

APEX RESOURCES INC.
(an exploration stage company)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(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, 2021 and 2020;
- ♦ 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, 2021 and 2020, 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 \$414,837 during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit of \$25,006,967. 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.

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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 28, 2022

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APEX RESOURCES INC.

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

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash		\$ 22,372	\$ 149,851
Receivables		14,092	16,245
Prepaid expenses		17,871	4,746
Short-term investments	5	190,500	55,000
		244,835	225,842
Non-current assets			
Exploration and evaluation assets	4	2,778,125	3,022,854
Credit card deposit	6	17,250	17,250
Advance		2,000	2,000
Reclamation deposits		33,620	33,620
		\$ 3,075,830	\$ 3,301,566
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 61,631	\$ 56,114
Related party payable and accrued liabilities	8	288,500	104,916
		350,131	161,030
Equity			
Share capital	7	23,362,487	23,362,487
Warrants reserve	7	744,149	744,149
Share-based payments reserve	7	3,626,030	3,626,030
Deficit		(25,006,967)	(24,592,130)
		2,725,699	3,140,536
		\$ 3,075,830	\$ 3,301,566

Approved and authorized for issue by the Board on April 28, 2022.

(Signed) "Jay Roberge"

Director

(Signed) "Adam Pankratz"

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	2021	2020
Expenses:			
Directors' fees	8	\$ 18,000	\$ 18,000
Insurance		4,330	4,065
Interest and other		1,230	715
Legal, accounting and audit		42,296	22,079
Office and administration		19,408	16,924
Salaries and management fees	8	299,806	300,830
Shareholder communications		20,103	34,034
Technical reports		36,088	-
Loss before other items		(441,261)	(396,647)
Other items:			
Gain on forgiveness of debt	8	-	159,000
Interest income		220	546
Gain on disposition of Kena property	4(a)	761,509	-
Write-down of Mount Anderson property	4(c)	(428,305)	-
Unrealized (loss) gain on short-term investments	5	(307,000)	10,833
Net loss and comprehensive loss for the year		\$ (414,837)	\$ (226,268)
Weighted average number of common shares outstanding - basic and diluted		24,562,445	18,875,827
Loss per share, basic and diluted		\$ (0.02)	\$ (0.01)

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, 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		9,079,231	411,463	294,537	-	-	706,000
Share issue costs		-	(30,760)	(21,607)	-	-	(52,367)
Finders' warrants		-	(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
Net loss for the year		-	-	-	-	(414,837)	(414,837)
Balance, December 31, 2021		24,562,445	\$ 23,362,487	\$ 744,149	\$ 3,626,030	\$ (25,006,967)	\$ 2,725,699

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, 2021	Year ended December 31, 2020
Operating activities			
Net loss for the year		\$ (414,837)	\$ (226,268)
Items not involving cash:			
Gain on disposition of Kena property	4(a)	(761,509)	-
Unrealized loss (gain) on short-term investments	5	307,000	(10,833)
Gain on forgiveness of debt		-	(159,000)
Write-down of Mount Anderson property	4(c)	428,305	-
Changes in non-cash operating working capital			
Receivables		2,153	(4,842)
Prepaid expenses		(13,125)	(2,138)
Accounts payable and accrued liabilities		2,577	(33,943)
Related party payable and accrued liabilities		183,584	242,006
		(265,852)	(195,018)
Investing activities:			
Mineral property exploration and evaluation costs	4	(191,627)	(398,495)
Reclamation deposits		-	(10,500)
Short-term investments redeemed		30,000	-
Proceeds from disposition of Kena Property		300,000	-
		138,373	(408,995)
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		(127,479)	49,620
Cash, beginning of year		149,851	100,231
Cash, end of year		\$ 22,372	\$ 149,851

See the accompanying notes to the financial statements.

Supplemental information

Interest received	\$	137	\$	584
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Non-cash transactions

Shares issued under mineral property option agreements	\$	-	\$	2,500
Finders' warrants issued pursuant to private placement	7(b)	-		42,170
Shares received from disposition of Kena Property	4(a)	472,500		-

APEX RESOURCES INC.

(an exploration stage company)

Notes to financial statements

For the years ended December 31, 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 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 28, 2022.

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 \$414,837 for the year ended December 31, 2021 and had an accumulated deficit of \$25,006,967 as at December 31, 2021. 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.

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2021 and 2020

(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:

Recoverable amount of exploration and evaluation assets

The carrying value of exploration and evaluation assets and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

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.

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (CONTINUED)

d) Significant accounting estimates and judgments (continued)

ii) Critical accounting judgments (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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.

APEX RESOURCES INC.

(an exploration stage company)

Notes to financial statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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.

c) 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.

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(an exploration stage company)

Notes to financial statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) 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.

f) 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, 2021, a provision of approximately \$25,000 has been recorded in accounts payable for such site reclamation or abandonment.

g) 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.

h) 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.

i) 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.

APEX RESOURCES INC.

