APEX RESOURCES INC.

(an exploration stage company)

CONDENSED INTERIM FINANCIAL STATEMENTS
September 30, 2020
(Expressed in Canadian Dollars)

APEX RESOURCES INC.
(an exploration stage company)
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

	Note	**September 30, 2020**	December 31, 2019
ASSETS			
Current assets			
Cash		**$ 285,472**	$ 100,231
Receivables		**20,988**	11,403
Prepaid expenses		**4,233**	2,608
Short-term investments	5	**47,333**	44,167
		358,026	158,409
Non-current assets			
Exploration and evaluation assets	4	**2,899,849**	2,621,859
Credit card deposit	6	**17,250**	17,250
Advance		**2,000**	2,000
Reclamation deposits		**44,120**	23,120
		$ 3,321,245	$ 2,822,638
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 141,612**	$ 90,057
Related party payable and accrued liabilities	8	**168,934**	21,910
		310,546	111,967
Equity			
Share capital	7	**23,288,496**	23,021,454
Warrants reserve	7	**700,756**	429,049
Share-based payments reserve	7	**3,626,030**	3,626,030
Deficit		**(24,604,583)**	(24,365,862)
		3,010,699	2,710,671
		$ 3,321,245	$ 2,822,638

Going concern (Note 2(b))
Subsequent events (Note 11)

Approved and authorized for issue by the Board on November 30, 2020.

(Signed) "Arthur G. Troup"
Director

(Signed) "Robin Merrifield"
Director

See the accompanying notes to these financial statements.

APEX RESOURCES INC.

(an exploration stage company)
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Expenses:					
Directors' fees		**$ 4,575**	$ 4,500	**$ 13,575**	$ 13,500
Insurance		**1,175**	950	**3,075**	2,850
Interest and other		**108**	585	**278**	776
Legal, accounting and audit		**4,500**	5,957	**9,195**	27,553
Office and administration		**1,647**	4,983	**12,629**	20,105
Salaries and management fees	8	**75,332**	75,000	**225,332**	226,775
Shareholder communications		**18,234**	5,282	**24,549**	14,978
Travel and conferences		**-**	-	**-**	10,262
Loss before other items		**(105,570)**	(97,257)	**(288,633)**	(316,799)
Other income (expenses):					
Gain on forgiveness of debt	8	**-**	-	**46,500**	-
Interest income		**23**	189	**246**	1,140
Mineral property option income		**-**	257,500	**-**	257,500
Mineral property impairment loss		**-**	(351,486)	**-**	(351,486)
Unrealized gain (loss) on short-term investments	5	**1,333**	(8,833)	**3,166**	(36,125)
		1,356	(102,630)	**49,912**	(128,971)
Loss before income taxes		**(104,215)**	(199,887)	**(238,721)**	(445,770)
Income tax expense (recovery)		**-**	-	**-**	-
Net loss and comprehensive loss for the period		**$ (104,215)**	$ (199,887)	**$ (238,721)**	(445,770)
Weighted average number of common shares outstanding - basic and diluted		**21,919,112**	14,532,770	**17,617,402**	14,392,960
Loss per share, basic and diluted		**$ (0.00)**	**$ (0.01)**	**$ (0.01)**	$ (0.03)

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

(an exploration stage company)
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

		Common shares without par value					
	Note	Number of shares	Share capital	Warrants reserve	Share-based payments reserve	Deficit	Total equity
Balance, December 31, 2018		**14,177,214**	**$ 22,938,534**	**$ 429,049**	**$ 3,620,692**	**$ (23,896,224)**	**$ 3,092,051**
Shares issued for mineral properties	4(b)(ii)	500,000	32,000	-	-	-	32,000
Comprehensive loss		-	-	-	-	(243,518)	(243,518)
Balance, September 30, 2019		**14,677,214**	**$ 22,970,534**	**$ 429,049**	**$ 3,620,692**	**$ (24,139,742)**	**$ 2,880,533**
Balance, December 31, 2019		**15,433,214**	**$ 23,021,454**	**$ 429,049**	**$ 3,626,030**	**$ (24,365,862)**	**$ 2,710,671**
Shares issued for mineral properties	4(b)(ii)	50,000	2,500	-	-	-	2,500
Shares and warrants issued pursuant to private placements	7(b)	7,769,231	264,542	271,707	-	-	536,249
Comprehensive loss		-	-	-	-	(238,721)	(238,721)
Balance, September 30, 2020		**23,252,445**	**$ 23,288,496**	**$ 700,756**	**$ 3,626,030**	**$ (24,604,583)**	**$ 3,010,699**

