

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2020 and 2019
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GOLDEN GOLIATH RESOURCES LTD.

Opinion

We have audited the consolidated financial statements of Golden Goliath Resources Ltd. (the "Company"), which comprise:

- the consolidated statements of financial position as at August 31, 2020 and 2019;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits 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 consolidated financial statements, which indicates that the Company incurred a net loss of \$1,059,894 during the year ended August 31, 2020 and, as of that date, had an accumulated deficit of \$28,283,162. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may 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 of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Kwan.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 21, 2020

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	AUGUST 31, 2020	AUGUST 31, 2019
ASSETS		
Current Assets		
Cash	\$ 2,251,482	\$ 355,740
Short-term investments (Note 5)	779,024	1,013,321
Accounts receivable (Note 6)	50,759	69,253
Prepaid expenses	45,730	2,367
Total Current Assets	3,126,995	1,440,681
Non-current Assets		
Value-added taxes recoverable	3,690	2,805
Exploration advance	50,000	-
Exploration and evaluation assets (Notes 7 and 17)	1,031,037	622,403
Property and equipment (Note 8)	19,215	19,652
Total Assets	\$ 4,230,937	\$ 2,085,541
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 73,696	\$ 96,801
Due to related parties (Note 14)	84,500	36,500
Employment benefit obligations	38,944	43,310
Total Liabilities	197,140	176,611
EQUITY		
Share capital (Note 9)	29,160,442	26,063,652
Share subscription receivable (Note 9)	(141,750)	-
Share-based payments reserve (Note 9)	3,298,267	3,068,546
Deficit	(28,283,162)	(27,223,268)
Total Equity	4,033,797	1,908,930
Total Liabilities And Equity	\$ 4,230,937	\$ 2,085,541

Going Concern (Note 1)

These consolidated financial statements were authorized for issue by the Board of Directors on December 21, 2020. They are signed on behalf of the Company by:

"J. Paul Sorbara"

Director

"Stephen W. Pearce"

Director

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

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	YEARS ENDED AUGUST 31,	
	2020	2019
Expenses		
Amortization	\$ 437	\$ 1,213
Consulting (Note 14)	79,356	154,811
Foreign exchange loss (gain)	470	(15,752)
Investor relations	180,544	1,198
Management fees (Note 14)	123,000	120,000
Office and general	30,163	21,370
Professional fees	91,787	92,518
Rent and utilities	20,779	15,612
Share-based compensation (Note 9)	229,721	2,395
Transfer agent and filing fees	35,841	15,677
Travel	20,547	15,402
Loss Before Other Income (Expenses)	(812,645)	(424,444)
Other Income (Expenses)		
Gain on sale of exploration and evaluation assets (Note 7)	-	417,327
Interest income	16,547	13,322
Recovery of accounts payable and accrued liabilities	4,997	-
Write down of exploration and evaluation assets (Notes 7 and 17)	(268,793)	(15,013)
Net Loss And Comprehensive Loss For The Year	\$ (1,059,894)	\$ (8,808)
Loss Per Share – Basic and Diluted	\$ (0.01)	\$ (0.00)
Weighted Average Number Of Shares Outstanding – Basic and diluted	112,700,182	106,866,368

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

**GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED AUGUST 31, 2020 AND 2019
(Expressed in Canadian Dollars)**

	COMMON SHARES WITHOUT PAR VALUE		SHARE SUBSCRIPTION RECEIVABLE	SHARE- BASED PAYMENTS RESERVE	DEFICIT	TOTAL EQUITY
	SHARES	AMOUNT				
Balance, August 31, 2018	106,660,889	\$ 26,044,652	\$ -	\$ 3,066,151	\$ (27,214,460)	\$ 1,896,343
Shares issued for exploration and evaluation assets	600,000	19,000	-	-	-	19,000
Share-based compensation	-	-	-	2,395	-	2,395
Net loss for the year	-	-	-	-	(8,808)	(8,808)
Balance, August 31, 2019	107,260,889	26,063,652	-	3,068,546	(27,223,268)	1,908,930
Shares issued for exploration and evaluation assets	600,000	28,000	-	-	-	28,000
Units issued for private placement	27,079,100	3,128,990	(141,750)	-	-	2,987,240
Share issue costs	-	(60,200)	-	-	-	(60,200)
Share-based compensation	-	-	-	229,721	-	229,721
Net loss for the year	-	-	-	-	(1,059,894)	(1,059,894)
Balance, August 31, 2020	134,939,989	\$ 29,160,442	\$ (141,750)	\$ 3,298,267	\$ (28,283,162)	\$ 4,033,797

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

GOLDEN GOLIATH RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019
(Expressed in Canadian Dollars)

