Golden Birch Resources Inc.

Financial Statements

December 31, 2020 and 2019

Golden Birch Resources Inc.

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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, 2020 and 2019, and the statements of 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, 2020 and 2019 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020 and, as of that date, the Company has an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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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.

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- 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.
- 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

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 21, 2021

Golden Birch Resources Inc.

Balance Sheets

Expressed in Canadian Dollars

As at,	December 31, 2020 $	December 31, 2019 $
Assets		
Current:		
Cash and term deposits	1,441,644	1,638,012
Due from related party, *note 9*	-	20,000
Prepaid expenses	13,932	14,206
Total current assets	1,455,576	1,672,218
Equipment, *note 6*	143,626	20,638
Total Assets	**1,599,202**	**1,692,856**
Liabilities		
Current:		
Accounts payable and accrued liabilities, *note 9*	161,053	105,738
Units subscriptions, *note 13a*	518,445	-
Total current liabilities	679,498	105,738
Total Liabilities	679,498	105,738
Shareholders' Equity		
Issued capital, *note 7*	6,977,439	4,759,050
Equity reserves, *note 8*	1,228,597	1,250,291
Deficit	(7,286,332)	(4,422,223)
Total Shareholder's Equity	919,704	1,587,118
Total Liabilities and Shareholder's Equity	**1,599,202**	**1,692,856**

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 $
December 31, 2018	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, *note 8*	-	-	851,950	-	851,950
Share-based payments	-	-	281,341	-	281,341
Loss for the year	-	-	-	(3,374,981)	(3,374,981)
December 31, 2019	64,543,480	4,759,050	1,250,291	(4,422,223)	1,587,118
Non-brokered private placement, net of issuance costs	11,496,679	1,514,878	-	-	1,514,878
Warrants issued, *note 8*	-	(684,479)	684,479	-	-
Shares issued for property, *note 5*	3,573,600	536,040	-	-	536,040
Warrants exercised, *note 8*	5,679,666	851,950	(851,950)	-	-
Share based payments	-	-	145,777	-	145,777
Loss for the year	-	-	-	(2,864,109)	(2,864,109)
Balance at December 31, 2020	**85,293,425**	**6,977,439**	**1,228,597**	**(7,286,332)**	**919,704**

See accompanying notes to the financial statements.

Golden Birch Resources Inc.

Statements of Operations and Comprehensive Loss

Expressed in Canadian Dollars

For the years ended December 31,	**2020** $	**2019** $
Expenses:		
Amortization, *note 6*	9,236	5,996
Consulting services	51,233	7,805
Exploration and evaluation expenses, *notes 5* and *9*	1,821,177	2,134,920
General exploration	21,019	5,000
Foreign exchange loss	25,509	29,883
Insurance	12,216	8,155
Investor relations	67,894	29,286
Management fees, *note 9*	175,000	334,841
Office and general	15,685	17,152
Professional fees, *note 9*	293,764	366,307
Rent, *note 9*	8,000	3,000
Salaries and employee benefits, *note 9*	179,097	90,679
Share-based payments, *notes 8* and *9*	145,777	281,341
Transfer agent and filing fees	56,186	10,691
Travel	6,669	49,925
Total expenses	**2,888,462**	**3,374,981**
Loss before other item	**(2,888,462)**	**(3,374,981)**
Other item		
Interest revenue	24,353	-
Net loss and comprehensive loss for the year	**(2,864,109)**	**(3,374,981)**
Net loss per common share:		
- basic	(0.04)	(0.07)
- diluted	(0.04)	(0.07)
Weighted average number of common shares outstanding:		
- basic	**78,787,165**	**49,785,546**
- diluted	**78,787,165**	**49,785,546**

See accompanying notes to the financial statements.

Golden Birch Resources Inc.