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

(an exploration stage company)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Note	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Operating activities			
Net loss for the period		**$ (238,721)**	$ (445,770)
Adjustments to net loss for non-cash items			
Mineral property option investment income		**-**	(257,500)
Unrealized (gain) loss on short-term investments	5	**(3,166)**	36,125
Mineral property impairment loss		**-**	351,486
Changes in non-cash operating working capital			
Receivables		**(9,585)**	4,899
Prepaid expenses		**(1,625)**	(2,950)
Accounts payable and accrued liabilities		**51,555**	(4,585)
Accounts payable to related parties		**147,024**	43,841
		(54,518)	(274,454)
Investing activities:			
Mineral property exploration and evaluation costs	4	**(275,490)**	(71,707)
Mineral property option payments received		**-**	250,000
Reclamation deposits		**(21,000)**	(8,000)
Short-term investments redeemed (purchased, net of redemptions)		**-**	210,000
		(296,490)	380,293
Financing activities:			
Proceeds from private placement	7(b)	**575,000**	-
Share issue costs	7(b)	**(38,751)**	-
		536,249	-
Net decrease in cash		**185,241**	105,839
Cash, beginning of period		**100,231**	137,346
Cash, end of period		**$ 285,472**	$ 243,185

See the accompanying notes to the financial statements.

	Note	2020	2019
Supplemental information			
Interest received		**$ -**	$ 1,140
Non-cash transactions			
Shares issued under mineral property option agreements		**$ 2,500**	$ 32,000
Shares received under mineral property option agreements		-	7,500
Finders' warrants issued pursuant to private placement	7(b)	**37,779**	-

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Apex Resources Inc. (the “Company” or “Apex”), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trading under the symbol APX. The address of the Company’s registered corporate office and its principal place of business is 666 Burrard Street, Suite 500, Vancouver, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The amounts shown as exploration and evaluation assets represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. These unaudited condensed interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited December 31, 2019 annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

These unaudited condensed interim financial statements were authorized for issuance by the Board of Directors on November 30, 2020.

b) Going concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for the next fiscal year. The Company incurred a net loss of $238,721 for the nine months ended September 30, 2020 and had an accumulated deficit of $24,604,583 as at September 30, 2020. Although the Company raised gross proceeds of $375,000 and $200,000 pursuant to non-brokered private placements on July 24, 2020 and September 4, 2020, respectively (Note 7), the Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PREPARATION (continued)

c) Measurement basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3 to the audited financial statements for the year ended December 31, 2019. All amounts are expressed in Canadian dollars unless otherwise stated.

d) Significant judgments and estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets, decommissioning liabilities, deferred income tax assets and liabilities, and assumptions used in valuing options and warrants in share-based compensation calculations. Actual results could differ from these estimates.

e) Comparative figures

Certain of the prior periods' figures have been reclassified to conform with the current period's presentation.

3. RECENT ACCOUNTING PRONOUNCEMENTS

a) Application of new and revised accounting standards

None of the new standards, and amendments to standards and interpretations effective as of January 1, 2020, applied in preparing these interim financial statements had a significant effect on these financial statements.

b) Accounting standards and amendments issued but not yet effective

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. There were no standards effective for annual periods beginning on or after January 1, 2020 that would significantly affect the Company.

(Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION AND EVALUATION ASSETS

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	GOLDEN TRIANGLE PROPERTY, BRITISH COLUMBIA	RED RIDGE PROPERTY, YUKON	MOUNT ANDERSON PROPERTY, YUKON	TOTAL
Acquisition costs						
As at December 31, 2019	$ 8,051	$ 121,500	$ 1	$ 1	$ 180,200	**$ 309,753**
Incurred during the period	–	25,500	–	–	40,000	**65,500**
As at September 30, 2020	8,051	147,000	1	1	220,200	**375,253**
Exploration and evaluation costs						
As at December 31, 2019	$ –	$ 2,116,561	$ –	$ –	$ 195,545	**$ 2,312,106**
Site activities	–	23,354	–	–	–	**23,354**
Geological and geophysical	–	189,136	–	–	–	**189,136**
Option proceeds	–	–	–	–	–	–
As at September 30, 2020	–	2,329,051	–	–	195,545	**2,524,596**
Balance, September 30, 2020	**$ 8,051**	**$ 2,476,051**	**$ 1**	**$ 1**	**$ 395,745**	**$ 2,899,849**
Acquisition costs						
As at December 31, 2018	$ 8,051	$ 50,500	$ 78,914	$ 40,500	$ 93,200	$ 270,665
Incurred during the year	–	71,500	–	–	87,000	158,500
Impairment	–	–	(78,913)	(40,499)	–	(119,412)
As at September 30, 2019	8,051	121,500	1	1	180,200	309,753
Exploration and evaluation costs						
As at December 31, 2018	$ –	$ 2,010,581	$ 138,339	$ 89,905	$ 191,825	$ 2,430,650
Site activities	–	11,804	–	–	–	11,804
Geological and geophysical	–	94,176	–	3,830	3,720	101,726
Impairment	–	–	(138,339)	(93,735)	–	(232,074)
As at September 30, 2019	–	2,115,561	–	–	195,545	2,312,106
Balance, September 30, 2019	$ 8,051	$ 2,238,061	$ 1	$ 1	$ 375,745	$ 2,621,859

4. MINERAL PROPERTY EXPLORATION AND EVALUATION ASSETS (continued)

a) Kena Property, Ymir, British Columbia, Canada

The Kena Property is comprised of the original Kena claims and additional properties under option. The properties are contiguous. Kena property is located near the community of Ymir in southeastern British Columbia.

In September 2016, the Company entered into an agreement with Boundary Gold and Copper Mining Ltd. (formerly Prize Mining Corporation) ("BGCM") to option out an 80% interest in the Kena Property owned by Apex. The Kena Option Out agreement (the "Option Out") was approved by the TSX-V on October 3, 2016 (the "Effective Date"). The Company and BGCM amended the agreement on June 26, 2019. Under the terms of the Amended Option Out Agreement, to exercise the option and earn its 80% interest in the project, BGCM will:

- make the following cash payments to the Company:

(A) within 5 business days from the Effective Date, $500,000 (received);
(B) within 12 months from the Effective Date, an additional $250,000 (received);
(C) within 24 months from the Effective Date, an additional $250,000 (received); and
(D) within 35 months from the Effective Date, an additional $250,000 (received);

for total cash option payments of $1,250,000;

- issue common shares of BGCM to the Company as follows:

(A) within 5 business days from the Effective Date, 75,000 shares (received);
(B) within 12 months from the Effective Date, an additional 75,000 shares (received);
(C) within 24 months from the Effective Date, an additional 75,000 shares (received); and
(D) within 35 months from the Effective Date, an additional 75,000 shares (received);

for a total of 300,000 shares (Note 5); and

- incur exploration expense as follows:

(A) within 12 months from the Effective Date, $100,000 (completed);
(B) within 24 months from the Effective Date, an additional $400,000 (completed);
(C) within 60 months from the Effective Date, an additional $1,000,000; and
(D) within 72 months from the Effective Date, an additional $1,500,000;

for total exploration expenditures of $3,000,000.

After BGCM has earned its 80% interest in the project, BGCM has a second option to earn and acquire up to an additional 20% undivided interest in the project by making a $2 million cash payment to the Company and granting a 1% net smelter returns royalty to the Company.

(Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION AND EVALUATION ASSETS (continued)

b) Jersey Emerald and Ore Hill Properties, Salmo, British Columbia, Canada

i) Jersey Emerald Property, Salmo, British Columbia

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is comprised of the original 28 crown granted mineral claims, four 2-post claims and 80 mineral units acquired by option in 1993 and several additional properties acquired by staking or by option. Additional claims forming part of the properties include the Tungsten King Prospect consisting of 14 crown-granted mineral claims, the Truman Hill and Leroy North properties consisting of 17 mineral units, the Summit Gold Property consisting of 4 mineral units and 1 reverted crown grant, the Jumbo 2 and Boncher crown grants, the Invincible Tungsten Mine Tenure Number 2345, the Victory Tungsten Property consisting of 6 reverted crown grants, the Aspen Silver Mine comprised of 7 mineral claims, and approximately 10,000 hectares of adjacent staked mineral tenures.