	YEARS ENDED AUGUST 31,	
	2020	2019
Operating Activities		
Net loss for the year	\$ (1,059,894)	\$ (8,808)
Adjustments to reconcile loss to net cash used in operating activities:		
Amortization	437	1,213
Gain on sale of exploration and evaluation assets	-	(417,327)
Interest income	(15,703)	(13,322)
Recovery of accounts payable and accrued liabilities	(4,997)	-
Share-based compensation	229,721	2,395
Unrealized foreign exchange gain	(5,251)	-
Write down of exploration and evaluation assets	268,793	15,013
Change in non-cash operating assets and liabilities:		
VAT and other receivables	18,494	(59,887)
Due from related parties	-	3,911
Prepaid expenses	(43,363)	40
Accounts payable and accrued liabilities	(64,212)	29,895
Due to related parties	48,000	(635,457)
Employment benefit obligations	-	(1,248)
Cash Used In Operating Activities	(627,975)	(1,083,582)
Investing Activities		
Exploration advances	(50,000)	-
Expenditures on exploration and evaluation assets	(603,323)	(469,573)
Purchase of short-term investment	-	(1,000,000)
Proceeds from redemption of short-term investments	250,000	-
Proceeds on sale of exploration and evaluation assets	-	2,845,254
Cash (Used In) Provided By Investing Activities	(403,323)	1,375,681
Financing Activities		
Unit issuances for private placement, net	2,927,040	-
Cash Provided By Financing Activities	2,927,040	-
Increase In Cash	1,895,742	292,099
Cash, Beginning Of Year	355,740	63,641
Cash, End Of Year	\$ 2,251,482	\$ 355,740
Supplementary Cash Flow Disclosure And Non-Cash Investing And Financing Activities:		
Exploration and evaluation assets costs included in accounts payable and accrued liabilities	\$ 46,104	\$ -
Shares issued for exploration and evaluation assets	\$ 28,000	\$ 19,000
Interest received	\$ 844	\$ -

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

GOLDEN GOLIATH RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2020 AND 2019
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Golden Goliath Resources Ltd. (the “Company”) was incorporated on June 12, 1996 under the Business Corporations Act of British Columbia, Canada. The Company is a public company listed on the TSX Venture Exchange (the “TSX.V”), trading under the symbol “GNG”. The address of the Company’s corporate office and principal place of business is Suite 910, 688 West Hastings Street, Vancouver, British Columbia, Canada. The Company’s principal business activity is the acquisition and exploration of resource properties.

The Company is in the exploration stage and is in the process of evaluating its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets are dependent upon the 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 of the properties and upon future profitable production or proceeds from the disposition thereof. Management’s plan in this regard is to secure additional funds through future equity financings, which either may not be available or may not be available on reasonable terms.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. This assumes the Company will operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the financial statements. During the year ended August 31, 2020, the Company incurred a net loss of \$1,059,894 (2019 - \$8,808) and as of that date had an accumulated deficit of \$28,283,162 (2019 - \$27,223,268). The Company has incurred operating losses since inception, has no source of operating cash flow, minimal income from short-term investments, continues to rely on the cooperation of its related parties, and there can be no assurances that sufficient funding, including adequate financing, will be available to complete the exploration of its mineral properties and to cover general and administrative expenses necessary for the maintenance of a public company. The ability of the Company to arrange additional financing in the future depends in part, on the prevailing capital market conditions and mineral property exploration success. These factors cast substantial doubt on the Company’s ability to continue as a going concern. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the financial statements.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (“COVID-19”). The Company continues to operate its business currently. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2021.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

b) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. These consolidated financial statements have also been prepared using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

GOLDEN GOLIATH RESOURCES LTD.
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2. BASIS OF PRESENTATION (Continued)

c) Foreign Currencies

The Company's reporting currency and functional currency is the Canadian dollar. The functional currency of the Mexican subsidiary is the Canadian dollar. Transactions in United States ("US") and Mexican ("MXN") foreign currencies have been translated into Canadian dollars as follows:

- Monetary items at the rate prevailing at the statement of financial position date;
- Non-monetary items are measured at historical cost at the exchange rate in effect at the date of the transaction;
- Revenues and expenses are translated at the exchange rate in effect at the date of the transaction; and
- Gains or losses arising on foreign currency translation are included in the consolidated statements of operations and comprehensive loss.

d) Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The preparation of financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Critical Accounting Estimates

Impairment

Assets, especially exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant of shares. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of a share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 9.

GOLDEN GOLIATH RESOURCES LTD.
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2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Critical Judgments Used in Applying Accounting Policies

Determination of going concern assumption

The preparation of these consolidated financial statements requires management to make judgments regarding the applicability of going concern assumption to the Company as discussed in Note 1.

Determination of Cash Generating Units

In performing impairment assessments, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management is required to exercise judgment in identifying these cash generating units.

Determination of functional currency

The functional currency for the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period the new information becomes available.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Flow-through expenditures

The Company is required to spend proceeds received from the issuance of flow-through shares on qualifying resources expenditures. Differences in judgment between management and regulatory authorities with respect to qualified expenditures may result in disallowed expenditures by the tax authorities. Any amount disallowed may result in the Company's required expenditures not being fulfilled.

