

APEX RESOURCES INC.
(an exploration stage company)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF APEX RESOURCES INC.

Opinion

We have audited the financial statements of Apex Resources Inc. (the "Company"), which comprise:

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

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of \$226,268 during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit of \$24,592,130. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 26, 2021

APEX RESOURCES INC.

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

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		\$ 149,851	\$ 100,231
Receivables		16,245	11,403
Prepaid expenses		4,746	2,608
Short-term investments	5	55,000	44,167
		225,842	158,409
Non-current assets			
Exploration and evaluation assets	4	3,022,854	2,621,859
Credit card deposit	6	17,250	17,250
Advance		2,000	2,000
Reclamation deposits		33,620	23,120
		\$ 3,301,566	\$ 2,822,638
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 56,114	\$ 90,057
Related party payable and accrued liabilities	8	104,916	21,910
		161,030	111,967
Equity			
Share capital	7	23,362,487	23,021,454
Warrants reserve	7	744,149	429,049
Share-based payments reserve	7	3,626,030	3,626,030
Deficit		(24,592,130)	(24,365,862)
		3,140,536	2,710,671
		\$ 3,301,566	\$ 2,822,638

Approved and authorized for issue by the Board on April 26, 2021.

(Signed) "Arthur G. Troup"

Director

(Signed) "Robin Merrifield"

Director

See the accompanying notes to these financial statements.

APEX RESOURCES INC.

(an exploration stage company)

Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

		Year ended December 31,	
	Note	2020	2019
Expenses:			
Directors' fees	8	\$ 18,000	\$ 18,000
Insurance		4,065	3,800
Interest and other		715	988
Legal, accounting and audit		22,079	53,553
Office and administration		16,924	25,593
Salaries and management fees	8	300,830	301,775
Share-based compensation	7(c),8	-	5,338
Shareholder communications		34,034	16,220
Travel and conferences		-	13,147
Loss before other items		(396,647)	(438,414)
Other items:			
Gain on forgiveness of debt	8	159,000	112,500
Interest income		546	1,387
Mineral property option income		-	257,500
Mineral property impairment loss	4(c),4(d)	-	(351,486)
Unrealized gain (loss) on short-term investments	5	10,833	(51,125)
Net loss and comprehensive loss for the year		\$ (226,268)	\$ (469,638)
Weighted average number of common shares outstanding - basic and diluted		18,875,827	14,696,332
Loss per share, basic and diluted		\$ (0.01)	\$ (0.03)

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

(an exploration stage company)

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, 2018		14,177,214	\$ 22,938,534	\$ 429,049	\$ 3,620,692	\$ (23,896,224)	\$ 3,092,051
Shares issued for mineral properties	4(b),4(e)	1,106,000	75,420	-	-	-	75,420
Shares issued for debt		150,000	7,500	-	-	-	7,500
Share-based compensation		-	-	-	5,338	-	5,338
Net loss for the year		-	-	-	-	(469,638)	(469,638)
Balance, December 31, 2019		15,433,214	23,021,454	429,049	3,626,030	(24,365,862)	2,710,671
Shares issued for mineral properties	4(b)(ii)	50,000	2,500	-	-	-	2,500
Shares and warrants issued pursuant to private placements	7(b)	9,079,231	411,463	294,537	-	-	706,000
Share issue costs	7(b)	-	(30,760)	(21,607)	-	-	(52,367)
Finders' warrants	7(b)	-	(42,170)	42,170	-	-	-
Net loss for the year		-	-	-	-	(226,268)	(226,268)
Balance, December 31, 2020		24,562,445	\$ 23,362,487	\$ 744,149	\$ 3,626,030	\$ (24,592,130)	\$ 3,140,536

See the accompanying notes to the financial statements.

APEX RESOURCES INC.