The property is subject to various NSR's associated with the various claims. In particular, the Jersey Emerald property is subject to a 3.0% NSR that can be reduced to 1.5% by making payments of $500,000 and issuing 50,000 common shares. Annual advance royalty payments of $50,000 were to commence in October 2000. The agreement was amended in October 2000, 2004, 2009, and May 2009 extending the commencement of these royalty payments to October 20, 2013. Annual advance royalty payments through December 31, 2019 have been made.

During the year ended December 31, 2019, the Company issued 356,000 shares at the fair market value of $0.07 per share in lieu of approximately half of the annual advance royalty payments for 2019. The remainder was paid in cash.

ii) Ore Hill Property, Salmo, British Columbia

The Ore Hill Property was acquired by Margaux Resources Ltd. ("Margaux") on February 27, 2017 but reverted to the Company as part of an Area of Interest Inclusion when Margaux terminated the option agreement on the Jersey Emerald Property in October 2018. In order to complete the acquisition of the Ore Hill Property, the Company must complete remaining outstanding option payments to the original property vendors comprised of $55,000 and 100,000 shares over three years as follows:

		CASH PAYMENTS	SHARES
March 29, 2019 (paid and issued)	$	15,000	50,000
March 29, 2020 (paid and issued)	$	10,000	50,000
June 30, 2020 (paid)	$	10,000	–
March 29, 2021	$	20,000	–
Total	**$**	**55,000**	**100,000**

The property is subject to a 2% NSR royalty. The Company may at any time purchase the NSR for $250,000.

c) Golden Triangle Property, British Columbia

The Company does not currently have plans to continue exploration of the property. Accordingly, the amount of $217,252 was recorded in net loss, and the Golden Triangle Property was written down to $1 during the year ended December 31, 2019.

(Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION AND EVALUATION ASSETS (continued)

d) Red Ridge Property, Whitehorse Mining District, Yukon

At December 31, 2019, the Company decided to abandon the project due to community objections. Accordingly, the amount of $134,234 was recorded in net loss, and the Red Ridge was written down to $1 during the year ended December 31, 2019.

e) Mount Anderson Property, Whitehorse Mining District, Yukon

In February 2017, the Company entered into an Option Agreement to earn 100% undivided interest in the Mount Anderson Property, Whitehorse Mining District, Yukon. The Company and the Optionors amended the agreement on August 29, 2019. Pursuant to the amended option agreement, the Company can exercise the option by paying an aggregate of $300,000 to the Optionors, issuing an aggregate of 1,000,000 common shares in the capital of the Company, and incurring an aggregate of $385,000 of exploration expenditures as follows:

	CASH PAYMENTS	SHARES	WORK COMMITMENT
Upon signing (paid)	$ 10,000	-	-
Upon regulatory approval (paid and issued)	$ 10,000	100,000	-
At end of 12 months (paid, issued and met)	$ 20,000	200,000	$ 35,000
At end of 18 months (paid)	$ 20,000	-	-
At end of 24 months (paid, issued and met)	$ 40,000	300,000	$ 100,000
At end of 31 months, as amended (issued)	$ -	400,000	-
At end of 38 months, as amended (paid)	$ 20,000	-	-
At end of 42 months, (paid)	$ 20,000	-	-
At end of 48 months	$ 80,000	-	$ 250,000
At end of 54 months	$ 80,000	-	-
Total	**$ 300,000**	**1,000,000**	**$ 385,000**

The Optionors are entitled to receive a 2% NSR, half of which can be purchased within 90 days after commencement of commercial production by the company for $1,000,000. The Optionors also retain a 5% gross over-riding royalty on any high-grade bulk samples processed prior to commercial production.

5. SHORT-TERM INVESTMENTS

Short-term investments are classified as fair value though profit or loss and measured at fair value with fair value gains and losses recognized in income.