GOLDEN GOLIATH RESOURCES LTD.
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(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

d) Significant Accounting Judgments and Estimates (Continued)

Decommissioning liabilities

Judgment is required to determine if there are legal or constructive obligations to incur restoration, rehabilitation and environmental costs when there is an environmental disturbance caused by exploration, development or ongoing production of an exploration and evaluation asset. When it is determined that an obligation exists, a provision is recognized. The provision for decommissioning liabilities depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below for the year ended August 31, 2020 have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Delta S.A. de C.V. of Mexico, and 4247 Investments Ltd. (inactive) of British Columbia, Canada. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtained control, and will continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Significant inter-company balances and transactions have been eliminated on consolidation.

b) Financial Instruments and Risk Management

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL").

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. Short-term investments, accounts receivable, and value-added taxes recoverable are classified as amortized cost.

GOLDEN GOLIATH RESOURCES LTD.
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial Instruments and Risk Management (Continued)

(b) Classification of financial assets (Continued)

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. Cash is classified as FVTPL.

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. The Company has no financial assets classified as FVTOCI.

(c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(d) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss.

However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's accounts payable and accrued liabilities, due to related parties, and employment benefit obligations are classified as financial liabilities measured at amortized cost.

GOLDEN GOLIATH RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial Instruments and Risk Management (Continued)

(b) Classification of financial liabilities (Continued)

(i) Financial liabilities measured at FVTPL

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company has no financial liabilities classified as FVTPL.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(d) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Risk Management

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Credit risk and liquidity risk on amounts due to creditors are significant to the Company's statement of financial position. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal prices and the prices of gold and silver in particular. To mitigate this market risk, management of the Company actively pursues a diversification strategy with property holdings focusing on precious metals as well as base metals.

c) Cash

Cash includes cash on hand, cash held in trust and demand deposits.

GOLDEN GOLIATH RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs associated with exploration and evaluation activities. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

As the Company currently has no operational income, any incidental revenues, including option payments, earned in connection with exploration stage activities are applied as a reduction to capitalized exploration costs with any excess accounted for as a gain on disposal.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. If it is determined that exploration and evaluation assets are not recoverable, the property is abandoned; or if management has determined an impairment in value, the property is written down to its estimated recoverable amount.

Although the Company has taken steps to verify title to mineral properties 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 may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

e) Property and Equipment

IFRS requires that assets be disaggregated into individual components for amortization purposes and revaluation of property, plant and equipment to fair value is also permitted. The Company currently tracks individual assets with distinct useful lives and depreciates them separately. The Company elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

Equipment and vehicles are recorded at cost and amortized on a straight-line basis over their estimated useful lives at the following rates:

Equipment	10% - 30%
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f) Employee Future Benefits

The Company is subject to Mexican statutory laws and regulations governing employee termination benefits and accrues for employee future benefits based on management's estimates of the expected payments.

These benefits consist of a one-time payment equivalent to 12 days of wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees.

Under Mexican Labour Law, the Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days of wages for each year of service payable upon involuntary termination without just cause.

Employee future benefits are unfunded.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

The impairment test is generally carried out on the asset's cash-generating units (CGU's), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has determined that each exploration and evaluation property is its own CGU as it is expected they will have separately definable cash inflows. At a later stage, if cash inflows change, the Company may group individual properties into one CGU. In fiscal year 2016 the Company grouped all properties in the El Aguila agreement (Note 7) into one CGU.

Where an indicator of impairment exists, an estimate of the recoverable amount is made. Determining the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Changes in circumstances may affect these estimates and the recoverable amount.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized in other comprehensive income or loss.

h) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

i) Share Capital

Non-monetary consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors.

Accounting for equity units

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market close price on the date the units are issued and the balance, if any, is allocated to the attached warrants. Share issue costs are recorded against share proceeds.

Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Share Capital (Continued)

Share-based compensation (Continued)

were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based compensation is measured at the fair value of goods or services received.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

j) Earnings (Loss) Per Share

Earnings (loss) per share are calculated based on the weighted average number of shares outstanding. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and other similar instruments. Under this method, the dilutive effect on earnings per share is calculated to reflect the use of the proceeds that could be obtained upon the exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic and diluted losses per share are equal as the assumed conversion of outstanding options and warrants would be anti-dilutive.

k) Flow-through Shares

Share capital includes flow-through shares which is a unique Canadian tax incentive pursuant to certain provisions of the Canadian Income Tax Act. Proceeds from the issuance of flow-through shares are used to fund qualified Canadian exploration and evaluation projects and the related income tax deductions are renounced to the subscribers of the flow-through shares. The premium paid for flow-through shares in excess of the market value of the shares without flow-through features, at the time of issue, is credited to other liabilities and recognized in income at the time qualifying expenditures are incurred.

In circumstances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are issued and any residual value is allocated to the warrants reserve first based on the fair value. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

The Company also recognizes a deferred tax liability with a corresponding charge in the statement of operations when the qualifying exploration and evaluation expenditures are renounced. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset and recovery of deferred income taxes through profit or loss in the reporting period.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

m) Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of operations over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of operations. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation and environmental costs as any disturbance to date is minimal.