(an exploration stage company)

Notes to financial statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Share-based payments (continued)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods 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.

j) 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.

k) 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.

APEX RESOURCES INC.

(an exploration stage company)

Notes to financial statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

(i) *Financial assets (continued)*

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.

(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, 2021.

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	FVTPL
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

APEX RESOURCES INC.

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Notes to financial statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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.

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	-	73,000	12,560	-	85,560
Write-downs (Note 4(c))	-	-	(232,760)	-	(232,760)
Disposition of property (Note 4(a))	(8,051)	-	-	-	(8,051)
As at December 31, 2021	-	270,000	-	2	270,002
Exploration and evaluation assets					
As at December 31, 2020	-	2,402,056	195,545	-	2,597,601
Site activities	-	9,337	-	-	9,337
Geological and geophysical	-	96,730	-	-	96,730
Write-downs (Note 4(c))	-	-	(195,545)	-	(195,545)
As at December 31, 2021	-	2,508,123	-	-	2,508,123
Balance, December 31, 2021	\$ -	\$ 2,778,123	\$ -	\$ 2	\$ 2,778,125
Acquisition costs					
As at December 31, 2019	\$ 8,051	\$ 121,500	\$ 180,200	\$ 2	\$ 309,753
Incurred during the period	-	75,500	40,000	-	115,500
As at December 31, 2020	8,051	197,000	220,200	2	425,253
Exploration and evaluation assets					
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	\$ 415,745	\$ 2	\$ 3,022,854

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(an exploration stage company)

Notes to financial statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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 (“NSR”) 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 4, 2021, the closing date of the transaction.

The Company received cash payments aggregating \$300,000 and West issued shares to Apex on the following basis: (i) 375,000 shares subject to a four-month hold period, (ii) 375,000 shares subject to a four-month hold period and a voluntary six-month escrow period, and (iii) 750,000 shares 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, net of legal fees of \$2,940, during the year ended December 31, 2021.

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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. For the year ended December 31, 2021, annual advance royalty payments of \$53,000 (2020 - \$53,000) have been made.

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)	\$ 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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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 a 100% undivided interest in the Mount Anderson Property, Yukon. The Company and the Optionors amended the agreement on August 29, 2019. Pursuant to the amended 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, (previously due in March 2021, as 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 for a cash payment of \$12,000. Under the terms of the amending agreement, the remaining \$160,000 cash payment is due by December 15, 2021 and the remaining \$250,000 work commitment is to be incurred by September 25, 2022. On December 15, 2021, the Company elected not to proceed with the \$160,000 payment and as a result, the Company concluded it has no intention to pursue the project, an indicator of impairment leading to a test of recoverable amount, which resulted in an impairment expense of \$428,305. A value in use calculation is not applicable as the Company does not have expected cash flows from the property in this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

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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, 2021	Fair value December 31, 2020
Term deposits – GICs	–	\$ 6,000	\$ 6,000	\$ 36,000
Marketable securities:				
Altair Resources Inc.	33,333	257,500	3,000	1,000
Boundary Gold and Copper Mining Ltd.	300,000	176,251	9,000	18,000
West Mining Corp. (Note 4(a))	1,500,000	472,500	172,500	–
Total short-term investments		\$ 912,251	\$ 190,500	\$ 55,000

6. CREDIT CARD DEPOSIT

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

APEX RESOURCES INC.

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7. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

There were no share issuances during the year ended December 31, 2021.

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 \$9,092. The Company also issued a finders' fee of 52,000 warrants, on the same terms, to third party finders in connection with the closing of the PP. The fair value of the finders' warrants was \$4,391.

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 \$10,909. The Company also issued a finders' fee of 160,000 warrants, on the same terms, to third party finders in connection with the closing of the PP. The fair value of the finders' warrants was \$17,910.

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. During the year ended December 31, 2021, the expiry date of these warrants was extended by a year (Note 7(d)). Share issue costs in connection with the PP amounted to \$10,759. The Company also issued a finders' fee of 171,600 warrants, on the same terms, 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 (Note 4).

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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 December 31, 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 0.19 years (2020 - 1.19 years) at a weighted average exercise price of \$0.15 (2020 - \$0.15). These options expired unexercised subsequent to the year ended December 31, 2021.

There were no changes to the Company's stock option position for the years ended December 31, 2021 and 2020.

(d) Share purchase warrants

The following share purchase warrants were outstanding as at December 31, 2021:

	Number of warrants	Exercise price	Expiry date
Private placement - July 24, 2020	5,769,231	\$0.14	July 24, 2022
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
Balance, December 31, 2021	7,929,231	\$0.143	

In connection with the July 24, 2020 and September 4, 2020 private placements of units (Note 7(b)), 5,769,231 and 2,160,000 warrants were issued respectively. Each warrant gives the holder the right to acquire a further common share of the Company at a price of \$0.14 and \$0.15, respectively, for a term of two to three years.

