APEX RESOURCES INC.
(FORMERLY SULTAN MINERALS INC.)
(an exploration stage company)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in Canadian Dollars)

MORGAN
COMPANY LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Apex Resources Inc. (formerly Sultan Minerals Inc.)

Report on the financial statements

We have audited the accompanying financial statements of Apex Resources Inc. (formerly Sultan Minerals Inc.), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of operations and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Apex Resources Inc. (formerly Sultan Minerals Inc.) as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan & Company LLP"*

April 26, 2017 — Chartered Professional Accountants

APEX RESOURCES INC. **(FORMERLY SULTAN MINERALS INC.)**
(an exploration stage company)
Statements of Financial Position
(Expressed in Canadian dollars)

		December 31, 2016		December 31, 2015
Assets				
Current assets				
Cash	**$**	**19,026**	$	402
Term deposits (Note 6)		**243,000**		146,000
Receivables		**9,350**		3,843
Prepaid expenses		**4,563**		4,293
Marketable securities (Note 6)		**33,334**		21,333
Total current assets		**309,273**		175,871
Exploration and evaluation assets (Note 5)		**3,098,990**		3,140,258
Credit card deposit (Note 7)		**17,250**		17,250
Reclamation deposits		**30,120**		30,120
Total assets	**$**	**3,455,633**	$	3,363,499
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 9)	**$**	**57,443**		55,552
Accounts payable to related parties (Note 10)		**1,145**		36,000
Total liabilities		**58,588**		91,552
Equity				
Share capital (Note 8)		**22,902,034**		22,861,534
Warrants reserve (Note 8)		**429,049**		429,049
Share-based payments reserve		**3,505,692**		3,505,692
Deficit		**(23,439,730)**		(23,524,328)
Total equity		**3,397,045**		3,271,947
Total liabilities and equity	**$**	**3,455,633**	$	3,363,499

Going concern (Note 2)
Subsequent event (Note 14)

Approved on behalf of the Board of Directors:

/s/ "*Arthur G. Troup*"
Arthur G. Troup, Director

/s/ "*Robin Merrifield*"
Robin Merrifield, Director

APEX RESOURCES INC. (FORMERLY SULTAN MINERALS INC.)

(an exploration stage company)
Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	Years ended December 31, 2016	2015
Expenses		
Exploration costs	**$ 4,378**	$ 5,800
Insurance	**3,125**	3,250
Interest	**655**	333
Legal, accounting and audit	**50,167**	51,477
Office and administration (Note 10)	**60,900**	83,251
Salaries and benefits (Note 10)	**181,835**	179,371
Shareholder communications (Note 10)	**93,470**	92,121
Travel and conferences	**2,168**	1,820
Total expenses	**396,698**	417,423
Loss before other income (expenses)	**(396,698)**	(417,423)
Gain on disposal of equipment	–	3,000
Gain on sale of mineral property options (Note 5a)	**467,794**	–
Interest income	**1,502**	2,489
Unrealized gain on short-term investments (Note 6)	**12,000**	1,333
Write-down of exploration and evaluation assets (Note 5)	–	(2,748,003)
Net income (loss) and comprehensive income (loss) for the year	**84,598**	(3,158,604)
Income (loss) per share, basic and diluted	**$ 0.01**	$ (0.23)
Weighted average number of common shares outstanding – basic and diluted	**13,585,707**	13,477,214

The accompanying notes form an integral part of these financial statements.

APEX RESOURCES INC. (FORMERLY SULTAN MINERALS INC.)

(an exploration stage company)
Statements of Changes in Equity
Years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Common Shares Without Par Value					
	Shares	Amount	Warrants Reserve	Share-based Payments Reserve	Deficit	Total Equity
Balance, December 31, 2014	13,477,214	$ 22,861,534	$ 429,049	$ 3,505,692	$ (20,365,724)	$ 6,430,551
Net loss for the year	–	–	–	–	(3,158,604)	(3,158,604)
Balance, December 31, 2015	13,477,214	22,861,534	429,049	3,505,692	(23,524,328)	3,271,947
Shares issued for mineral properties (Note 5)	350,000	40,500	–	–	–	40,500
Net income for the year	–	–	–	–	84,598	84,598
Balance, December 31, 2016	**13,827,214**	**$ 22,902,034**	**$ 429,049**	**$ 3,505,692**	**$ (23,439,730)**	**$ 3,397,045**

On July 15, 2016, the Company enacted a ten for one common share consolidation. All current and comparative references to the number of shares, warrants, options, weighted average number of common shares and loss per share have been restated to give effect to the ten for one share consolidation.