4. ADOPTION OF ACCOUNTING STANDARD

IFRS 16 - Leases

On September 1, 2019, the Company adopted IFRS 16, Leases ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17, Leases. The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements as the Company has no long-term leases.

5. SHORT-TERM INVESTMENTS

As at August 31, 2020, the Company's short-term investment of \$772,000 (2019 - \$1,000,000) was comprised of Canadian investments in guaranteed investment certificates maturing on January 22, 2021 at an effective interest rate of 1.5% (2019 - 2.2%). As at August 31, 2020, the Company accrued \$7,024 (2019 - \$13,321) of interest receivable related to the investment.

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6. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2020	2019
Sales taxes recoverable	\$ 49,593	\$ 67,842
Other receivable	1,166	1,411
	\$ 50,759	\$ 69,253

7. EXPLORATION AND EVALUATION ASSETS

Detailed exploration and evaluation expenditures incurred in respect to the Company's mineral property interests owned, leased or held under option are disclosed in Note 17. Property payments made on the Company's mineral property interests are included in the property descriptions below.

Uruachic Mining Camp

During the year ended August 31, 2019, El Aguila exercised an assignment option to gain a 100% interest over certain claims in the La Reforma, Nueva Union, Oteros, Las Bolas, Nopalera, La Barranca and Corona properties in the Company's Uruachic Mining Camp (subject to a 1% net smelter royalty, half of which may be purchased for US\$500,000).

The final payment, as stated in the definitive agreement, of \$3,064,133 (US\$2,300,000) was received during the year ended August 31, 2019. The Company received US\$3,000,000 in total under the assignment option and was responsible for all mining rights (property taxes) and conducting all assessment work required to keep the property in good standing. The value of the properties acquired by El Aguila and recorded in exploration and evaluation assets was \$2,427,928 as at August 31, 2019.

The Company and Comstock Metals Ltd. ("Comstock") had previously entered into an option agreement whereby Comstock had earned a 50% undivided interest in the Corona property. On May 18, 2016 the Company, Comstock and El Aguila signed an agreement whereby the Company was obligated to pay 50% of one seventh of certain option payments received from El Aguila to Comstock in order to transfer Comstock's 50% undivided interest to El Aguila. During the year ended August 31, 2019, the Company paid \$218,878 (US\$164,286) to Comstock in accordance with the agreement. Total payments of US\$200,000 were made in accordance with specific instalment payments made by El Aguila to the Company.

During the year ended August 31, 2019, the Company recognized a gain on sale of \$417,327 as a result of the exercise of the assignment option.

The Company has retained an undivided 100% interest in its principal property in the District, San Timoteo, where work had been focused for the last several years. El Aguila has been granted a right of first refusal over this property.

During the year ended August 31, 2020, \$268,793 (2019 - \$15,013) in deferred expenditures related to the Uruachic Mining Camp were written down as an impairment loss determined in accordance with level 3 of the hierarchy. The Company will continue to hold the claims, but they are not viewed as priorities. Management does not currently intend to conduct any exploration activities on these non-core claims.

7. EXPLORATION AND EVALUATION ASSETS (Continued)

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KWAI Property

During the year ended August 31, 2019, the Company signed an option agreement to acquire a 100% interest in the KWAI property in the Red Lake District of Ontario. Per the terms of the agreement, in order to acquire a 100% interest the Company is required to make certain cash milestone payments and issue common shares as follows:

	CASH	Common Shares
Upon signing agreement	\$ 10,500 (paid)	-
Upon regulatory approval (obtained in 2019)	-	200,000 (issued)
12 months from regulatory approval	10,000 (paid)	200,000 (issued)
24 months from regulatory approval	12,000	-
36 months from regulatory approval	16,000	-
48 months from regulatory approval	20,000	-
Total	\$ 68,500	400,000

The acquisition is subject to a 1.5% net smelter return, of which the Company has an option to repurchase 0.75% for \$500,000.

SLF Property

During the year ended August 31, 2019, the Company signed an option agreement to acquire a 100% interest in the SLF property in the Red Lake District of Ontario. Per the terms of the agreement, in order to acquire a 100% interest the Company is required to make certain cash milestone payments and issue common shares as follows:

	CASH	Common Shares
Upon signing agreement	\$ 9,200 (paid)	-
Upon regulatory approval (obtained in 2019)	-	200,000 (issued)
12 months from regulatory approval	10,000 (paid)	200,000 (issued)
24 months from regulatory approval	12,000	-
36 months from regulatory approval	16,000	-
48 months from regulatory approval	20,000	-
Total	\$ 67,200	400,000

The acquisition is subject to a 1.5% net smelter return, of which the Company has an option to repurchase 0.75% for \$500,000.