(an exploration stage company)

Statements of Cash Flows

(Expressed in Canadian dollars)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Operating activities			
Net loss for the year		\$ (226,268)	\$ (469,638)
Items not involving cash:			
Share-based compensation		-	5,338
Mineral property option income		-	(257,500)
Unrealized (gain) loss on short-term investments	5	(10,833)	51,125
Gain on forgiveness of debt		(159,000)	(112,500)
Mineral property impairment loss		-	351,486
Changes in non-cash operating working capital			
Receivables		(4,842)	971
Prepaid expenses		(2,138)	(2,000)
Accounts payable and accrued liabilities		(33,943)	29,122
Related party payable and accrued liabilities		242,006	103,591
		(195,018)	(300,005)
Investing activities:			
Mineral property exploration and evaluation costs	4	(398,495)	(189,110)
Mineral property option payments received		-	250,000
Reclamation deposits		(10,500)	(8,000)
Short-term investments redeemed		-	210,000
		(408,995)	262,890
Financing activities:			
Proceeds from private placement	7(b)	706,000	-
Share issue costs	7(b)	(52,367)	-
		653,633	-
Change in cash during the year		49,620	(37,115)
Cash, beginning of year		100,231	137,346
Cash, end of year		\$ 149,851	\$ 100,231

See the accompanying notes to the financial statements.

Supplemental information

Interest received	\$	584	\$	1,140
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Non-cash transactions

Shares issued under mineral property option agreements	\$	2,500	\$	75,420
Shares issued for debt		-		7,500
Shares received under mineral property option agreements		-		7,500
Finders' warrants issued pursuant to private placement	7(b)	42,170		-

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Notes to financial statements

For the years ended December 31, 2020 and 2019

(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 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, 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 loss of \$226,268 for the year ended December 31, 2020 and had an accumulated deficit of \$24,592,130 as at December 31, 2020. 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 contagious disease outbreak 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.

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.

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Notes to financial statements

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(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (CONTINUED)

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

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Notes to financial statements

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(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (CONTINUED)

d) Significant accounting estimates and judgments (continued)

ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

The going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Flow-through expenditures

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

Exploration and evaluation interests

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property interests. In respect of costs incurred for its mineral property interests, management has determined that acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities, existing permits, and ability to continue development. Management determined that there are no indicators of impairment on its exploration and evaluation interests.

Impairment

The assessment of any impairment or recovery of exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions. Judgment is required in assessing the appropriate level of cash generating units to be tested for such impairment, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

e) Comparative figures

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

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

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 profit or loss. All guaranteed investment certificates ("GICs") have original maturity dates ranging from 91 days to 1 year from acquisition.

c) Evaluation expenditures assets

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.

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 CGU) is increased to its recoverable amount, to the extent 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 CGU) 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) 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.

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable 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 reporting date, the Company evaluates whether it has incurred any decommissioning costs related to the exploration and evaluation of its mineral properties. As at December 31, 2020, a provision of approximately \$25,000 has been recorded in accounts payable for such site reclamation or abandonment.

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Notes to financial statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) 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. Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated using the relative fair value method with the fair value of the warrants determined using the Black-Scholes option pricing model.

i) Earnings (loss) per common share

Basic earnings (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.

j) 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.

k) 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 (the fair value of the common shares) and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of operations within other income when the eligible expenditures are incurred.

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Notes to financial statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments

All financial assets and financial liabilities are initially recognized by the Company when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss. Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

(i) *Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses from changes in the fair value of the asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition of the investment.

Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on de-recognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss.

Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(ii) *Financial liabilities*

The Company measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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Notes to financial statements

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(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

(iii) Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments. The Company did not recognize impairment losses during the year ended December 31, 2020.

The Company has no hedging arrangements and does not apply hedge accounting.

The following table shows the classification of the Company's financial instruments:

Financial assets

Cash	Amortized cost
Receivables	Amortized cost
Short-term investments	FVTPL
Deposits	Amortized cost

Financial liabilities

Accounts payable and accrued liabilities	Amortized cost
Related party payable and accrued liabilities	Amortized cost

j) Future accounting standards

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

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Notes to financial statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

