

APEX RESOURCES INC.
(an exploration stage company)

CONDENSED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2021
(Expressed in Canadian Dollars)

APEX RESOURCES INC.

(an exploration stage company)
Statements of Financial Position
(Expressed in Canadian dollars)

| | Note | June 30, 2021 | December 31, 2020 |
|---|------|---------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 302,381 | \$ 149,851 |
| Receivables | | 9,088 | 16,245 |
| Prepaid expenses | | 1,331 | 4,746 |
| Short-term investments | 5 | 382,333 | 55,000 |
| | | 695,133 | 225,842 |
| Non-current assets | | | |
| Exploration and evaluation assets | 4 | 3,128,499 | 3,022,854 |
| Credit card deposit | 6 | 17,250 | 17,250 |
| Advance | | 2,000 | 2,000 |
| Reclamation deposits | | 33,620 | 33,620 |
| | | \$ 3,876,502 | \$ 3,301,566 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 132,734 | \$ 56,114 |
| Related party payable and accrued liabilities | 8 | 221,916 | 104,916 |
| | | 354,650 | 161,030 |
| Equity | | | |
| Share capital | 7 | 23,362,487 | 23,362,487 |
| Warrants reserve | 7 | 744,150 | 744,149 |
| Share-based payments reserve | 7 | 3,626,030 | 3,626,030 |
| Deficit | | (24,210,813) | (24,592,130) |
| | | 3,521,853 | 3,140,536 |
| | | \$ 3,876,502 | \$ 3,301,566 |

Approved and authorized for issue by the Board on August 30, 2021.

(Signed) "Arthur G. Troup"
Director

(Signed) "Robin Merrifield"
Director

See the accompanying notes to these financial statements.

APEX RESOURCES INC.

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Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|------|-----------------------------|--------------------|---------------------------|---------------------|
| | Note | 2021 | 2020 | 2021 | 2020 |
| Expenses: | | | | | |
| Directors' fees | 8 | \$ 4,500 | \$ 4,500 | \$ 9,000 | \$ 9,000 |
| Insurance | | 1,083 | 950 | 2,165 | 1,900 |
| Interest and other | | 936 | 64 | 987 | 170 |
| Legal, accounting and audit | | 13,464 | 4,500 | 21,476 | 4,695 |
| Office and administration | | 4,174 | 2,365 | 11,985 | 11,732 |
| Salaries and management fees | 8 | 75,498 | 75,000 | 150,498 | 150,000 |
| Shareholder communications | | 2,654 | 4,168 | 4,181 | 6,316 |
| Technical reports | | 14,765 | - | 34,787 | - |
| Loss before other items | | (117,072) | (91,547) | (235,078) | (183,813) |
| Other items: | | | | | |
| Gain on forgiveness of debt | 8 | - | 9,000 | - | 46,500 |
| Interest income | | 7 | 15 | 53 | 224 |
| Gain on disposition of Kena property | 4(a) | 761,509 | - | 761,509 | - |
| Unrealized gain (loss) on short-term investments | 5 | (148,833) | 6,833 | (145,167) | 1,833 |
| | | 612,683 | 15,848 | 616,395 | 48,557 |
| Net income (loss) and comprehensive income (loss) for the period | | | | | |
| | | \$ 495,611 | \$ (75,699) | \$ 381,317 | \$ (135,256) |
| Weighted average number of common shares outstanding - basic and diluted | | | | | |
| | | 24,562,445 | 15,483,214 | 24,562,445 | 15,466,547 |
| Income (loss) per share, basic and diluted | | | | | |
| | | \$ 0.02 | \$ (0.00) | \$ 0.02 | \$ (0.01) |