Wish Ore Property

During the year ended August 31, 2019, the Company signed an option agreement to acquire a 100% interest in the Wish Ore property in townships of Wishat and Palmer, Ontario. In order to acquire a 100% interest, the Company is required to conduct a minimum of \$75,000 in exploration of the property during the first year of the option (completed) and make certain cash milestone payments and issue common shares as follows:

	CASH	Common Shares
Upon signing agreement	\$ 25,000 (paid)	-
Upon regulatory approval (obtained in 2019)	-	200,000 (issued)
12 months from regulatory approval	25,000 (paid)	200,000 (issued)
24 months from regulatory approval	25,000	100,000
Total	\$ 75,000	500,000

The acquisition is subject to a 1.5% net smelter return, of which the Company has an option to repurchase 0.75% for \$500,000.

8. PROPERTY AND EQUIPMENT

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	EQUIPMENT		LAND		TOTAL
COST					
Balance August 31, 2018 and 2019	\$ 158,512	\$	18,917	\$	177,429
Disposals	(58,382)		-		(58,382)
Balance August 31, 2020	\$ 100,130	\$	18,917	\$	119,047
ACCUMULATED AMORTIZATION					
Balance August 31, 2018	\$ 156,564	\$	-	\$	156,564
Amortization	1,213		-		1,213
Balance August 31, 2019	157,777		-		157,777
Amortization	437		-		437
Disposals	(58,382)		-		(58,382)
Balance August 31, 2020	\$ 99,832	\$	-	\$	99,832
CARRYING AMOUNTS					
As at August 31, 2019	\$ 735	\$	18,917	\$	19,652
As at August 31, 2020	\$ 298	\$	18,917	\$	19,215

9. SHARE CAPITAL AND RESERVES

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Issued and Fully Paid

As at August 31, 2020, the Company had 134,939,989 (2019 – 107,260,889) common shares issued and fully paid.

On November 25, 2019 the Company issued 200,000 common shares with a fair value of \$8,000 pursuant to the KWAI Agreement towards acquiring 100% interest in the KWAI property and 200,000 common shares with a fair value of \$8,000 pursuant to the SLF Agreement towards acquiring 100% interest in the SLF property (see Note 7).

On April 16, 2020 the Company issued 200,000 common shares valued at \$12,000 pursuant to the Wish Ore Agreement towards acquiring 100% interest in the Wish Ore property (see Note 7).

On June 8, 2020 the Company issued 9,960,000 units at a price of \$0.05 per unit pursuant to a private placement for gross proceeds of \$498,000. Each unit consist of one common share and one share purchase warrant that entitles the holder to acquire an additional common share at a price of \$0.10 per share for a period of 12 months. The warrants were assigned \$Nil value using the residual method. The Company incurred share issue costs of \$15,000 in connection with the private placement.

On June 28, 2020 the Company issued 13,603,333 non-flow-through units at \$0.15 per unit, and 900,000 flow-through units at \$0.20 per unit pursuant to a private placement for gross proceed of \$2,220,500. Each non-flow-through units consisted of one non-flow-through common share and one share purchase warrant. Each flow-through unit consisted of one flow-through common share and one half share purchase warrant. One whole purchase warrant is exercisable to acquire one additional common share at \$0.30 for 2 years from the date of issuance. The warrants were assigned \$Nil value using the residual method.

On August 6, 2020 the Company issued 2,253,267 non-flow-through units at \$0.15 per unit, and 362,500 flow-through units at \$0.20 per unit pursuant to a private placement for gross proceed of \$410,490. Each non-flow-through units consisted of one non-flow-through common share and one share purchase warrant. Each flow-through unit consisted of one flow-through common share and one half share purchase warrant. One whole purchase warrant is exercisable to acquire one additional common share at \$0.30 for 2 years from the date of issuance.

9. SHARE CAPITAL AND RESERVES (Continued)

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The warrants were assigned \$Nil value using the residual method. The Company incurred share issuance costs of \$45,200 in connection with the private placement. As at August 31, 2020, proceeds of \$141,750 were included in share subscriptions receivable. The full amount has subsequently been received in fiscal 2021.

Warrants

A continuity schedule of the Company's warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance August 31, 2018 and 2019	-	-
Issued	26,447,850	\$0.22
Balance August 31, 2020	26,447,850	\$0.22

The following table summarizes the share purchase warrants outstanding as at August 31, 2020:

Expiry Date	Number of Warrants	Exercise Price	Average Remaining Contractual Life
June 8, 2021	9,960,000	\$0.10	0.70
June 28, 2022	14,053,333	\$0.30	1.82
August 4, 2022	2,434,517	\$0.30	1.93
	26,447,850		

Stock Options

The Company has a 10% rolling stock option plan for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined with reference to the fair market value of the shares at the date of grant. The Company's stock option plan provides for immediate vesting or vesting at the discretion of the Board at the time of the option grant. Options are exercisable for a period of up to 5 years. Stock options granted to investor relations' consultants vest over a twelve-month period, with one quarter of such options vesting in each three-month period.

On May 1, 2019 the Company granted 200,000 stock options to consultants of the Company at an exercise price of \$0.10 per share, expiring on April 30, 2022. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk-free interest rate of 1.48%, volatility factor of 102.97% and an expected life of three years.

On September 10, 2019 the Company granted 3,400,000 stock options to consultants and Directors of the Company at an exercise price of \$0.10 per share, expiring on September 9, 2024. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk free interest rate of 1.24%, volatility factor of 130.98% and an expected life of five years.