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

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	GOLDEN TRIANGLE PROPERTY, BRITISH COLUMBIA	RED RIDGE PROPERTY, YUKON	MOUNT ANDERSON PROPERTY, YUKON	TOTAL
Acquisition costs						
As at December 31, 2019	\$ 8,051	\$ 121,500	\$ 1	\$ 1	\$ 180,200	\$ 309,753
Incurred during the period	–	75,500	–	–	40,000	115,500
As at December 31, 2020	8,051	197,000	1	1	220,200	425,253
Exploration and evaluation costs						
As at December 31, 2019	\$ –	\$ 2,116,561	\$ –	\$ –	\$ 195,545	\$ 2,312,106
Site activities	–	29,812	–	–	–	29,812
Geological and geophysical	–	255,683	–	–	–	255,683
As at December 31, 2020	–	2,402,056	–	–	195,545	2,597,601
Balance, December 31, 2020	\$ 8,051	\$ 2,599,056	\$ 1	\$ 1	\$ 415,745	\$ 3,022,854
Acquisition costs						
As at December 31, 2018	\$ 8,051	\$ 50,000	\$ 78,914	\$ 40,500	\$ 93,200	\$ 270,665
Incurred during the year	–	71,500	–	–	87,000	158,500
Impairment (Notes 4(c) and 4(d))	–	–	(78,913)	(40,499)	–	(119,412)
As at December 31, 2019	8,051	121,500	1	1	180,200	309,753
Exploration and evaluation costs						
As at December 31, 2018	\$ –	\$ 2,010,581	\$ 138,339	\$ 89,905	\$ 191,825	\$ 2,430,650
Site activities	–	11,804	–	–	–	11,804
Geological and geophysical	–	94,176	–	3,830	3,720	101,726
Impairment (Notes 4(c) and 4(d))	–	–	(138,339)	(93,735)	–	(232,074)
As at December 31, 2019	–	2,116,561	–	–	195,545	2,312,106
Balance, December 31, 2019	\$ 8,051	\$ 2,238,061	\$ 1	\$ 1	\$ 375,745	\$ 2,621,859

APEX RESOURCES INC.

(an exploration stage company)

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(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Kena Property, Ymir, British Columbia, Canada

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

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

- make the following cash payments to the Company:

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

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

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

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

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

- incur exploration expense as follows:

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

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

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

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(an exploration stage company)

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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

i) *Jersey Emerald Property, Salmo, British Columbia*

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is comprised of the original 28 crown granted mineral claims, four 2-post claims and 80 mineral units acquired by option in 1993 and several additional properties acquired by staking or by option.

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	\$ 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.

c) Golden Triangle Property, British Columbia

During the year ended December 31, 2019, the Company determined that it did not have plans to continue exploration of the property. Accordingly, the Golden Triangle Property was written down to \$1 and an amount of \$217,252 was recorded in net loss.

d) Red Ridge Property, Whitehorse Mining District, Yukon

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

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(an exploration stage company)

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

e) Mount Anderson Property, Whitehorse Mining District, Yukon

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

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

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

5. SHORT-TERM INVESTMENTS

Short-term investments are classified as fair value 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 December 31, 2020	Fair value December 31, 2019
Term deposits – GICs	-	\$ 36,000	\$ 36,000	\$ 36,000
Marketable securities:				
Altair Resources Inc.	33,333	257,500	1,000	667
Boundary Gold and Copper Mining Ltd. (Note 4(a))	300,000	176,251	18,000	7,500
Total short-term investments		\$ 469,751	\$ 55,000	\$ 44,167

6. CREDIT CARD DEPOSIT

The amount of \$17,250 as at December 31, 2020 (2019 - \$17,250) represents a three-year guaranteed investment certificate with interest at prime minus 2.20% (2019 – prime minus 2.20%), held by the bank as security for the Company's credit card usage.

APEX RESOURCES INC.

(an exploration stage company)

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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 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 (until November 2, 2021). The securities were subject to a hold period expiring March 3, 2021. Share issue costs in connection with the private placement 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 private placement. 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 private placement pursuant to which it issued 2,000,000 units at a price of \$0.10 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one share purchase warrant. Each warrant gives the holder the right to acquire a further common share of the Company at a price of \$0.15 for a term of three years (until September 4, 2023). The securities were subject to a hold period expiring January 5, 2021. Share issue costs in connection with the private placement amounted to \$19,955. The Company also issued a finders' fee of 160,000 warrants to third party finders in connection with the closing of the private placement. The fair value of the finders' warrants was \$17,910. There are no accelerated expiry provisions for warrants issued in the September 4, 2020 private placement.