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

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Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

| Common shares without par value | | | | | | | |
|--------------------------------------|----------|-------------------|----------------------|-------------------|------------------------------|------------------------|----------------------------|
| | Note | Number of shares | Share capital | Warrants reserve | Share-based payments reserve | Deficit | Total shareholders' equity |
| 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 |
| Net loss for the period | | - | - | - | - | (135,256) | (135,256) |
| Balance, June 30, 2020 | | 15,483,214 | \$ 23,023,954 | \$ 429,049 | \$ 3,626,030 | \$ (24,501,118) | \$ 2,577,915 |
| Balance, December 31, 2020 | | 24,562,445 | \$ 23,362,487 | \$ 744,149 | \$ 3,626,030 | \$ (24,592,130) | \$ 3,140,536 |
| Net income for the period | | - | \$ - | \$ - | \$ - | 381,317 | 381,317 |
| Balance, June 30, 2021 | | 24,562,445 | \$ 23,362,487 | \$ 744,149 | \$ 3,626,030 | \$ (24,210,813) | \$ 3,521,853 |

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

(an exploration stage company)

Statements of Cash Flows

(Expressed in Canadian dollars)

| | Note | Six months ended June 30, 2021 | Six months ended June 30, 2020 |
|---|------|--------------------------------------|--------------------------------------|
| Operating activities | | | |
| Net income (loss) for the period | | \$ 381,317 | \$ (135,256) |
| Items not involving cash: | | | |
| Unrealized (gain) loss on short-term investments | 5 | 145,167 | (1,833) |
| Gain on disposition of Kena property | 4(a) | (761,509) | - |
| Changes in non-cash operating working capital | | | |
| Receivables | | 7,157 | 883 |
| Prepaid expenses | | 3,415 | 1,900 |
| Accounts payable and accrued liabilities | | 76,620 | 21,095 |
| Related party payable and accrued liabilities | | 117,000 | 69,590 |
| | | (30,833) | (43,621) |
| Investing activities: | | | |
| Mineral property exploration and evaluation costs | 4 | (113,696) | (32,418) |
| | | (113,696) | (32,418) |
| Financing activities: | | | |
| Net cash proceeds from disposition of Kena property | 4(a) | 297,059 | - |
| | | 297,059 | - |
| Change in cash during the period | | 152,530 | (76,039) |
| Cash, beginning of period | | 149,851 | 100,231 |
| Cash, end of period | | \$ 302,381 | \$ 24,192 |

See the accompanying notes to the financial statements.

Supplemental information

| | | | | |
|-------------------|----|----|----|-----|
| Interest received | \$ | 53 | \$ | 224 |
| Interest paid | | 8 | | 170 |

Non-cash transactions

| | | | | |
|--|----|---|----|-------|
| Shares issued under property option agreements | \$ | - | \$ | 2,500 |
|--|----|---|----|-------|

APEX RESOURCES INC.

(an exploration stage company)

Notes to financial statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

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, 2020 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 August 30, 2021.

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 income of \$381,317 for the six months ended June 30, 2021 and had an accumulated deficit of \$24,210,813 as at June 30, 2021. Although the Company raised gross proceeds of \$706,000 pursuant to three non-brokered private placements completed in 2020 (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 COVID-19 a global pandemic. This pandemic and any related adverse 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.

APEX RESOURCES INC.

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Notes to financial statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

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, 2020. All amounts are expressed in Canadian dollars unless otherwise stated.

d) Significant accounting estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

e) Comparative figures

Certain comparative figures have been reclassified to conform to the financial presentation in the current year.

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, 2021, 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, 2021 that would significantly affect the Company.

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Notes to financial statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

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

| | Kena British Columbia | Jersey Emerald British Columbia | Mount Anderson Yukon | Other | TOTAL |
|-------------------------------------|-----------------------------|---------------------------------------|----------------------------|-------------|---------------------|
| Acquisition costs | | | | | |
| As at December 31, 2020 | \$ 8,051 | \$ 197,000 | \$ 220,200 | \$ 2 | \$ 425,253 |
| Incurred during the period | - | 23,000 | 12,560 | - | 35,560 |
| Disposition of property (Note 4(a)) | (8,051) | - | - | - | (8,051) |
| As at June 30, 2021 | - | 220,000 | 232,760 | 2 | 452,762 |
| Exploration and evaluation assets | | | | | |
| As at December 31, 2020 | - | 2,402,056 | 195,545 | - | 2,597,601 |
| Site activities | - | 59,656 | - | - | 59,656 |
| Geological and geophysical | - | 18,479 | - | - | 18,479 |
| As at June 30, 2021 | - | 2,480,192 | 195,545 | - | 2,675,737 |
| Balance, June 30, 2021 | \$ - | \$ 2,700,192 | \$ 428,305 | \$ 2 | \$ 3,128,499 |
| Acquisition costs | | | | | |
| As at December 31, 2019 | \$ 8,051 | \$ 121,500 | \$ 180,200 | \$ 2 | \$ 309,753 |
| Incurred during the period | - | 25,500 | 20,000 | - | 45,500 |
| As at June 30, 2020 | 8,051 | 147,000 | 200,200 | 2 | 355,253 |
| Exploration and evaluation assets | | | | | |
| As at December 31, 2019 | - | 2,116,561 | 195,545 | - | 2,312,106 |
| Site activities | - | 19,418 | - | - | 19,418 |
| As at June 30, 2020 | - | 2,135,979 | 195,545 | - | 2,331,524 |
| Balance, June 30, 2020 | \$ 8,051 | \$ 2,282,979 | \$ 395,745 | \$ 2 | \$ 2,686,777 |