	Number of Shares	Historical Cost	Fair value September 30, 2020	Fair value December 31, 2019
Term deposits – GICs	–	$ 36,000	**$ 36,000**	$ 36,000
Marketable securities:				
Altair Resources Inc.	33,333	257,500	**833**	667
Boundary Gold and Copper Mining Ltd. (Note 4(a))	300,000	176,251	**10,500**	7,500
Total short-term investments		**$ 469,751**	**$ 47,333**	**$** 44,167

(Expressed in Canadian dollars)

6. CREDIT CARD DEPOSIT

The amount of $17,250 at September 30, 2020 (December 31, 2019 - $17,250) represents a three-year guaranteed investment certificate with interest at prime minus 2.70% (2019 – prime minus 2.70%), held by the bank as security for the Company’s credit card usage and is classified as restricted cash.

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued and outstanding

Private placements

On July 24, 2020, the Company closed a non-brokered private placement pursuant to which it issued 5,769,231 units at a price of $0.065 per unit for gross proceeds of $375,000. Each unit consists of one common share and one share purchase warrant. Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.14 for a term of one year (until July 24, 2021). The securities were subject to a hold period expiring November 25, 2020. Share issue costs in connection with the private placement amounted to $18,796. The Company also issued a finders’ fee of 171,600 warrants to third party finders in connection with the closing of the private placement. The fair value of the finders’ warrants was $19,869. The expiry of the warrants (including the finders’ warrants) may be accelerated at the election of the Company in circumstances where, at any time following 6 months from the issuance of the warrants, the closing price of the Company’s shares on the TSX Venture Exchange is equal to or greater than $0.20 for 21 consecutive trading days. In such case, the Company may give notice to the holders of the warrants that the warrants will expire 30 days following such notice.

On September 4, 2020, the Company closed a non-brokered private placement pursuant to which it issued 2,000,000 units at a price of $0.10 per unit for gross proceeds of $200,000. Each unit consists of one common share and one share purchase warrant. Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.15 for a term of one year (until September 4, 2021). The securities were subject to a hold period expiring January 5, 2021. Share issue costs in connection with the private placement amounted to $19,955. The Company also issued a finders’ fee of 160,000 warrants to third party finders in connection with the closing of the private placement. The fair value of the finders’ warrants was $17,910. There are no accelerated expiry provisions for warrants issued in the September 4, 2020 private placement.

On completion of the private placements, the Company had 23,252,445 shares issued and outstanding and 8,100,831 warrants issued and outstanding.

(c) Stock options

The Company has a stock option plan which allows for the grant of options to purchase up to 2,039,017 common shares. The following table summarizes information about the stock options outstanding at September 30, 2020 and at December 31, 2019:

Expiry Date	Exercise Price	Number Outstanding
March 8, 2022	$ 0.15	1,010,000

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(c) Stock options (continued)

As at September 30, 2020, the weighted average remaining contractual life of stock options outstanding was 1.44 years (December 31, 2019 – 2.19 years) at a weighted average exercise price of $0.15 (December 31, 2019 - $0.15).

A summary of the changes in stock options for the nine months ended September 30, 2020 and year ended December 31, 2019 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2018	860,000	$ 0.15
Granted, October 29, 2019	150,000	$ 0.15
Balance, December 31, 2019	1,010,000	$ 0.15
Granted or expired	–	–
Balance, September 30, 2020 (all vested)	**1,010,000**	**$ 0.15**

The fair value of stock options granted during the year ended December 31, 2019 was calculated using the Black-Scholes model with the following assumptions:

Grant date	October 29, 2019
Exercise price per option	$0.15
Share price at date of issue	$0.07
Expected life	2.19 years
Risk-free interest rate	1.70%
Dividend yield	Nil
Expected volatility	125%
Estimated fair value per option	$0.07

(d) Share purchase warrants

The following share purchase warrants were outstanding as at September 30, 2020:

	Number of warrants	Average exercise price
Private placement - July 24, 2020	5,769,231	$0.14
Warrants issued as finders' fee - July 24, 2020	171,600	$0.14
Private placement - Sept 4, 2021	2,000,000	$0.15
Warrants issued as finders' fee - Sept 4, 2020	160,000	$0.15
Balance, end of period	**8,100,831**	**$0.14**