On July 24, 2020, the Company closed a non-brokered private placement pursuant to which it issued 5,769,231 units at a price of \$0.065 per unit for gross proceeds of \$375,000. Each unit consists of one common share and one share purchase warrant. Each warrant gives the holder the right to acquire a further common share of the Company at a price of \$0.14 for a term of one year (until July 24, 2021). The securities were subject to a hold period expiring November 25, 2020. Share issue costs in connection with the private placement amounted to \$18,797. The Company also issued a finders' fee of 171,600 warrants to third party finders in connection with the closing of the private placement. The fair value of the finders' warrants was \$19,869. The expiry of the warrants (including the finders' warrants) may be accelerated at the election of the Company in circumstances where, at any time following 6 months from the issuance of the warrants, the closing price of the Company's shares on the TSX Venture Exchange is equal to or greater than \$0.20 for 21 consecutive trading days. In such case, the Company may give notice to the holders of the warrants that the warrants will expire 30 days following such notice.

On 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.

APEX RESOURCES INC.

(an exploration stage company)

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7. SHARE CAPITAL (CONTINUED)

(b) Issued and outstanding

Year ended December 31, 2019

On October 29, 2019, the Company issued 356,000 common shares with a fair value of \$24,920 relating to the annual advance royalty payments for the Jersey Emerald Property.

On October 2, 2019, the Company issued 400,000 common shares with a fair value of \$26,000 relating to the Mount Anderson Property option agreement.

On June 28, 2019, the Company issued 50,000 common shares at a fair value of \$0.05 per share to settle debt of \$2,500.

On June 26, 2019, the Company issued 100,000 common shares at a fair value of \$0.05 per share to settle debt of \$5,000.

On March 12, 2019, the Company issued 300,000 common shares with a fair value of \$21,000 relating to the Mount Anderson Property option agreement.

On March 11, 2019, the Company issued 50,000 common shares with a fair value of \$3,500 relating to the option payments for the Ore Hill Property.

(c) Stock options

The Company has a stock option plan which allows for the grant of options to purchase up to 1,029,017 common shares. The following table summarizes information about the stock options outstanding at December 31, 2020:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number Outstanding</u>
March 8, 2022	\$ 0.15	1,010,000

As at December 31, 2020, all options are fully vested and the weighted average remaining contractual life of stock options outstanding was 1.19 years (2019 – 2.19 years) at a weighted average exercise price of \$0.15 (2019 - \$0.15).

A summary of the changes in stock options for the years ended December 31, 2020 and 2019 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2018	860,000	\$ 0.15
Granted, October 29, 2019	150,000	\$ 0.15
Balance, December 31, 2020 and 2019	1,010,000	\$ 0.15

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(Expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

(c) Stock options (continued)

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

Grant date	October 29, 2019
Exercise price per option	\$0.15
Share price at date of issue	\$0.07
Expected life	2.19 years
Risk-free interest rate	1.70%
Dividend yield	Nil
Expected volatility	125%
Forfeiture rate	0%
Estimated fair value per option	\$0.07

(d) Share purchase warrants

The following share purchase warrants were outstanding as at December 31, 2020:

	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, December 31, 2020	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 year.

The expiry of the July 24, 2020 warrants may be accelerated at the election of the Company in circumstances where, at any time following 6 months from the issuance of the warrants, the closing price of the Company's shares on the TSX Venture Exchange is equal to or greater than \$0.20 for 21 consecutive trading days. 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 December 31, 2020, the weighted average remaining contractual life of the share purchase warrants was 1.34 years (2019 – Nil years) and the weighted average exercise price was \$0.145 (2019 - \$Nil).

APEX RESOURCES INC.

(an exploration stage company)

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7. SHARE CAPITAL (CONTINUED)

(d) Share purchase warrants (continued)

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

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 year	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

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

A summary of the changes in share purchase warrants for the years ended December 31, 2020 and 2019 is presented below:

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

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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:

Key management compensation:	Year ended December 31,	
	2020	2019
Directors' fees	\$ 18,000	\$ 18,000
Salaries and management fees	300,830	300,000
Directors' fees forgiven	(9,000)	-
Salaries and management fees forgiven	(150,000)	(112,500)
Share-based compensation	-	5,338
Total	\$ 159,830	\$ 210,838

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.