a) Kena and Daylight Gold-Copper Properties, Ymir, British Columbia, Canada

The Kena and Daylight Properties (the "Project") are comprised of the original Kena claims, Daylight claims and additional properties under option. The properties are contiguous and are located near the community of Ymir in southeastern British Columbia.

In September 2016, the Company entered into an agreement (as amended in June 2019) with Boundary Gold and Copper Mining Ltd. ("BGCM") to option out an 80% interest in the Project owned by Apex. On April 7, 2021, West Mining Corp. ("West") acquired BGCM's option on the Project.

On April 7, 2021, the Company entered into an asset purchase agreement (the "Agreement") with West whereby West acquired the Company's remaining 20% interest in the Project in exchange for aggregate cash payments of \$300,000, an aggregate of 1,500,000 common shares of West and West granting the Company a 1.0% net smelter returns royalty on the Project, with West having the right to purchase the NSR for \$500,000 at any time prior to the commencement of commercial production on the Project. The 1,500,000 shares have been valued at \$472,500 based on the closing price (on the TSX Venture Exchange) of West on May 7, 2021, the closing date of the transaction.

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Notes to financial statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Kena and Daylight Gold-Copper Properties, Ymir, British Columbia, Canada (continued)

The Company has received the cash payments aggregating \$300,000 and West has issued the shares to Apex on the following basis: 375,000 shares will be subject to a four-month hold period, 375,000 shares will be subject to a four-month hold period and a voluntary six-month escrow period, and 750,000 shares will be subject to a four-month hold period and a voluntary 12-month escrow period.

As a result of the transaction, the Company recorded a gain on sale of disposition of the Project of \$761,509 during the three months ended June 30, 2021.

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.

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, 2020 have been made. (In 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 (paid April 1, 2021) | \$ 20,000 | – |
| Total | \$ 55,000 | 100,000 |

Ore Hill is subject to a 2% NSR royalty which the Company may purchase for \$250,000 at any time.

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(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

c) 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, (amended as below) | \$ 80,000 | - | \$ 250,000 |
| At end of 54 months | \$ 80,000 | - | - |
| Total | \$ 300,000 | 1,000,000 | \$ 385,000 |

On March 1, 2021, the Company renegotiated the terms of the Mount Anderson option agreement. Under the terms of the amending agreement, the remaining \$160,000 cash payment is due by September 15, 2021 and the remaining \$250,000 work commitment is to be incurred by September 25, 2022. The Company made a payment of \$12,000 for the extension.

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 through profit or loss and measured at fair value with fair value gains and losses recognized in income.

| | Number of Shares | Historical Cost | Fair value June 30, 2021 | Fair value December 31, 2020 |
|---|---------------------|--------------------|--------------------------------|------------------------------------|
| Term deposits – GICs | - | \$ 36,000 | \$ 36,000 | \$ 36,000 |
| Marketable securities: | | | | |
| Altair Resources Inc. | 33,333 | 257,500 | 4,333 | 1,000 |
| Boundary Gold and Copper Mining Ltd. | 300,000 | 176,251 | 12,000 | 18,000 |
| West Mining Corp. | 1,500,000 | 472,500 | 330,000 | - |
| Total short-term investments | | \$ 942,251 | \$ 382,333 | \$ 55,000 |

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Notes to financial statements

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(Expressed in Canadian dollars)

6. CREDIT CARD DEPOSIT

The amount of \$17,250 as at June 30, 2021 (December 31, 2020 - \$17,250) represents a three-year guaranteed investment certificate with interest at prime minus 2.20% (December 31, 2020 – prime minus 2.20%), held by the bank as security for the Company's credit card usage.