APEX RESOURCES INC. (FORMERLY SULTAN MINERALS INC.)

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

	Year ended December 31, 2016	2015
Operating activities		
Net income (loss) for the year	**$ 84,598**	$ (3,158,604)
Items not involving cash:		
Gain on sale of equipment	**–**	(3,000)
Gain on sale of mineral property options	**(467,794)**	–
Unrealized gain on short-term investments	**(12,000)**	(1,333)
Write-down of exploration and evaluating assets	**–**	2,748,003
Changes in non-cash operating working capital		
Receivables	**(5,507)**	161
Prepaid expenses	**(270)**	5,159
Accounts payable and accrued liabilities	**1,891**	(2,037)
Accounts payable to related parties	**(34,855)**	36,000
Cash used in operating activities	**(433,937)**	(375,651)
Investing Activities		
Mineral property exploration and evaluation costs	**(95,439)**	(1,385)
Mineral property option payments received	**645,000**	–
Mineral property exploration tax credits received	**–**	2,408
Proceeds from sale of equipment	**–**	3,000
Short-term investments (purchased) redeemed	**(97,000)**	365,000
Cash provided by investing activities	**452,561**	369,023
Increase (decrease) in cash during the year	**18,624**	(6,628)
Cash, beginning of year	**402**	7,030
Cash, end of year	**$ 19,026**	$ 402
Supplemental information		
Interest received	**$ 1,502**	$ 2,489
Interest paid	**$ –**	$ –
Income tax paid	**$ –**	$ –
Non-cash transactions		
Shares issued under mineral property option agreements	**$ (40,500)**	$ –
Shares received under mineral property option agreements	**$ 1**	$ –

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 Company changed its name from Sultan Minerals Inc. to Apex Resources Inc. on July 15, 2016. The address of the Company's registered corporate office and its principal place of business is 1066 West Hastings Street, Suite 2000, 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 and related capitalized exploration costs 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 for mineral properties 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 financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issuance by the Board of Directors on April 26, 2017.

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 has incurred losses since its inception and had an accumulated deficit of $23,439,730 at December 31, 2016, which has been funded primarily by issuance of shares. 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.

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. All amounts are expressed in Canadian dollars unless otherwise stated.

d) Use of 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 years reported. Significant areas requiring the use of management estimates include the determination of impairment of exploration and evaluation assets, decommissioning liabilities, deferred

2. BASIS OF PREPARATION (CONTINUED)

d) Use of Estimates (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash includes cash and short-term money market investments that are readily convertible to cash with original maturities of 90 days or less from the original date of acquisition. Interest from cash is recorded on an accrual basis. The Company has designated cash as fair value through profit or loss. All gains and losses are recognized in income in the period in which they arise.

b) Short-term Investments

Short-term investments are classified as fair value through profit or loss and recorded at fair value with realized and unrealized gains and losses recognized in income. All guaranteed investment certificates (“GICs”) have original maturity dates ranging from 91 days to 1 year from acquisition.

Investments in securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

c) Mineral Exploration and Evaluation Expenditures

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

Option payments received are treated as a reduction of the carrying value of the related mineral property until the Company’s option and/or royalty payments received are in excess of costs incurred and then are recognized in income.

All expenditures related to the cost of exploration and evaluation of mineral properties including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned or determined to be impaired.

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

d) Impairment of Non-financial Assets

Exploration and evaluation assets are regularly tested for recoverability or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment of exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Impairment of Non-financial Assets (Continued)

rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, or indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units ("CGUs)".

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

e) Government Assistance and Tax Credits

Any federal or provincial tax credits received by the Company, with respect to exploration or evaluation work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits related. Until such time that there is significant certainty with regard to collections and assessments, the Company will record any recovered tax credits at the time of receipt. No gain or loss is realized during the exploration stage until all carrying costs of the specific interest have been offset.

f) Investments

Long-term investments are classified as available-for-sale, and are carried at quoted market value, where applicable, or at an estimate of fair value. Resulting unrealized gains net of applicable future income taxes, or losses, are reflected in other comprehensive income while realized gains, net of income taxes, or losses are recognized in income.

g) Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

h) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Share Capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods or services received is determinable.

j) Income (Loss) per Common Share

Basic income (loss) per common share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity.