On December 15, 2019 the Company granted 250,000 stock options to consultants of the Company at an exercise price of \$0.10 per share, expiring on December 14, 2022. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk free interest rate of 1.63%, volatility factor of 103.35% and an expected life of three years.

On January 13, 2020 the Company granted 500,000 stock options to consultant of the Company at an exercise price of \$0.10 per share, expiring on January 12, 2022. The fair value of the stock options granted has been calculated using the Black-Scholes pricing model, based on the following assumptions: weighted average risk free interest rate of 1.79%, volatility factor of 111.02% and an expected life of two years.

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9. SHARE CAPITAL AND RESERVES (Continued)

Stock Options (Continued)

A summary of changes in stock options is presented below:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance, August 31, 2018	5,950,000	\$ 0.091
Cancelled	(400,000)	0.094
Granted	200,000	0.100
Balance, August 31, 2019	5,750,000	0.092
Granted	4,150,000	0.100
Balance, August 31, 2020	9,900,000	\$ 0.095

The weighted average remaining contractual life of the options outstanding at August 31, 2020 was 2.41 years (2019 –2.55 years).

The following table summarizes the stock options outstanding as at August 31, 2020:

Expiry Date	Number of Options	Exercise Price	Average Remaining Contractual Life
July 11, 2021	3,250,000	\$0.085	0.86
January 12, 2022	500,000	\$0.10	1.37
April 30, 2022	200,000	\$0.10	1.66
December 14, 2022	250,000	\$0.10	2.29
March 4, 2023	2,300,000	\$0.10	2.51
September 9, 2024	3,400,000	\$0.30	4.03
	9,900,000		

Nature and Purpose of Reserves

The reserves recorded in equity on the Company's statements of financial position is comprised of "Share-based Payments Reserve" and is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

10. LOSS PER SHARE

The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each period and the diluted loss per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. As of August 31, 2020, the Company had a total of 9,900,000 (2019 – 5,750,000) stock options outstanding and a total of 26,447,850 (2019 – nil) warrants outstanding. The options and warrants were not included in the Company's loss per common share calculation because the result was anti-dilutive.

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11. SEGMENTED INFORMATION

The Company has one operating segment, which is mineral exploration. All mineral properties are located in Canada and Mexico. Net loss and assets by geographic segment, at cost, are as follows:

	CANADA	MEXICO	TOTAL
August 31, 2020			
Current assets	\$ 3,102,471	\$ 24,524	\$ 3,126,995
Property and equipment	\$ 298	\$ 18,917	\$ 19,215
Exploration and evaluation assets	\$ 1,031,037	\$ -	\$ 1,031,037
Exploration advance	\$ 50,000	\$ -	\$ 50,000
VAT recoverable	\$ -	\$ 3,690	\$ 3,690
Net Income (loss) for the year	\$ (1,051,712)	\$ (8,182)	\$ (1,059,894)
August 31, 2019			
Current assets	\$ 1,404,306	\$ 36,375	\$ 1,440,681
Property and equipment	\$ 653	\$ 18,999	\$ 19,652
Exploration and evaluation assets	\$ 410,342	\$ 212,061	\$ 622,403
VAT recoverable	\$ -	\$ 2,805	\$ 2,805
Net Income (loss) for the year	\$ (417,166)	\$ 408,358	\$ (8,808)

12. FINANCIAL INSTRUMENTS

As at August 31, 2020 and 2019, the carrying value of the Company's financial instruments approximates their fair value. Cash is recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximates fair value due to their short term nature. The Company's financial instruments are classified into the following categories:

	LEVEL	AUGUST 31			
		2020		2019	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Fair value through profit or loss					
Cash	1	\$ 2,251,482	\$ 2,251,482	\$ 355,740	\$ 355,740
Amortized Cost					
Short-term investments	2	\$ 779,024	\$ 779,024	\$ 1,013,321	\$ 1,013,321
Accounts receivable	2	\$ 1,166	\$ 1,166	\$ 1,411	\$ 1,411
Accounts payable and accrued liabilities	2	\$ 73,693	\$ 73,693	\$ 96,801	\$ 96,801
Due to related parties	2	\$ 84,500	\$ 84,500	\$ 36,500	\$ 36,500

There have been no transfers between levels 1 and 2, or transfers in or out of level 3 for the years ended August 31, 2020 and 2019.

Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The types of risk exposure and the way in which such exposure is managed is provided as follows:

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12. FINANCIAL INSTRUMENTS (Continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation and cause the other party to incur a financial loss. The Company's credit risk to its financial assets are summarized below:

	<u>AUGUST 31, 2020</u>	<u>AUGUST 31, 2019</u>
Cash	\$ 2,251,482	\$ 355,740
Short-term investments	\$ 779,024	\$ 1,013,321
Accounts receivable	\$ 1,166	\$ 1,411

The credit risk of accounts receivable securities is assessed as low. The carrying amount of these financial assets is their maximum exposure to credit risk. The Company does not invest in asset-backed commercial papers. Credit risk associated with cash and short-term investments is minimized as these instruments are held in large financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash.

