760	24,215
Wages	333,351	33,789
	<b>2,134,920</b>	<b>461,941</b>

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 5. Exploration and evaluation expenses (continued)

#### Keveri Property, Papua New Guinea

Pursuant to an option and joint venture agreement with Papuan Mineral Pty Ltd. (PMPL) and its wholly owned subsidiary Papuan Miners Ltd. (PML) dated August 28, 2018, the Company has option to acquire 85% of the issued and outstanding shares of PML. PML is the legal and beneficial owner of 100% of the licences which encompass the Keveri Project in Papua New Guinea. The renewal application for one of the two licences for the Keveri Project is currently in process.

The interest will be earned in two stages: To exercise the first option and earn a 51% interest in the Keveri Project, the Company must:

- (a) pay to PMPL \$129,000 AU (\$123,000) within 25 days of execution of the agreement (paid);
  - (b) pay to PMPL \$100,000 AU (\$96,000) within six months of the execution of the agreement if the shares of the Company are not listed on a recognized stock exchange ("Listing") (paid);
  - (c) pay to PMPL \$200,000 AU (\$192,000) within twelve months of the execution of the agreement if the shares of the Company are not listed on a recognized stock exchange (paid);
  - (d) List the shares of the Company on a recognized stock exchange within 18 months of the execution date, August 24, 2018, of the agreement; (Note 13);
  - (e) fund a total of \$300,000 AU in exploration expenditures on the Keveri Project, within twelve months of Listing;
  - (f) complete 3,000 metres of diamond drilling within 30 months of Listing;
  - (g) complete an equity financing of not less than \$3,000,000 AU (\$2,876,000), net of fees, upon Listing. Equity financing's completed prior to listing are included in the total;
  - (h) pay to PMPL \$450,000 AU (\$432,000) in cash as follows:
    - (i) \$150,000 AU (\$144,000) upon Listing (paid - see Note 13);
    - (ii) \$150,000 AU (\$144,000) within 12 months of Listing or by the issuance of Common Shares (at the Company's election) at the volume-weighted average price for trading of Common Shares on a recognized stock exchange immediately preceding their issue; and
    - (iii) \$150,000 AU (\$144,000) within 24 months of Listing or by the issuance of Common Shares (at the Company's election) at the volume-weighted average price for trading of Common Shares on a recognized stock exchange immediately preceding their issue.
  - (i) pay to PMPL \$1,500,000 AU (\$1,438,000) in cash or in common shares of the Company with values as follows:
    - (i) \$500,000 AU (\$479,000) within 30 months of Listing; and
    - (iii) \$1,000,000 AU (\$959,000) within 36 months of Listing.
  - (j) issue to PMPL shares of the Company with a value of \$600,000 AU (\$575,000) upon Listing;
  - (k) from the Listing date, pay PMPL an annual option fee of \$150,000 AU (\$144,000) per year until the second option is completed; and
  - (l) meet the exploration expenditure requirements to maintain the licences in good standing for a period of two years after listing on a recognized stock exchange and for a period of 12 months should the Company elect not to exercise the second option. Annual exploration expenditure requirements are approximately K60,000 (\$24,000).
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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 5. Exploration and evaluation expenses (continued)

#### Keveri Property, Papua New Guinea (continued)

To exercise the second option and earn a further 34% interest in the Keveri Project, the Company must:

- (a) complete 10,000 metres of diamond drilling during the period of the second option; and
- (b) make the following payments in cash or shares of the Company as follows:
  - a. \$500,000 AU (\$479,000) within 48 months of Listing
  - b. \$1,000,000 AU (\$959,000) within 60 months of Listing
  - c. \$1,500,000 AU (\$1,438,000) within 72 months of Listing

The Company must pay the applicable ground rent and mineral right fees, which are payable to the Government of Papua New Guinea pursuant to the Prospecting License, and becoming due during the option period. The Company is also obligated to meet PML's statutory and administrative expenses during the option period. These costs are estimated to be approximately \$21,000 annually.