Statements of Cash Flows

Expressed in Canadian Dollars

For the years ended December 31,	**2020** $	**2019** $
Cash was provided by (used for):		
Operating activities:		
Net loss for the year	(2,864,109)	(3,374,981)
Items not affecting cash:		
Shares issued for consulting and advisory services	-	469,495
Shares issued for property acquisition	536,040	-
Amortization	9,236	5,996
Share-based payments	145,777	281,341
	(2,173,056)	**(2,618,149)**
Cash was provided by (used to finance) changes in the following working capital items:		
Prepaid expenses	273	(2,322)
Due from related parties	20,000	(20,000)
Accounts payable and accrued liabilities	55,315	(160,688)
Net change in non-cash working capital	**75,588**	**(183,010)**
Net cash (used in) operating activities	**(2,097,468)**	**(2,801,159)**
Investing activities:		
Equipment additions, *note 6*	(132,224)	(26,634)
Net cash (used in) in investing activities	**(132,224)**	**(26,634)**
Financing activities:		
Share subscriptions, *note 13a*	518,445	-
Non-brokered private placement, *note 7*	1,724,502	2,859,000
Issue costs, *note 7*	(209,623)	(34,361)
Special warrants issued, *note 7*	-	851,950
Net cash provided by financing activities	**2,033,324**	**3,676,589**
Change in cash and term deposits	**(196,368)**	**848,796**
Cash and term deposits, beginning of year	1,638,012	789,216
Cash and term deposits, end of year	**1,441,644**	**1,638,012**

Cash and term deposits are composed of the following:		
Cash	1,441,644	138,013
Term deposits	-	1,499,999
	1,441,644	**1,638,012**
Supplemental information,		
Class A Shares issued in settlement of accounts payable, *note 9*	-	469,495
Finders' warrants issued, *note 7*	202,259	-

See accompanying notes to the financial statements.

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 ("GBRX"). 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 $2,864,109 (December 31, 2019 - $3,374,981) for the year ended December 31, 2020 and had an accumulated deficit of $7,286,332 (December 31, 2019 - $4,422,223) and working capital of $776,078 (December 31, 2019 - $1,566,480) as at December 31, 2020. Subsequent to December 31, 2020, as disclosed in note 13(a), the Company issued 3,556,666 Class A common shares in consideration for amounts disclosed as units subscriptions on the balance sheets. 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. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern. 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.

1. Nature of operations and going concern (continued)

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

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 21, 2021.

Current 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. These new standards and changes did not have any material impact on the Company's financial statements. Updates that are not applicable or are not consequential to the Company have been excluded.

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, 2021 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.

2. Basis of presentation (continued)

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

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.

3. Significant accounting policies (continued)

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

i) 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.

ii) 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.

iii) 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.

iv) Contingencies

Refer to Note 10.

3. Significant accounting policies (continued)

(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.

(e) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

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

Equipment is depreciated over the estimated useful lives of the assets on the declining balance basis using the following annual rates:

Computer hardware	55%
Furniture and equipment	20%

(f) 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, 2020 and December 31, 2019.

3. Significant accounting policies (continued)

(g) 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.

(h) 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.

(i) 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.

3. Significant accounting policies (continued)

(i) Financial instruments (continued)

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 balance sheets with changes in fair value recognized in other income or expense in the statements of operations. The Company does not measure any financial assets at FVPL.

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 and units subscription, which are measured at amortized cost. All financial liabilities are recognized initially at fair value.

3. Significant accounting policies (continued)

(i) 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 operations.

(j) 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.

(k) 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.

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, 2020, the Company had a cash and term deposit balance of $1,441,644 (December 31, 2019 - $1,638,012) to settle current liabilities of $679,498 (December 31, 2019 - $105,738). Subsequent to December 31, 2020, as disclosed in note 13(a), the Company issued 3,556,666 Class A common shares in consideration for amounts disclosed as units subscriptions on the balance sheets. 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, 2020 and December 31, 2019, 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.

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, 2020 and December 31, 2019, 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 ("AU") 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, 2020, the Company held approximately $56,077 (December 31, 2019 - $9,369) of cash balances denominated in Papua New Guinea kinas. As at December 31, 2020, the Company had accounts payable and accrued liabilities denominated in US dollars of $15,995 (December 31, 2019 - $nil), Australian dollars of $3,039 (December 31, 2019 - $7,040) and Papua New Guinea kinas of $27,703 (December 31, 2019 - $58,796). 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 $1,200 based on the balance of monetary assets and liabilities at December 31, 2020 (December 31, 2019 - $1,900).