Balances payable for:	December 31,	December 31,
	2020	2019
Directors' fees	\$ 4,500	\$ 9,000
Office and administration expense	-	160
Salaries and management fees	100,416	12,750
Total	\$ 104,916	\$ 21,910

During the year ended December 31, 2020, officers of the Company forgave debt in the amount of \$150,000 (included in salaries and management fees) (2019 – \$112,500) and directors of the Company forgave debt in the amount of \$9,000 (included in directors' fees) (2019 – \$nil). The balances payable shown above are net of the amounts forgiven.

9. INCOME TAXES

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

	December 31,	December 31,
	2020	2019
Combined statutory tax rate	27%	27%
Income tax recovery at combined statutory rate	\$ (61,000)	\$ (127,000)
Non-deductible expenses	(1,000)	8,000
Change in estimates and other	(14,000)	--
Change in deferred tax assets not recognized	76,000	119,000
Deferred income tax recovery	\$ -	\$ --

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9. INCOME TAXES (CONTINUED)

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

	December 31, 2020	December 31, 2019
Non-capital losses	\$ 2,088,000	\$ 2,014,000
Capital losses	4,000	4,000
Exploration and evaluation assets	3,488,000	3,495,000
Short-term investments	56,000	58,000
Other deductible temporary differences	232,000	221,000
Unrecognized deferred tax assets	(5,868,000)	(5,792,000)
	\$ -	\$ -

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.

The Company has Canadian non-capital losses carried forward of approximately \$7,733,000 (2019 - \$7,461,000) 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	428,000
2037	91,000
2038	163,000
2039	89,000
2040	272,000
	<u>7,733,000</u>

The Company has resource pools of approximately \$15,941,000 (2019 - \$15,565,000) available to offset future taxable income. The tax benefit of these amounts is available to be carried forward indefinitely. The Company also has investment tax credits totalling approximately \$267,000 (2019 - \$267,000).

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(an exploration stage company)

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

	December 31, 2020		December 31, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash	\$ 149,851	\$ 149,851	\$ 100,231	\$ 100,231
Short-term investments	55,000	55,000	44,167	44,167
Credit card deposit	17,250	17,250	17,250	17,250
Reclamation deposits	33,620	33,620	23,120	23,120
Financial liabilities				
Accounts payable and accrued liabilities	56,114	56,114	90,057	90,057
Related party payable	104,916	104,916	21,910	21,910

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

- i) Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly, such as quoted prices for similar assets or liabilities in active markets, or indirectly, such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 - Applies to assets or liabilities for which there are unobservable market data.

The fair values of the Company's financial instruments measured at December 31, 2020, constitute Level 1 measurements for its cash, short-term investments, credit card deposit and reclamation deposits within the fair value hierarchy.

The Company recognized interest income during the year ended December 31, 2020 totaling \$546 (2019 – \$1,387). 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, 2020, is the carrying value of its financial assets.

APEX RESOURCES INC.

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10. FINANCIAL INSTRUMENTS (CONTINUED)

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 11, in normal circumstances. All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2020 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 December 31, 2020 and 2019, the Company has no significant exposure to interest rate risk through its financial instruments.

Currency Risk

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

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11. MANAGEMENT OF CAPITAL

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

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

The Company currently has a working capital of \$64,812 (2019 – working capital of \$46,442) and must rely on equity financings, or forms of joint venture or other types of financing to fund operations and to continue exploration and evaluation work and to meet its administrative overhead costs in future years (Note 2(b)). The Company raised gross proceeds of \$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.

12. SUBSEQUENT EVENTS

- (a) 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.
- (b) On April 1, 2021, the Company paid \$20,000 as payment pursuant to the option agreement of the Ore Hill Property.
- (c) On April 7, 2021, the Company entered into an asset purchase agreement (the "Agreement") with West Mining Corp. ("West") whereby West will acquire the Company's remaining 20% interest in the Kena and Daylight Gold-Copper Properties (the "Project") in British Columbia in exchange for aggregate cash payments of \$300,000, an aggregate of 1,500,000 common shares of West (each, a "Share"), 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.

Closing of the Agreement is subject to receipt of approvals of the Canadian Securities Exchange (if required) by West and of the TSX Venture Exchange by the Company. The Company has received a \$100,000 cash payment on execution of the Agreement, with the remaining \$200,000 due upon regulatory approval. West will issue the Shares to Apex on the closing date as follows: 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.