In connection with the July 24, 2020 and September 4, 2020 private placements of units (Note 7(b)), 5,940,831 and 2,160,000 warrants were issued respectively. Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.14 and $0.15, respectively, for a term of one year. The expiry of the July 24, 2020 warrants may be accelerated at the election of the Company in circumstances where, at any time following 6 months from the issuance of the warrants, the closing price of the Company’s shares on the TSX Venture Exchange is equal to or greater than $0.20 for 21 consecutive trading days. In such case, the Company may give notice to the holders of the warrants that the warrants will expire 30 days following such notice.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(d) Share purchase warrants (continued)

The fair values of the warrants issued were calculated using the Black-Scholes pricing model with the following assumptions:

Grant dates	July 24, 2020	September 4, 2020
Exercise price per warrant	$0.14	$0.15
Share price at date of issue	$0.155	$0.135
Expected life	1 year	1 year
Risk-free interest rate	0.24%	0.28%
Dividend yield	Nil	Nil
Expected volatility	222%	161%
Estimated fair value per warrant	$0.12	$0.11

Consideration received for the private placement units has been allocated between common shares and share purchase warrants on the relative fair value method.

(e) Shareholder Rights Plan

The Company's board of directors adopted a Shareholder Rights Plan on September 23, 2013.

The Shareholder Rights Plan has been designed to protect shareholders from unfair, abusive or coercive take-over strategies including the acquisition of control of the Company by a bidder in a transaction or series of transactions that may not treat all shareholders fairly nor afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Shareholder Rights Plan was adopted to provide the Board with sufficient time, in the event of a public take-over bid or tender offer for the common shares, to pursue alternatives which could enhance shareholder value.

This Shareholder Rights Plan has not been adopted in response to any proposal to acquire control of the Company.

The Rights will not, however, be triggered by a "Permitted Bid", which is defined as a bid which is outstanding for a minimum of 60 days made to all of the shareholders of the Company for all of their common shares and, subject to other specified conditions, is accepted by a majority of independent shareholders (as detailed in the Rights Plan).

8. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

Key management compensation:		Nine months ended September 30, 2020		2019
Directors' fees	$	**13,575**	$	13,500
Salaries and management fees		**225,332**		226,775
Total	$	**238,907**	$	240,275

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances payable to related parties are included in accounts payable and accrued liabilities on the statement of financial position. These amounts are non-interest bearing and are due on demand.

Balances payable for:		**September 30, 2020**		December 31, 2019
Directors' fees	**$**	**4,575**	$	9,000
Office and administration expense		**-**		160
Salaries and management fees		**164,359**		12,750
Total	**$**	**168,934**	$	21,910

During the nine months ended September 30, 2020, officers of the Company forgave debt in the amount of $37,500 (included in salaries and management fees) and directors of the Company forgave debt in the amount of $9,000 (included in directors' fees). The amounts forgiven are not included in the table above.

9. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at September 30, 2020, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2019, are shown in the table below:

	September 30, 2020		December 31, 2019	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Cash	**$ 285,472**	**$ 285,472**	$ 100,231	$ 100,231
Short-term investments	**47,333**	**47,333**	44,167	44,167
Credit card deposit	**17,250**	**17,250**	17,250	17,250
Reclamation deposits	**44,120**	**44,120**	23,120	23,120
Financial liabilities				
Accounts payable and accrued liabilities	**141,612**	**141,612**	90,057	90,057
Accounts payable to related parties	**168,934**	**168,934**	21,910	21,910

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

i) Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 - Applies to assets or liabilities for which there are unobservable market data.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS (continued)

The fair values of the Company's financial instruments measured at September 30, 2020, constitute Level 1 measurements for its cash, short-term investments, credit card deposit and reclamation deposits within the fair value hierarchy.

The Company recognized interest income during the nine months ended September 30, 2020 totaling $246 (September 30, 2019 - $1,140). This is primarily interest income from the Company's short-term investments. The balance represents interest income from all sources.