(expressed in Canadian dollars unless otherwise noted)

5. Exploration and evaluation expenses

Transactions for the years ended December 31, 2020 and 2019 on the Keveri project are as follows:

	2020 $	2019 $
Accommodations	28,746	51,599
Accounting services	19,635	25,494
Administration	22,561	6,891
Assays	1,669	54,627
Communications	16,259	21,120
Compensation	-	3,819
Drilling	139,433	-
Field supplies	73,915	73,523
Geologists	149,674	246,900
Geophysics services	-	289,376
Helicopter chartering	135,209	361,477
In-country logistics	62,476	132,838
Option payments	667,305	279,115
Other	22,023	40,828
Petrological services	6,212	-
Professional fees	2,634	19,243
Road maintenance	51,758	-
Sampling	1,347	33,325
Site meal services	39,613	47,678
Technical report	-	56,956
Travel	70,986	56,760
Wages	309,722	333,351
	1,821,177	**2,134,920**

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 and such renewal is not assured.

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 (Completed). Effective March 2, 2020, the Company commenced trading on the Canadian Securities Exchange ("CSE");
(e) fund a total of $300,000 AU in exploration expenditures on the Keveri Project, within twelve months of March 2, 2020 (Completed);
(f) complete 3,000 metres of diamond drilling within 30 months of March 2, 2020;
(g) complete an equity financing of not less than $3,000,000 AU ($2,951,000), net of fees, upon Listing. Equity financing's completed prior to listing are included in the total (Completed);
(h) pay to PMPL $450,000 AU ($432,000) in cash as follows:
    (i) $150,000 AU ($131,000) upon Listing (paid);
    (ii) $150,000 AU ($148,000) within 12 months of March 2, 2020, 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 (issued - see Note 13); and
    (iii) $150,000 AU ($148,000) within 24 months of March 2, 2020, 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 ($1,475,000) in cash or in common shares of the Company with values as follows:
    (i) $500,000 AU ($492,000) within 30 months of March 2, 2020; and
    (iii) $1,000,000 AU ($984,000) within 36 months of March 2, 2020.
(j) issue to PMPL shares of the Company with a value of $600,000 AU ($590,000) upon Listing (issued);
(k) from the Listing date, pay PMPL an annual option fee of $150,000 AU ($148,000) per year until the second option is completed (paid - see Note 13); and

5. Exploration and evaluation expenses (continued)

Keveri Property, Papua New Guinea (continued)

(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 ($21,000).

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:

(i) $500,000 AU ($492,000) within 48 months of March 2, 2020

(ii) $1,000,000 AU ($984,000) within 60 months of March 2, 2020

(iii) $1,500,000 AU ($1,475,000) within 72 months of March 2, 2020

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 former directors of the Company control PMPL (see Note 9).

(expressed in Canadian dollars unless otherwise noted)

6. Equipment

	Computer hardware	Furniture and equipment	Total
	$	$	$
Cost December 31, 2018	-	-	-
Additions	19,045	7,589	26,634
Cost December 31, 2019	19,045	7,589	26,634
Additions	-	132,224	132,224
December 31, 2020	19,045	139,813	158,858
Accumulated depreciation			
December 31, 2019	5,237	759	5,996
Charges for the year	7,595	1,641	9,236
December 31, 2020	12,832	2,400	15,232
Net book value December 31, 2020	6,213	137,413	143,626
Net book value December 31, 2019	13,808	6,830	20,638

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 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.

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.

Effective October 21, 2019, the Company issued 5,679,666 special warrants at $0.15 per warrant for aggregate consideration of $851,950. 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.

On February 12, 2020, the Company issued 3,573,600 Class A common shares with a stated value of $0.15 per share pursuant to the option on the Keveri property. The value attributed to the shares was based on the most recent financing prior to this event.