The Project is subject to a 2.0% net smelter royalty ("NSR Royalty") in the Keveri Property, 1/2 of which the Company has the right to purchase (1.0%) at any time for \$1,500,000.

The government of Papua New Guinea holds the right to acquire up to a 30% interest in the licences at any time prior to the commencement of mining by paying to the Company the prorata amount of accumulated exploration expenditures incurred. The government would then further contribute to the development on a prorata basis unless otherwise agreed. They are also entitled to a levy of 0.25% of mine revenue. Two directors of the Company control PMPL. See Note 9.

### 6. Equipment

	Computer hardware	Furniture and equipment	Total
	\$	\$	\$
Cost December 31, 2018	-	-	-
Additions	19,045	7,589	26,634
December 31, 2019	19,045	7,589	26,634
Accumulated depreciation			
Charges for the year	5,237	759	5,996
December 31, 2019	5,237	759	5,996
Net book value			
December 31, 2019	<b>13,808</b>	<b>6,830</b>	<b>20,638</b>

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 7. Issued Capital

(i) Authorized

Authorized share capital consists of:

- (i) an unlimited number of voting and participating Class A shares without par value; and
- (ii) an unlimited number of non-voting and non-participating Class B shares without par value, redeemable for the amount paid for such shares. No Class B shares are outstanding.

(ii) Non-brokered private placements

On March 27, 2018, the Company issued 2,500,000 Class A shares at \$0.01 per share. Consideration was the extinguishment of accounts payable due to directors of \$25,000.

On April 4, 2018, the Company issued 833,333 Class A shares at \$0.03 per share to entities related to directors for cash consideration of \$25,000.

On August 14, 2018, the Company issued 2,078,236 Class A shares at \$0.051 per share. Consideration was the extinguishment of accounts payable due to directors of \$105,990.

On September 25, 2018, the Company issued 800,000 Class A shares at \$0.051 per share for cash consideration of \$40,800. The Company paid a finder's fee of \$2,856.

On September 27, 2018, the Company issued 1,000,000 Class A shares at \$0.051 per share for cash consideration of \$51,000. The Company paid a finder's fee of \$3,570.

On October 25, 2018, the Company issued 23,981,961 Class A shares at \$0.051 per share for cash consideration of \$1,223,080.

On November 30, 2018, the Company issued 300,000 Class A shares at \$0.051 per share for cash consideration of \$15,300.

On April 24, 2019, the Company issued 4,535,000 Class A shares at \$0.10 per share for cash consideration of \$453,500.

On May 23, 2019, the Company issued 9,070,000 Class A shares at \$0.10 per share for cash consideration of \$907,000.

On June 30, 2019, the Company issued 14,985,000 Class A shares at \$0.10 per share for cash consideration of \$1,498,500.

On June 30, 2019, the Company issued 3,489,950 Class A shares at \$0.10 per share in exchange for extinguishment of accounts payable in the amount of \$348,995. This amount was due to directors of the Company pursuant to their consulting contracts.

On June 30, 2019, the Company issued 500,000 Class A shares at \$0.10 per share in consideration for additional contract services to a director of the Company.

On October 21, 2019, the Company issued 470,000 Class A shares at \$0.15 per share in exchange for extinguishment of accounts payable in the amount of \$70,500. This amount was due to directors of the Company pursuant to their consulting contracts. The price per share utilized was the conversion price of the special warrants, see note 8, issued at the same time.

# Golden Birch Resources Inc.

## Notes to the Financial Statements

December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

### 8. Equity reserves

	No. of options #	Weighted Average Exercise Price \$	Grant Date Fair Value of options \$
December 31, 2017	-	-	-
Granted/Expensed	3,000,000	0.10	117,000
December 31, 2018	<b>3,000,000</b>	<b>0.10</b>	<b>117,000</b>
Granted/Expensed	3,869,960	0.23	281,341
December 31, 2019	<b>6,869,960</b>	<b>0.18</b>	<b>398,341</b>

#### *Employee share option plan*

The Company has a share option plan to assist the Company in attracting, retaining and motivating directors, key officers, employees and consultants of the Company and to closely align the personal interests of such parties with those of the shareholders by providing them with the opportunity, through options, to acquire common shares of the Company.