In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

l) Share-based Payments

The Company records all share-based payments at their fair value. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the granted date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the good or services received in the statement of operations. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

Warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options expected to vest. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to the Company's reserve accounts. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation.

m) Flow-through Shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of operations within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the fair value of the common shares and the amount the investor pays for the flow-through shares.

n) Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. All transactions related to financial instruments are recorded on a trade date basis.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards and Amendments Issued but Not yet Effective

The Company has not early adopted the following standards and amendments and anticipates that the application of these standards and amendments will not have a material impact on the financial position and financial performance of the Company:

- IFRS 2 Share-Based Payment: In June 2016, the Board issued the final amendments to IFRS 2 *Share-Based Payment* as follows:

  (a) Effects that vesting conditions have on the measurement of a cash-settled share-based payment;
  (b) Accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled;
  (c) Classification of share-based payment transactions with net settlement features.
  The amendments are effective for annual periods beginning on or after January 1, 2018.

- IFRS 9 '*Financial Instruments':* The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. The standard will be adopted by the Company effective January 1, 2018.

- IFRS 15 '*Revenue from Contracts with Customers':* IFRS 15 provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more informative and relevant information. The standard will be adopted by the Company effective January 1, 2018.

- IFRS 16 'Leases': IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

(Expressed in Canadian dollars)

5. 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	TOTAL
Acquisition costs					
As at December 31, 2015	$ 40,258	$ –	$ –	$ –	**$ 40,258**
Acquisition incurred during the year	–	–	74,500	16,000	**90,500**
Option proceeds	(32,207)	–	–	–	**(32,207)**
As at December 31, 2016	8,051	–	74,500	16,000	**98,551**
Exploration and evaluation costs					
Incurred during the period					
Site activities	–	–	19,611	–	**19,611**
Geological and geophysical	–	–	17,622	2,458	**20,080**
Assays and analysis	–	–	4,714	1,034	**5,748**
Option proceeds	–	(145,000)	–	–	**(145,000)**
	–	(145,000)	41,947	3,492	**(99,561)**
As at December 31, 2015	–	3,100,000	–	–	**3,100,000**
As at December 31, 2016	–	2,955,000	41,947	3,492	**3,000,439**
Balance, December 31, 2016	$ 8,051	$ 2,955,000	$ 116,447	$ 19,492	**$ 3,098,990**

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	TOTAL
Acquisition costs			
As at December 31, 2014	$ 40,213	$ –	$ 40,213
Incurred during the period	45	–	45
As at December 31, 2015	40,258	–	40,258
Exploration and evaluation costs			
Incurred during the period			
Site activities	383	–	383
Geological and geophysical	1,209	–	1,209
Mineral exploration tax credit received	(2,408)	–	(2,408)
Write-down of exploration and evaluation assets	(2,748,003)	–	(2,748,003)
	(2,748,819)	–	(2,748,819)
As at December 31, 2014	2,748,819	3,100,000	5,848,819
As at December 31, 2015	–	3,100,000	3,100,000
Balance, December 31, 2015	$ 40,258	$ 3,100,000	$ 3,140,258

(Expressed in Canadian dollars)

5. 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.

i) During September 2016, the Company entered into an agreement with 1994854 Alberta Ltd., a private company, to option out 80% interest in Kena Property owned by Apex. The Kena Option Out agreement (the "Option Out") was approved by the TSXV on October 3, 2016 (the "Effective Date"). A gain was recorded in financial statements for the year ended December 31, 2016 from Option Out proceeds as summarized below.

Kena accumulated acquisition, exploration and evaluation costs as of December 31, 2014	$	2,789,077
Less: impairment recorded in fiscal 2015 (Note 5 a) ii))		(2,748,819)
Book value of Kena prior to Option Out		40,258
Less: 80% book value Option Out		(32,207)
Book value of Kena, December 31, 2016	$	8,051

Cash proceeds received on Option Out	$	500,000
Value of shares received on Option Out		1
Total proceeds		500,001
Less: 80% book value Option Out		(32,207)
Gain on sale recorded in fiscal 2016 on Kena Option Out	$	467,794

Under the terms of the Option Out agreement, to exercise the option and earn its 80% interest in the project, 1994854 Alberta Ltd. will:

- make the following cash payments to the Company:

  (A) within 5 business days from the Effective Date, $500,000 (received);
  (B) within twelve months from the Effective Date, an additional $250,000;
  (C) within twenty-four months from the Effective Date, an additional $250,000; and
  (D) within thirty-six months from the Effective Date, an additional $250,000;

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

- issue common shares of 1994854 Alberta Ltd. (see Note 14 (c)) to the Company as follows:

  (A) within 5 business days from the Effective Date, 375,000 shares (received, Note 6 (b));
  (B) within twelve months from the Effective Date, an additional 375,000 shares;
  (C) within twenty-four months from the Effective Date, an additional 375,000 shares; and
  (D) within thirty-six months from the Effective Date, an additional 375,000 shares;

for a total of 1,500,000 shares;

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Kena Property, Ymir, British Columbia, Canada (continued)

- incur exploration expense as follows:

  (A) within twelve months from the Effective Date, $100,000;
  (B) within twenty-four months from the Effective Date, an additional $400,000;
  (C) within thirty-six months from the Effective Date, an additional $1,000,000; and
  (D) within forty-eight months from the Effective Date, an additional $1,500,000;

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

After 1994854 Alberta Ltd. has earned its 80% interest in the project, 1994854 Alberta Ltd. 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 Apex and granting a 1% net smelter returns royalty to the Company.

ii) During the year ended December 31, 2015, management determined substantive expenditure on further exploration for and evaluation of mineral resources was not budgeted nor planned due to the difficult funding environment; all exploration and evaluation costs of $2,748,003 were written off.

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

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 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. The first annual royalty payment was paid by the Company. Subsequent royalty payments became the responsibility of Margaux Resources Ltd. ("Margaux") upon Margaux entering the option agreement as described below.

In 2013, the Company entered into an option agreement with Margaux to option its 100% interest in the Jersey and Emerald Properties (excluding the Garnet, HB, and HB2 Lead-Zinc Property) for total proceeds of $4,010,000. The payment terms under the agreement were later amended on January 22, 2014, November 5, 2014, March 9, 2015, October 26, 2015, December 30, 2015, February 11, 2016 and March 18, 2016. Under the terms of the amended agreement, to exercise the Option and earn its 100% interest in the project, Margaux will:

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada (continued)

- make the following cash payments to the Company:

  (A) deposit of $50,000 (received);
  (B) on or before January 24, 2014, $150,000 (received);
  (C) on or before January 24, 2014, $300,000 (received);
  (D) on or before November 8, 2014, $400,000 (received);
  (E) on or before February 22, 2016, $10,000 (received);
  (F) $15,000 per month commencing April 1, 2016 for a period of 12 months ($135,000 received as of December 31, 2016);
  (G) $50,000 per month commencing April 1, 2017 for a period of 12 months; and
  (H) $100,000 per month commencing April 1, 2018 until a total of $4,010,000 has been paid.

- incur aggregate exploration expenditures on or before November 8, 2016 of $2,000,000.

Apex will retain a 1.5% net smelter returns royalty ("NSR") on the property. For a period of 60 days following the earlier of (a) the commencement of commercial production on the Property or (b) the completion of a feasibility study on the Property, Margaux may purchase 50% of the NSR (being a 0.75% net smelter returns royalty) from Apex for a payment to Apex of $5.0 million.

Pursuant to the Option Agreement, Margaux will assume all existing royalties on the Property.

c) Golden Triangle Property, British Columbia

On August 23, 2016, the Company entered into an agreement to option a 100% interest in Golden Triangle Property. Under the terms of the agreement, to exercise the Option and earn its 100% interest in the Project, the Company will:

- make the following cash payments:

  (A) $5,000 non-refundable deposit on August 23, 2016 (paid);
  (B) $35,000 on TSX Venture Exchange approval (paid)

- issue common shares:

  (A) 300,000 shares of the Company on TSX Venture Exchange approval (issued)

- make the following net smelter return (NSR) royalty payment:

  (A) during the royalty period, the Company shall pay 2.0% NSR royalty.