On March 2, 2020, the Company completed a liquidity event and the special warrants were converted to 5,679,666 Class A shares of the Company.

7. Issued Capital (continued)

(ii) Non-brokered private placements (continued)

On May 14, 2020, the Company completed the first tranche of its non-brokered private placement financing. This tranche consisted of the sale of 7,500,000 units at a price of $0.15 per unit for gross proceeds of $1,125,000, with each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the company at a price of $0.20 per common share until May 14, 2025. The Company paid a finder's fee of $101,250 in cash and 750,000 non-transferable finder’s warrants, with each such finder's warrant entitling the holder thereof to acquire one unit of the Company at a price of $0.15 per share and one finder's unit warrant. Each finder's unit warrant entitles the holder to purchase one common share at a price of $0.20 per common share until May 14, 2025.

On July 30, 2020, the Company completed the second tranche of its non-brokered private placement financing. This tranche consisted of the sale of 3,693,343 units at a price of $0.15 per unit for gross proceeds of $554,002, with each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the company at a price of $0.20 per common share until July 30, 2025. The Company paid a finder's fee of $49,050 in cash and 363,333 non-transferable finder’s warrants, with each such finder's warrant entitling the holder thereof to acquire one unit of the Company at a price of $0.15 per share and one finder's unit warrant. Each finder's unit warrant entitles the holder to purchase one common share at a price of $0.20 per common share until July 30, 2025.

On August 27, 2020, the Company completed the third and final tranche of its non-brokered private placement financing. This tranche consisted of the sale of 303,335 units at a price of $0.15 per unit for gross proceeds of $45,500, with each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.20 per common share until August 27, 2025.

(expressed in Canadian dollars unless otherwise noted)

8. Equity reserves

	No. of options #	Weighted Average Exercise Price $	Grant Date Fair Value of options $	No. of warrants #	Weighted Average Exercise Price $	Grant Date Fair Value of warrants $	Total Value $
December 31, 2018	3,000,000	0.10	117,000	-	-	-	117,000
Granted/Expensed	3,869,960	0.23	281,341	5,679,666	0.15	851,950	1,133,291
December 31, 2019	**6,869,960**	**0.18**	**398,341**	**5,679,666**	**0.15**	**851,950**	**1,250,291**
Granted/Expensed	1,630,035	0.18	145,777	12,610,011	0.15	684,479	830,256
Exercised	-	-	-	(5,679,666)	(0.15)	(851,950)	(851,950)
December 31, 2020	**8,499,995**	**0.18**	**544,118**	**12,610,011**	**0.15**	**684,479**	**1,228,597**

(expressed in Canadian dollars unless otherwise noted)

8. Equity reserves (continued)

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, 2020:

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	536,224	0.15	October 21, 2023
March 2, 2020	505,035	252,518	0.15	March 2, 2024
October 26, 2020	1,125,000	281,250	0.20	October 26, 2024
	8,499,995	**7,224,987**	**0.18**	

The weighted average exercise price of options exercisable at December 31, 2020 was $0.17 (December 31, 2019 - $0.17).

The weighted average remaining contractual life of options outstanding at December 31, 2020 is 2.48 years (December 31, 2019 - 3.21 years).

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
March 2, 2020	0	1.07	134	4 years	62,000	0.150
October 26, 2020	0	1.07	134	4 years	124,429	0.140

(expressed in Canadian dollars unless otherwise noted)

8. Equity reserves (continued)

The following warrant arrangements were in existence as at December 31, 2020:

Warrants \#	Exercise Price $	Estimated Grant Date Fair Value $	Expiry Date
7,500,000	0.15	356,381	May 14, 2025
750,000	0.15	85,695	May 14, 2025
3,693,343	0.15	182,180	July 30, 2025
363,333	0.15	42,278	July 30, 2025
303,335	0.15	17,945	August 27, 2025
12,610,011	**0.15**	**684,479**	

The 750,000 expiring May 14, 2025 and 363,333 expiring July 30, 2025, grant the holder to acquire units comprised of one Class A common share at $0.15 per share and one warrant grants the holder a right to acquire Class A common share at $0.20.