The following share option arrangements were in existence as at December 31, 2019:

Date Granted	Options Granted	Options Exercisable	Exercise Price \$	Expiry Date
October 4, 2018	3,000,000	3,000,000	0.10	October 3, 2022
June 30, 2019	3,154,995	3,154,995	0.25	June 30, 2023
October 21, 2019	714,965	178,741	0.15	October 21, 2023
	<b>6,869,960</b>	<b>6,333,736</b>	<b>0.18</b>	

The fair value of share options granted has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Grant date	Expected dividend yield %	Risk-free interest rate %	Expected volatility %	Expected life	Estimated grant date fair value \$	Share price \$
October 4, 2018	0	2.46	135	4 years	117,000	0.051
June 30, 2019	0	2.46	135	4 years	234,000	0.100
October 21, 2019	0	1.61	134	4 years	89,000	0.150

The weighted average remaining contractual life of options outstanding at December 31, 2019 is 3.21 years (December 31, 2018 - 3.76 years).



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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 8. Equity reserves (continued)

Effective October 21, 2019, the Company issued 5,679,666 special warrants at \$0.15 per warrant for aggregate consideration of \$851,950. 258,000 of the special warrants issued were issued to related parties of the Company, described in note 9.

Each special warrant is exercisable into one common share of the Company on the earlier of the date of a liquidity event and October 21, 2021. A liquidity event means (a) an initial public offering of the common shares which are listed on a stock exchange, securities market or quotation system in North America or (b) a merger, amalgamation, plan of arrangement, take-over bid, reverse take-over, sale of all or substantially all of the assets of the Company. The common shares underlying the special warrants are subject to a four month hold period.

In 2020, the Company completed a liquidity event and the special warrants were converted to 5,679,666 Class A shares of the Company. See Note 13.

### 9. Related party information

The following transactions were entered into with related parties during the years ended December 31, 2019 and 2018:

	2019	2018
	\$	\$
<hr/>		
With a person related to a director of the Company:		
Rent	3,000	-
<hr/>		
With directors of the Company:		
Management fees	378,590	327,300
Exploration and evaluation expenses	72,000	32,100
	<b>450,590</b>	<b>359,400</b>
<hr/>		
With a partnership in which an officer of the Company is a partner:		
Accounting services	83,838	2,788
<hr/>		
With a corporation whose directors are directors of the Company:		
Keveri acquisition payments (see note 13a)	279,115	124,068
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Accounts receivable as at December 31, 2019 include amounts owing from a related corporation in the amount of \$20,000 (December 31, 2018 - nil). The company is related through common management. The amount receivable is unsecured, non-interest bearing and have no fixed terms of repayment.

Accounts payable and accrued liabilities as at December 31, 2019 include amounts owing to directors and officers in the amount of \$12,574 (December 31, 2018 - \$226,845). These amounts are unsecured, non-interest bearing and has no fixed terms of repayment.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 9. Related party information (continued)

In the April 4, 2018 non-brokered private placement described in note 7(ii), directors subscribed for 833,333 Class A shares for gross proceeds of \$25,000.

In the October 25, 2018 non-brokered private placement described in note 7(ii), a director subscribed for 2,700,000 Class A shares for gross proceeds of \$137,700.

Directors subscribed for all of the shares in the March 27, 2018 and August 14, 2018 non-brokered private placements described in note 7(ii) in exchange for the extinguishment of accounts payable totalling \$130,990.

In the June 30, 2019 non-brokered private placements described in note 7(ii), directors subscribed for 4,289,950 Class A shares in exchange for the extinguishment of accounts payable of \$398,995 and cash consideration of \$30,000.

Directors subscribed for all of the shares in the October 21, 2019 non-brokered private placements described in note 7(ii) in exchange for the extinguishment of accounts payable totalling \$70,500.