Credit Risk

Substantially all of the Company's cash is held with major financial institutions in Canada, and management believe the exposure to credit risk with such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily its investment in marketable securities of publicly traded companies and any receivables. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. The Company's maximum exposure to credit risk as at September 30, 2020, is the carrying value of its financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 10, in normal circumstances. The Company's financial liabilities are comprised of its accounts payable and accounts payable to related parties, the contractual maturities of which at September 30, 2020 and December 31, 2019, are summarized as follows:

	September 30, 2020	December 31, 2019
Accounts payable with contractual maturities –		
Within 90 days or less	**$116,612**	$ 65,057
Accounts payable to related parties with contractual maturities –		
Within 90 days or less	**168,934**	21,910

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable markets conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in markets prices, such that changes in market prices results in a proportionate change in the carrying value of the Company's investments.

9. FINANCIAL INSTRUMENTS (continued)

The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold, copper, zinc, lead, molybdenum and tungsten, and the outlook for these metals. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

Interest Rate Risk

At September 30, 2020 and December 31, 2019, the Company has no significant exposure to interest rate risk through its financial instruments.

Currency Risk

Fluctuations in United States dollars would not significantly impact the operations and the values of its assets and shareholders' equity at this time. If the Company were to go into production, the Company would be subject to more foreign currency risk from fluctuations in the Canadian dollar relative to the United States dollar, due to metals prices and their denomination in United States dollars.

10. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in British Columbia and Yukon and to maintain a flexible capital structure which will optimize the costs of capital.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company currently has a working capital of $47,480 (December 31, 2019 – working capital of $46,442) and must rely on equity financings, or forms of joint venture or other types of financing to fund operations and to continue exploration and evaluation work and to meet its administrative overhead costs in future years (Note 2(b)). The Company raised gross proceeds of $375,000 and $200,000 through two separate non-brokered private placements on July 24, 2020 and September 4, 2020 respectively (Note 7(b)) but will require additional funding to significantly advance its projects. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk.

The Company's investment policy is to invest its cash in highly liquid, short-term interest-bearing investments with maturities allowing the Company to withdraw funds at intervals needed for the expected timing of expenditures in its operations.

11. SUBSEQUENT EVENTS

(a) On November 2, 2020, the Company closed a non-brokered private placement pursuant to which it issued 1,310,000 units (620,000 regular units and 690,000 flow-through units) at a price of $0.10 per unit for gross proceeds of $131,000. Each regular unit consists of one common share and one share purchase warrant. Each flow-through unit consists of one common share and half of one share purchase warrant. The Company also issued a finders' fee of 52,000 warrants to third party finders in connection with the closing of the private placement. The securities are subject to a hold period expiring March 3, 2021.

Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.16 for a term of one year (until November 2, 2021). The expiry of the Warrants may however be accelerated at the election of the Company in circumstances where, at any time following 6 months from the issuance of the warrants, the closing price of the Company's shares on the TSX Venture Exchange is equal to or greater than $0.30 for 21 consecutive trading days. In such case, the Company may give notice to the holders of the warrants that the warrants will expire 30 days following such notice.

On completion of the private placement, the Company had 24,562,445 shares issued and outstanding and 9,117,831 warrants issued and outstanding.

(b) On November 19, 2020, the Company was issued a Cease Trade Order by the British Columbia Securities Commission related to the Commission's technical disclosure review previously announced in the Company's news release dated December 13, 2019. In February 2020, the Company engaged Renaissance Geoscience Services Inc. of Kamloops, BC ("Renaissance") to prepare updated resource estimates for the Jersey-Emerald Property and the Kena-Daylight Property. The program involving site visits, drill core inspections and core sampling by Renaissance commenced in March 2020 and final reports were submitted to the Commission in October 2020. The Commission notified the Company that the reports submitted in October, 2020 are unacceptable and that the Company will be subject to the Cease Trade Order until: (1) the Company files a technical report to support the Company's earlier disclosure made in its May 26, 2016 Management Discussion and Analysis related to the Jersey-Emerald Property and in its January 22, 2018 news release related to the Kena-Daylight Property; and (2) the Executive Director of the Commission has revoked the Cease Trade Order.

The Company is presently reviewing all options to correct this situation as quickly as possible. Once the required disclosure has been filed, the Company will seek to have the Cease Trade Order revoked.