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued and outstanding

Year ended December 31, 2020

On November 2, 2020, the Company closed a non-brokered private placement ("PP") 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. 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. Share issue costs in connection with the PP amounted to \$13,615. The Company also issued a finders' fee of 52,000 warrants to third party finders in connection with the closing of the PP. The fair value of the finders' warrants was \$4,391. 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 \$0.30 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 September 4, 2020, the Company closed a non-brokered PP 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 three years. 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 PP. The fair value of the finders' warrants was \$17,910. There are no accelerated expiry provisions for warrants issued in the September 4, 2020 PP.

On July 24, 2020, the Company closed a non-brokered PP 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. Share issue costs in connection with the PP amounted to \$18,797. The Company also issued a finders' fee of 171,600 warrants to third party finders in connection with the closing of the PP. 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 March 16, 2020, the Company issued 50,000 common shares with a fair value of \$2,500 relating to the option payments for the Ore Hill Property.

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(Expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

(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.

As at June 30, 2021, the Company had 1,010,000 options outstanding at an exercise price of \$0.15 and an expiry date of March 8, 2022. All options are fully vested and the weighted average remaining contractual life of stock options outstanding was 0.69 years (December 31, 2020 – 1.19 years) at a weighted average exercise price of \$0.15 (December 31, 2020 - \$0.15).

A summary of the changes in stock options for the three and six months ended June 30, 2021 and the years ended December 31, 2020 and 2019 is presented below:

| | Number of Options | Weighted Ave Exercise Price |
|---|----------------------|--------------------------------|
| Balance, December 31, 2018 | 860,000 | \$ 0.15 |
| Granted, October 29, 2019 | 150,000 | \$ 0.15 |
| Balance, June 30, 2021, December 31, 2020 and 2019 | 1,010,000 | \$ 0.15 |

(d) Share purchase warrants

The following share purchase warrants were outstanding as at June 30, 2021:

| | Number of warrants | Exercise price | Expiry date |
|---|-----------------------|----------------|-------------------|
| Private placement - July 24, 2020 | 5,769,231 | \$0.14 | July 24, 2021 |
| Warrants issued as finders' fee - July 24, 2020 | 171,600 | \$0.14 | July 24, 2021 |
| Private placement - September 4, 2020 | 2,000,000 | \$0.15 | September 4, 2023 |
| Warrants issued as finders' fee - September 4, 2020 | 160,000 | \$0.15 | September 4, 2023 |
| Private placement - November 2, 2020 | 965,000 | \$0.16 | November 2, 2021 |
| Warrants issued as finders' fee - November 2, 2020 | 52,000 | \$0.16 | November 2, 2021 |
| Balance, June 30, 2021 | 9,117,831 | \$0.145 | |

In connection with the July 24, 2020, September 4, 2020, and November 2, 2020 private placements of units (Note 7(b)), 5,940,831, 2,160,000 and 1,017,000 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, \$0.15 and \$0.16, respectively, for a term of one to three years.

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. The expiry of the November 2, 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 \$0.30 for 21 consecutive trading days. In such cases, the Company may give notice to the holders of the warrants that the warrants will expire 30 days following such notice.

As at June 30, 2021, the weighted average remaining contractual life of the share purchase warrants was 0.84 years (December 31, 2020 – 1.34 years) and the weighted average exercise price was \$0.145 (December 31, 2020 - \$0.145).

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(Expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

(d) Share purchase warrants (continued)

On July 9, 2021, the Company sought approval from the TSX Venture Exchange to extend the expiration date of 5,769,231 warrants originally issued on July 24, 2020 by one year to July 24, 2022. All other terms and conditions of the warrants, including the exercise price, would remain the same.