In the October 21, 2019 special warrant issuance described in note 8, directors and officers of the Company and members of their families subscribed for 258,000 special warrants for cash consideration of \$38,700.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2019 and 2018 were as follows:

For the year ended December 31,	2019	2018
	\$	\$
Short-term benefits	46,930	-
Share-based payments	204,527	105,300

See also Note 10.

### 10. Commitments and contingencies

Effective October 1, 2019 the Company amended the consulting agreement with the Company's president to provide for an annual fee of \$175,000. In addition, the president shall receive stock options as determined by the board of directors pursuant to the Company stock option plan.

Effective October 1, 2019 the Company cancelled the consulting agreement with the Company's chief administrative officer and entered into an employment agreement with the chief administrative officer to provide for an annual fee of \$175,000. In addition, the chief administrative officer shall receive stock options as determined by the board of directors pursuant to the Company stock option plan.

Minimum commitments under these contracts total \$350,000 and are due within one year.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 11. Income taxes

Provisions for income taxes

Major items causing the Company's income tax rate to differ from the combined Canadian Federal and Provincial statutory income tax rate of approximately 26.5% (2018 - 26.5%) approximate the following:

	2019	2018
	\$	\$
<b>Loss before income taxes</b>	<b>(3,374,981)</b>	<b>(1,002,366)</b>
Expected income tax benefit based on statutory rates	(894,000)	(265,000)
Adjustment to expected income tax benefit:		
Non deductible expenses	82,000	31,000
Benefit of tax losses not recognized	812,000	234,000
<b>Income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

Deferred tax assets in Canada have not been recognized in respect of the following deductible temporary differences:

	December 31, 2019	December 31, 2018
	\$	\$
Non-capital losses carried forward	1,416,000	432,160
Share issue costs	40,000	17,003
Foreign exploration and evaluation costs	2,140,000	461,941
Equipment	18,000	-
	<b>3,614,000</b>	<b>911,104</b>

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 Company can use the benefits.

The Company has approximately \$1,416,000 of non-capital losses in Canada which under certain circumstances can be used to reduce taxable income of future years. The amount and year of expiry of the losses are as follows:

	\$
2037	45,000
2038	396,000
2039	975,000
	<b>1,416,000</b>

The Company has approximately \$2,140,000 of foreign exploration and development expenditures as at December 31, 2019 which under certain circumstances may be utilized to reduce taxable income of future years.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 12. Capital management

The capital of the Company consists of issued capital, warrants and options. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of its exploration and evaluation assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, seek debt financing, or acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the risks, objectives, policies and procedures in 2018 or 2019.

### 13. Subsequent events

#### (a) Grant of stock options

On February 13, 2020, the Company agreed to grant 900,000 stock options to directors of the Company, which options are exercisable into common shares of the Company at a price of \$0.15 per share. The grant of these options is contingent upon the listing of the shares of the Company. Subject to the rules of the Canadian Stock Venture Exchange and the Company's stock option plan, the options vest in four equal instalments, being at the date of grant and the end of each six-month period ended thereafter, and have a term of five years.

#### (b) Keveri Property

Subsequent to December 31, 2019, the Keveri Option and Joint Venture Agreement, as disclosed in note 5, was amended to provide the Company with a period of 19 months from the execution date of the agreement, August 24, 2018, to have the shares of the Company listed on a recognized stock exchange. All other terms of the agreement remain unchanged.

Subsequent to December 31, 2019 the Company made the payment of \$150,000 AU required pursuant to the Keveri Option and Joint Venture Agreement, as disclosed in note 5.

#### (c) Public trading

Effective January 28, 2020, the Company shareholders approved the removal of the trading restriction as set out in the by laws of the Company.

Effective March 2, 2020 the Company commenced trading on the Canadian Securities Exchange ("CSE"). See Note 8.

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# Golden Birch Resources Inc.

## Notes to the Financial Statements

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December 31, 2019 and 2018

(expressed in Canadian dollars unless otherwise noted)

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### 16. Subsequent events (continued)

#### (d) Covid-19

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.