Apex may within 240 days of commercial production redeem and purchase the interest and rights to receive the NSR royalty for a one-time payment of $1 million dollars for 1%, leaving 1% of the 2% NSR royalty.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

d) Red Ridge Property, Whitehorse Mining District, Yukon

On September 9, 2016, the Company entered into an option agreement, which gives Apex the right to earn a 100% undivided interest in the Red Ridge Property, Whitehorse Mining District, Yukon. Under the terms of the agreement, to exercise the option and earn its 100% interest, the Company will make an aggregate payment of $150,000 and issue 500,000 shares over four years as set out below:

- make the following cash payments:

  (A) $5,000 on signing (paid)
  (B) $5,000 on regulatory approval (paid)
  (C) $20,000 before the end of one year
  (D) $30,000 before the end of two years
  (E) $40,000 before the end of three years
  (F) $50,000 before the end of four years

- issue common shares:

  (A) 50,000 shares upon regulatory approval (issued)
  (B) 50,000 shares before the end of one year
  (C) 100,000 shares before the end of two years
  (D) 100,000 shares before the end of three years
  (E) 200,000 shares before the end of four years

- complete annual work commitment:

  (A) $30,000 within 12 months following regulatory approval
  (B) additional $75,000 within 24 months following regulatory approval
  (C) additional $125,000 within 36 months following regulatory approval
  (D) additional $200,000 within 48 months following regulatory approval

- make the following net smelter return (NSR) royalty payment:

  (A) the Company shall pay 2.0% NSR royalty from the production of gold, silver and other metals provided that the Company shall have the right to purchase 50% of the net smelter return of $1,000,000 exercisable within 90 days after commencement of commercial production.

6. SHORT-TERM INVESTMENTS

Short-term investments are summarized as follows:

		Number of Shares	Historical Cost	Fair Value December 31, 2016	Fair Value December 31, 2015
Term deposits – GICs		–	$ 243,000	**$ 243,000**	$ 146,000
Marketable Securities					
Altair Resources Inc.	a)	133,333	$ 257,500	**$ 33,333**	$ 21,333
1994854 Alberta Ltd.	b)	375,000	$ 1	**$ 1**	–
Total Marketable Securities			$ 257,501	**$ 33,334**	$ 21,333

(Expressed in Canadian dollars)

6. SHORT-TERM INVESTMENTS (CONTINUED)

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

a) During the year ended December 31, 2015, Altair Resources Inc. (formerly Altair Gold Inc.) (“Altair) completed a share consolidation resulting in the exchange of 1/15 of a common share of Altair for each previous Altair common share held. As a result, the Company holds 133,333 common shares of Altair instead of 2,000,000 common shares previously held. During the year ended December 31, 2016, the Company recorded a gain of $12,000 (December 31, 2015 - $1,333) with respect to these shares.

b) During September 2016, the Company entered into an agreement with 1994854 Alberta Ltd. to option out 80% interest in Kena Property owned by the Company (Note 5 a) ii)). The agreement was approved by the TSXV on October 3, 2016. Under the terms of the agreement, 1994854 Alberta Ltd. issued 375,000 common shares to the Company in October, 2016 (Note 14 c)).

7. CREDIT CARD DEPOSIT

The amount of $17,250 (2015 - $17,250) represents a three-year (2015 – one-year) guaranteed investment certificate with interest at prime minus 2.10% (2015 – prime minus 1.95%), held by the bank as security for the Company’s credit card usage and is classified as restricted cash.

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued and Outstanding:

See Statements of Changes in Equity.

(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 December 31, 2016:

Weighted Average Exercise Price	Number Outstanding at December 31, 2016	Expiry Date	Weighted Average Remaining Contractual Life
$1.00	642,500	October 12, 2017	0.78 years

A summary of the changes in stock options for the years ended December 31, 2016 and 2015 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2014	642,500	$1
Balance, December 31, 2015	642,500	$1
Balance, December 31, 2016	**642,500**	**$1**
Balance vested, December 31, 2016	642,500	$1

(Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

(d) Share Purchase Warrants

There are no share purchase warrants outstanding as at December 31, 2016 and 2015.

(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).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of:

	December 31, 2016	December 31, 2015
Accounts payable	**$ 4,378**	$ 1,612
Accrued liabilities	**53,065**	53,940
	$ 57,443	$ 55,552

10. 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:

	Years ended December 31,	
Key management compensation:	**2016**	2015
Directors' fees (included in office and administration)	**$ 18,000**	$ 18,075
Shareholder communications	**72,000**	72,000
Salaries	**180,000**	179,369
Total	**$ 270,000**	$ 269,444

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Balances payable for:		**December 31, 2016**		December 31, 2015
Directors' fees	**$**	**–**	$	4,500
Short term employee benefits		**–**		22,500
Shareholder communications		**–**		9,000
General office and administration expense		**1,145**		–
	$	**1,145**	$	36,000