As of August 31, 2020, the Company has sufficient cash and highly liquid investments on hand to meet current liabilities and its expected administrative requirements for the coming year. The Company has cash of \$2,251,482 (2019 - \$355,740) and short-term investments of \$779,024 (2019 - \$1,013,321) and total liabilities of \$197,140 (2019 - \$176,611). Accounts payable and accrued liabilities and due to related parties of \$158,196 (2019 - \$133,301) are due within three months. Management has assessed liquidity risk as low.

Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, and commodity price risk.

Foreign Currency Risk

The Company has operations in Canada and Mexico subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars and Mexican pesos, and the fluctuation of the Canadian dollar in relation to this other currency will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Financial assets and liabilities denominated in Mexican Pesos and U.S. dollars were as follows:

	<u>AUGUST 31, 2020</u>	<u>AUGUST 31, 2019</u>
U.S. Dollars		
Financial liabilities	\$ -	\$ 4,000
Mexican Pesos		
Financial assets	\$ 411,548	\$ 528,259
Financial liabilities	\$ 140,704	\$ 140,679

Based on the above net exposures as at August 31, 2020, and assuming that all other variables remain constant, a 10% change in the value of the Mexican peso against the Canadian dollar would result in an increase/decrease of approximately \$1,900 (2019 - \$2,800) in loss from operations. Based on the above net exposures as at August 31, 2020, and assuming that all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of approximately \$Nil (2019 - \$400) in loss from operations.

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12. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk

As at August 31, 2020 the Company has no significant exposure to interest rate risk through its financial instruments.

Other Risks

Part of the Company's operations are in northern Mexico and are subject to various levels of political, economic and other risks and uncertainties unique to Mexico. These risks and uncertainties may include: extreme fluctuations in currency exchange rates; high rates of inflation; labor unrest; risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; corruption; restrictions on foreign exchange and repatriation; hostage taking; and changing political conditions and currency controls. In addition, the Company may have to comply with multiple and potentially conflicting regulations in Canada and Mexico, including export requirements, taxes, tariffs, import duties and other trade barriers, as well as health, safety and environmental requirements. Changes, if any, in mining or investment policies or shifts in political attitude in Mexico may adversely affect the Company's operations. Operations may be affected in varying degrees by government regulations with respect to matters including restrictions on production, price controls, export controls, currency controls or restrictions, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

13. CAPITAL DISCLOSURES

The Company was formed for the purpose of acquiring exploration and development stage natural resource properties. The directors determine the Company's capital structure and make adjustments to it based on funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The directors have not established quantitative return on capital criteria for capital management.

The Company is dependent upon external financing to fund future exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential and provided it has adequate financial resources to do so.

The directors review the Company's capital management approach on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern (Note 1).

The Company considers the items included on the statement of financial position in equity as capital. The Company manages the 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 the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. There were no changes to the Company's approach to capital management during the year. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

14. RELATED PARTY BALANCES AND TRANSACTIONS

Key Management Compensation

	<u>2020</u>	<u>2019</u>
Management fees	\$ 123,000	\$ 120,000
Consulting fees	77,356	178,811
Total	<u>\$ 200,356</u>	<u>\$ 298,811</u>

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14. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Payments to key management personnel including the President, Chief Financial Officer, directors and companies directly controlled by key management personnel, are directly related to their position in the organization.

Other Related Party Transactions

The Company had amounts due to related parties of \$84,500 (2019 - \$36,500) due to directors. The amounts are unsecured, bear no interest and have no set terms of repayment.

15. INCOME TAXES

The Company is subject to income taxes on its non-consolidated financial statements in Canada and Mexico. The consolidated provision for income taxes varies from the amount that would be computed from applying the combined statutory income tax rates to net loss before taxes were approximately as follows:

	<u>2020</u>	<u>2019</u>
Combined statutory tax rate	<u>27%</u>	<u>27%</u>
Expected income tax expense (recovery)	\$ (294,000)	\$ (2,000)
Non-deductible differences and other	173,000	130,000
Share issuance costs	(16,000)	-
Tax benefits renounced to flow-through share investors	68,000	-
Change in tax assets not recognized	69,000	(128,000)
Income tax provision	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's deferred income tax assets were approximately as follows:

	<u>2020</u>	<u>2019</u>
Property and equipment and other	\$ 18,000	\$ 18,000
Exploration and evaluation assets	492,000	560,000
Share issuance costs	13,000	-
Losses available for future periods	2,927,000	2,803,000
Capital losses	10,000	10,000
Tax assets not recognized	(3,460,000)	(3,391,000)
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has Canadian and Mexican non-capital losses of approximately \$10,551,000 which may be carried forward and applied against taxable income in future years. The Canadian and Mexican tax losses expire between August 31, 2026 and 2040, and December 31, 2021 and 2030 respectively as follows:

<u>CANADA</u>			<u>MEXICO</u>		
2026	\$	404,000	2021	\$	1,252,000
2027		536,000	2022		-
2028		530,000	2023		438,000
2029		515,000	2024		267,000
2030		666,000	2025		82,000
2031		610,000	2026		60,000
2032	1,473,000		2027		10,000
2033		578,000	2028		18,000
2034		454,000	2029		-
2035		398,000	2030		277,000
2036		362,000			
2037		338,000			
2038		334,000			
2039		413,000			
2040		536,000			
	<u>\$</u>	<u>8,147,000</u>		<u>\$</u>	<u>2,404,000</u>

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15. INCOME TAXES (Continued)

Flow-through shares

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

During the year ended August 31, 2020, the Company received \$252,500 (2019 - \$Nil) from the issue of flow-through shares. These amounts will not be available to the Company for future deduction from taxable income.

During the year ended August 31, 2020, the Company renounced \$252,500 (2019 - \$Nil) to the subscribers (Note 9). As at August 31, 2020 the Company had \$Nil (2019 - \$Nil) remaining in flow through expenditures to complete.

16. SUBSEQUENT EVENTS

- a) On September 2, 2020, the Company granted 1,175,000 stock options to consultants and directors of the Company at an exercise price of \$0.30 per share, expiring on September 1, 2023.
- b) On September 2, 2020, the Company issued 500,000 common shares pursuant to the exercise of 400,000 stock options at a price of \$0.085 and 100,000 stock options at a price of \$0.10.
- c) On September 4, 2020, the Company issued 100,000 common shares pursuant to the exercise of 100,000 stock options at a price of \$0.10.
- d) On October 6, 2020, the Company issued 200,000 common shares pursuant to the exercise of 200,000 common share purchase warrants at an exercise price of \$0.10.
- e) On October 19, 2020, the Company issued 1,100,000 common shares pursuant to the exercise of 1,100,000 common share purchase warrants at an exercise price of \$0.10.
- f) On October 20, 2020, the Company granted 250,000 stock options to consultants of the Company at an exercise price of \$0.30 per share, expiring on October 19, 2023.
- g) On November 2, 2020, the Company issued 800,000 common shares pursuant to the exercise of 800,000 common share purchase warrants at an exercise price of \$0.10.
- h) On November 16, 2020, the Company issued 250,000 common shares pursuant to the exercise of 250,000 stock options at a price of \$0.10.

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17. EXPLORATION AND EVALUATION EXPENDITURES

	KWAI	SLF	Wish Ore	San Timoteo Oro Leon Nueva Union La Reforma	Bufalo La Barranca	Los Hilos Las Bolas El Manto Don Lazaro La Verde	Nopalera Flor de Trigo	Corona Beck El Chamizal El Canario La Cruz	Las Trojas La Gloria Todos los Santos Los Cantiles	Total
Balance, August 31, 2018	\$ --	\$ --	\$ --	\$ 195,665	\$ 187,123	\$ 1,453,336	\$ 740,646	\$ --	\$ --	\$ 2,576,770
Acquisition Costs										
Cash	10,500	10,500	25,000	--	--	--	--	--	--	46,000
Issuance of common shares	7,000	7,000	5,000	--	--	--	--	--	--	19,000
Expenditures Incurred during the year										
Assaying	923	923	923	--	--	--	--	560	--	3,329
Geology and mapping	44,815	119,455	126,755	8,548	--	--	--	--	--	299,573
Property taxes and passage rights	--	--	3,250	8,793	9,607	--	--	3,046	1,800	26,496
Travel	6,063	7,574	30,489	--	--	--	--	490	--	44,616
Road and construction site	--	--	--	4,575	--	--	--	--	--	4,575
Salaries	1,786	1,107	142	--	--	--	--	--	--	3,035
Facilities and other	--	--	1,137	40,652	--	--	--	161	--	41,950
Option payment received	--	--	--	(46,172)	(187,123)	(1,453,336)	(740,646)	(651)	--	(2,427,928)
Write down	--	--	--	--	(9,607)	--	--	(3,606)	(1,800)	(15,013)
Balance, August 31, 2019	71,087	146,559	192,696	212,061	--	--	--	--	--	622,403
Acquisition Costs										
Cash	10,000	10,000	25,000	--	--	--	--	--	--	45,000
Issuance of common shares	8,000	8,000	12,000	--	--	--	--	--	--	28,000
Expenditures Incurred during the year										
Assaying	8,454	1,918	11,532	--	--	--	--	--	--	21,904
Geology and mapping	369,467	22,000	114,386	--	--	--	--	--	--	505,853
Property taxes and passage rights	--	--	--	8,590	9,396	--	--	1,990	1,760	21,736
Travel	13,038	--	3,326	--	--	--	--	--	--	16,364
Facilities and other	3,573	--	--	34,997	--	--	--	--	--	38,570
Write down	--	--	--	(255,647)	(9,396)	--	--	(1,990)	(1,760)	(268,793)
Balance, August 31, 2020	\$ 483,619	\$ 188,477	\$ 358,940	\$ 1	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,031,037