A summary of the changes in share purchase warrants for the years ended December 31, 2021 and 2020 is presented below:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	-	
Issued during the year	9,117,831	\$ 0.145
Outstanding, December 31, 2020	9,117,831	\$ 0.145
Expired during the year	(1,188,600)	\$ 0.157
Outstanding, December 31, 2021	7,929,231	\$ 0.143

During the year ended December 31, 2021, the November 2, 2020 warrants, the November 2, 2020 finders' fee warrants and the July 24, 2020 finders' fee warrants expired (Note 7(b)). On November 26, 2021, the TSX Venture Exchange approved the extension of expiry date of the July 24, 2020 warrants for an additional twelve months. These warrants were due to expire on July 24, 2021 and will now expire on July 24, 2022. All original terms of these warrants remain unchanged.

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(an exploration stage company)

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7. SHARE CAPITAL (CONTINUED)

(d) Share purchase warrants (continued)

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.

As at December 31, 2021, the weighted average remaining contractual life of the share purchase warrants was 0.87 years (2020 – 1.34 years) and the weighted average exercise price was \$0.143 (2020 - \$0.145).

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

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,	
	2021	2020
Directors' fees	\$ 18,000	\$ 18,000
Salaries and management fees	299,806	300,830
Directors' fees forgiven	-	(9,000)
Salaries and management fees forgiven	-	(150,000)
	\$ 317,806	\$ 159,830

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8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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.

	December 31, 2021	December 31, 2020
Balances payable for:		
Directors' fees	\$ 13,500	\$ 4,500
Salaries and management fees	275,000	100,416
	\$ 288,500	\$ 104,916

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) and directors of the Company forgave debt in the amount of \$9,000 (included in directors' fees). 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, 2021	December 31, 2020
Combined statutory tax rate	27%	27%
Income tax recovery at combined statutory rate	\$ (112,000)	\$ (61,000)
Non-deductible expenses	(206,000)	(1,000)
Change in estimates and other	249,000	(14,000)
Change in deferred tax assets not recognized	69,000	76,000
Deferred income tax recovery	\$ -	\$ --

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

	December 31, 2021	December 31, 2020
Non-capital losses	\$ 2,210,000	\$ 2,088,000
Capital losses	4,000	4,000
Exploration and evaluation assets	3,397,000	3,488,000
Short-term investments	97,000	56,000
Other deductible temporary differences	229,000	232,000
Unrecognized deferred tax assets	(5,937,000)	(5,868,000)
	\$ -	\$ -

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.

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9. INCOME TAXES (CONTINUED)

The Company has Canadian non-capital losses carried forward of approximately \$8,185,000 (2020 - \$7,733,000) 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
2041	452,000
	<u>\$ 8,185,000</u>

The Company has resource pools of approximately \$16,133,000 (2020 - \$15,941,000) 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 totaling approximately \$267,000 (2020 - \$267,000), which begin to expire in 2027.

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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, 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:

	December 31, 2021		December 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash	\$ 22,372	\$ 22,372	\$ 149,851	\$ 149,851
Short-term investments	190,500	190,500	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	61,631	61,631	56,114	56,114
Related party payable	288,500	288,500	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 December 31, 2021, 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, 2021 totaling \$220 (2020 - \$546). 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 is primarily its investment in marketable securities of publicly traded companies. 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, 2021, is the carrying value of its financial assets.

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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, 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 December 31, 2021 and 2020, 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 considers its capital structure to consist of shareholders' equity. The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in British Columbia and to maintain a flexible capital structure which will optimize the costs of capital.

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

At December 31, 2021, the Company had a working capital deficiency of \$105,296 (2020 - working capital 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 in the second half of 2020 (Note 7(b)) and raised gross proceeds of \$555,000 through a non-brokered private placement completed in March 2022 (Note 12) 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 8, 2022, the Company completed a non-brokered PP issuing a total of 11,100,000 units (the "Units") at \$0.05 per Unit for total gross proceeds of \$555,000. Each Unit is comprised of one common share in the capital of the Company and one non-transferable share purchase warrant.

Each warrant is exercisable into one common share of the Company for a period of 24 months from the date of issue at an exercise price of \$0.10. The warrants are subject to an acceleration clause whereby if the volume weighted average closing price of the Company's shares on the Exchange is \$0.15 or more for 21 consecutive trading days at any time subsequent to the expiry of six months from the date of issuance of the warrants, then the Company will earn the right by providing notice (the "Acceleration Notice") to the warrant holders, to accelerate the expiry date of the warrants to that date which is 30 days from the date of the Acceleration Notice.

The Company paid total finder's fees of \$2,100 cash and 42,000 finder's warrants (the "Finder's Warrants") in connection with the PP. The Finder's Warrants are exercisable under the same terms as the PP warrants.

All securities issued will be subject to a four month hold period pursuant to securities laws in Canada and will be restricted from trading until July 11, 2022.

- (b) On April 19, 2022, the Company granted 2,039,000 options exercisable at \$0.08 per share until April 19, 2027.