11. INCOME TAXES

The following table reconciles the amount of income tax recovery on application of the combined statutory Canadian federal and provincial income tax rates:

		December 31, 2016		December 31, 2015
Combined statutory tax rate		**26%**		26%
Income tax expense (recovery) at combined statutory rate	$	**22,000**	$	(821,000)
Non-deductible expenses		**(123,000)**		-
Change in estimates and other		**(1,000)**		1,000
Expiry of tax losses		**-**		127,000
Change in deferred tax assets not recognized		**102,000**		693,000
Deferred income tax recovery	$	**–**	$	–

The Company's unrecognized deductible temporary differences and unused tax losses are attributable to the following items:

		December 31, 2016		December 31, 2015
Non-capital losses	$	**1,851,000**	$	1,750,000
Capital losses		**4,000**		4,000
Exploration and evaluation assets		**3,318,000**		3,325,000
Short-term investments		**29,000**		31,000
Other deductible temporary differences		**223,000**		212,000
Unrecognized deferred tax assets		**(5,425,000)**		(5,322,000)
	$	**-**	$	-

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

(Expressed in Canadian dollars)

11. INCOME TAXES (CONTINUED)

The Company has Canadian non-capital losses carried forward of approximately $7,120,000 that may be available for tax purposes. The losses expire as follows:

Year	$
2026	626,000
2027	659,000
2028	853,000
2029	988,000
2030	856,000
2031	714,000
2032	557,000
2033	527,000
2034	458,000
2035	452,000
2036	430,000
	7,120,000

The Company has resource pools of approximately $15,859,000 and investment tax credits of $267,000 available to offset future taxable income. The tax benefit of these amounts is available to be carried forward indefinitely.

12. 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 December 31, 2016, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2015, are shown in the table below:

	December 31, 2016		December 31, 2015	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Cash	**$ 19,026**	**$ 19,026**	$ 402	$ 402
Term deposits	**243,000**	**243,000**	146,000	146,000
Marketable securities	**33,334**	**33,334**	21,333	21,333
Credit card deposit	**17,250**	**17,250**	17,250	17,250
Reclamation deposit	**30,120**	**30,120**	30,120	30,120
Financial liabilities				
Accounts payable and accrued liabilities	**57,443**	**57,443**	55,552	55,552
Accounts payable to related parties	**1,145**	**1,145**	36,000	36,000

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS (CONTINUED)

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.

The fair values of the Company's financial instruments measured at December 31, 2016, 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 year ended December 31, 2016, totaling $1,502 (2015 - $2,489). 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 December 31, 2016, 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 13, 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 December 31, 2016 and 2015, are summarized as follows:

	December 31, 2016	December 31, 2015
Accounts payable with contractual maturities –		
Within 90 days or less	**$ 4,378**	$ 1,612
Accounts payable to related parties with contractual maturities –		
Within 90 days or less	**1,145**	36,000

12. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 December 31, 2016 and 2015, 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.

13. 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 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.

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 currently has a working capital of $250,685 (2015 - $84,319) 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 (see Note 2(b)).

(Expressed in Canadian dollars)

13. MANAGEMENT OF CAPITAL (CONTINUED)

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.

14. SUBSEQUENT EVENTS

a) In March, 2017, the Company entered into an Option Agreement to earn 100% undivided interest in the Mount Anderson Property, Whitehorse Mining District, Yukon. Pursuant to the current option agreement, Apex Minerals Ltd. 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	$20,000	200,000	$35,000
At end of 18 months	$20,000	-	-
At end of 24 months	$40,000	300,000	$100,000
At end of 30 months	$40,000	-	-
At end of 36 months	$80,000	400,000	$250,000
At end of 42 months	$80,000	-	-
Total	**$300,000**	**1,000,000**	**$385,000**

This agreement is subject to regulatory approval that has been received.

b) In March, 2017, the Company granted 1,010,000 incentive stock options to directors, officers, and consultants of the Company. These options are exercisable for a period of five years at a price of $0.15 per share.

c) In April, 2017, Prize Mining Corporation ("Prize"), a public company listed on the TSX-V, acquired all of the issued and outstanding shares of 1994854 Alberta Ltd. on a one-for-one share exchange basis. The Company received 375,000 shares of Prize in exchange for its 375,000 shares of 1994854 Alberta Ltd.