The weighted average remaining contractual life of warrants outstanding at December 31, 2020 is 4.44 years (December 31, 2019 - nil).

The fair value of warrants 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 $
May 14, 2020	0	0.37	105	5	442,076
July 30, 2020	0	0.31	108	5	224,458
August 27, 2020	0	0.26	108	5	17,945

(expressed in Canadian dollars unless otherwise noted)

9. Related party information

The following transactions were entered into with related parties during the years ended December 31, 2020 and 2019:

	2020 $	2019 $
With a person related to a director of the Company:		
Rent	8,000	3,000
With directors of the Company:		
Management fees	175,000	378,590
Exploration and evaluation expenses	-	72,000
	175,000	450,590
With a partnership in which an officer of the Company is a partner:		
Accounting services	112,884	83,838
With a corporation whose directors were directors of the Company:		
Keveri acquisition payments	667,305	279,115

Effective September 1, 2020, the two directors of the Company who also control PMPL resigned their directorships of the Company.

Accounts receivable as at December 31, 2020 include amounts owing from a related corporation in the amount of $nil (December 31, 2019 - $20,000). The company is related through common management. The amount receivable was unsecured, non-interest bearing and had no fixed terms of repayment.

Accounts payable and accrued liabilities as at December 31, 2020, include amounts owing to directors and officers in the amount of $6,965 (December 31, 2019 - $12,574). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

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.

On March 2, 2020, the Company completed a liquidity event and the 258,000 special warrants were converted to 258,000 Class A shares of the Company with a value of $38,700.

On February 12, 2020, the Company issued 3,573,600 Class A common shares with a stated value of $0.15 per share pursuant to the option on the Keveri property. The value attributed to the shares was based on the most recent financing prior to this event.

During 2020, the Company issued 1,350,035 (2019 - 2,799,960) stock options to various directors and officers of the Company.

(expressed in Canadian dollars unless otherwise noted)

9. Related party information (continutеd)

The remuneration of directors and other members of key management personnel during the years ended December 31, 2020 and 2019 were as follows:

For the year ended December 31,	2020 $	2019 $
Short-term benefits	179,097	46,930
Share-based payments	114,459	204,527

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.

(expressed in Canadian dollars unless otherwise noted)

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% (December 31, 2019 - 26.5%) approximate the following:

	2020 $	2019 $
Loss before income taxes	**(2,864,109)**	**(3,374,981)**
Expected income tax benefit based on statutory rates	(759,000)	(894,000)
Adjustment to expected income tax benefit:		
Non deductible expenses	45,000	82,000
Benefit of tax losses not recognized	714,000	812,000
Income tax expense (recovery)	**-**	**-**

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

	December 31, 2020 $	December 31, 2019 $
Non-capital losses carried forward	2,362,000	1,416,000
Share issue costs	197,000	40,000
Foreign exploration and evaluation costs	1,890,000	2,140,000
Equipment	4,000	18,000
	4,453,000	**3,614,000**

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 $2,362,000 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
2040	946,000
	2,362,000

The Company has approximately $1,890,000 of foreign exploration and development expenditures as at December 31, 2020, which under certain circumstances, may be utilized to reduce taxable income of future years.

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 property. 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 2019 or 2020.

13. Subsequent events

(a) Issuance of Class A shares

On January 4, 2021, the Company completed the non-brokered private placement financing. This tranche of 3,556,666 units at a price of $0.15 per unit for gross proceeds of $533,500 is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the company at a price of $0.20 per common share until January 4, 2026. The Company paid a finder's fee of $900 in cash and 6,000 non-transferable finder’s warrants, with each such warrant entitling the holder thereof to acquire one common share at a price of $0.15 per share until January 4, 2026. As at December 31, 2020, the Company had received $518,445 relating to this financing which has been presented as a liability on the balance sheets.

(b) Keveri Property

Subsequent to December 31, 2020, the Company made the payment of $150,000 AU and issued 664,032 Class A shares with a value of $150,000 AU required pursuant to the Keveri Option and Joint Venture Agreement, as disclosed in note 5.