Consideration received for the private placement units has been allocated between common shares and share purchase warrants on the relative fair value method. The fair values of the warrants issued were calculated using the Black-Scholes pricing model with the following assumptions:

| Issuance dates | July 24, 2020 | September 4, 2020 | November 2, 2020 |
|----------------------------------|------------------|----------------------|---------------------|
| Exercise price per warrant | \$0.14 | \$0.15 | \$0.16 |
| Share price at date of issue | \$0.155 | \$0.135 | \$0.125 |
| Expected life | 1 year | 3 years | 1 year |
| Risk-free interest rate | 0.24% | 0.28% | 0.24% |
| Dividend yield | Nil | Nil | Nil |
| Expected volatility | 222% | 161% | 212% |
| Forfeiture rate | 0% | 0% | 0% |
| Estimated fair value per warrant | \$0.12 | \$0.11 | \$0.08 |

A summary of the changes in share purchase warrants for the three and six months ended June 30, 2021 and the years ended December 31, 2020 and 2019 is presented below:

| | Number of Warrants | Weighted Average Exercise Price |
|---|-----------------------|------------------------------------|
| Balance, December 31, 2019 and 2018 | - | - |
| Issued in 2020 | 9,117,831 | \$ 0.145 |
| Balance, June 30, 2021 and December 31, 2020 | 9,117,831 | \$ 0.145 |

8. RELATED PARTY TRANSACTIONS AND BALANCES

The Company has identified its directors and its two senior officers as its key management personnel. 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:

| | Six months ended June 30, | |
|------------------------------|---------------------------|----------------|
| Key management compensation | 2021 | 2020 |
| Directors' fees | \$ 9,000 | \$ 9,000 |
| Salaries and management fees | 150,000 | 150,000 |
| | 159,000 | 159,000 |

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

APEX RESOURCES INC.

(an exploration stage company)

Notes to financial statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

| | June 30, 2021 | December 31, 2020 |
|------------------------------|------------------|----------------------|
| Balances payable for: | | |
| Directors' fees | \$ 9,000 | \$ 4,500 |
| Salaries and management fees | 212,916 | 100,416 |
| | 221,916 | 104,916 |

During the year ended December 31, 2020, officers of the Company forgave debt in the amount of \$150,000 (salaries and management fees) and directors of the Company forgave debt in the amount of \$9,000 (directors' fees). The balances payable shown above are net of the amounts forgiven.

9. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. 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 June 30, 2021, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2020, are shown in the table below:

| | June 30, 2021 | | December 31, 2020 | |
|--|---------------|----------------|-------------------|----------------|
| | Fair value | Carrying value | Fair value | Carrying value |
| Financial assets | | | | |
| Cash | \$ 302,381 | \$ 302,381 | \$ 149,851 | \$ 149,851 |
| Short-term investments | 382,333 | 382,333 | 55,000 | 55,000 |
| Credit card deposit | 17,250 | 17,250 | 17,250 | 17,250 |
| Reclamation deposits | 33,620 | 33,620 | 33,620 | 33,620 |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 132,734 | 132,734 | 56,114 | 56,114 |
| Related party payables | 221,916 | 221,916 | 104,916 | 104,916 |

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 June 30, 2021, constitute Level 1 measurements for its cash, short-term investments, credit card deposit and reclamation deposits within the fair value hierarchy.

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(an exploration stage company)

Notes to financial statements

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9. FINANCIAL INSTRUMENTS (CONTINUED)

The Company recognized interest income during the six months ended June 30, 2021 totaling \$53 (six months ended June 30, 2020 – \$224). 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 June 30, 2021, 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. All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of June 30, 2021 and all of the related party payable and accrued liabilities are non-interest bearing and are due on demand.

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 June 30, 2021 and December 31, 2020, the Company had no significant exposure to interest rate risk through its financial instruments.

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(an exploration stage company)

Notes to financial statements

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS (CONTINUED)

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.

As at June 30, 2021, the Company had a working capital surplus of \$340,483 (December 31, 2020 – working capital surplus of \$64,812) 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 \$706,000 through three separate non-brokered private placements completed on July 24, 2020, September 4, 2020, and November 2, 2020 (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. There have been no changes in the Company's approach to management of capital during the year.

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.