APEX RESOURCES INC.

(an exploration stage company)

CONDENSED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2018
(Expressed in Canadian Dollars)

The accompanying condensed interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements.

APEX RESOURCES INC.

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

	March 31, 2018 (unaudited)	December 31, 2017
Assets		
Current assets		
Cash	$ 13,974	$ 254,183
Receivables	14,147	10,558
Prepaid expenses	2,037	3,859
Short-term investments (Note 5)	557,750	346,167
Total current assets	587,908	614,767
Exploration and evaluation assets (Note 4)	2,781,027	2,869,157
Credit card deposit (Note 6)	17,250	17,250
Reclamation deposits	15,120	15,120
Total assets	$ 3,401,305	$ 3,516,294
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	$ 54,911	$ 56,338
Accounts payable to related parties (Note 9)	10,000	2,805
Total liabilities	64,911	59,143
Equity		
Share capital (Note 7)	22,938,534	22,918,534
Warrants reserve (Note 7)	429,049	429,049
Share-based payments reserve (Note 7)	3,620,692	3,620,692
Deficit	(23,651,881)	(23,511,124)
Total equity	3,336,394	3,457,151
Total liabilities and equity	$ 3,401,305	$ 3,516,294

Going concern (Note 2b)

Approved on Behalf of the Board:

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

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

APEX RESOURCES INC.

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Expenses		
Filing and listing	**$ 5,200**	$ 5,200
Insurance	**950**	750
Interest	**310**	203
Legal, accounting and audit	**6,967**	10,500
Meals and entertainment	**2,304**	1,158
Office and administration	**7,787**	8,997
Salaries and benefits (Note 9)	**46,046**	46,027
Share-based compensation	**–**	147,660
Shareholder communications (Note 9)	**32,754**	27,892
Travel and conferences	**657**	67
Total expenses	**102,975**	248,454
Loss before other items	**(102,975)**	(248,545)
Interest income	**635**	354
Unrealized loss on investments (Note 5)	**(38,417)**	–
Net loss and comprehensive loss	**(140,757)**	(248,100)
Loss per share, basic and diluted	**$ (0.01)**	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	**13,921,658**	13,854,992

APEX RESOURCES INC.

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

	Common Shares Without Par Value					
	Shares	Amount	Warrants Reserve	Share-based Payments Reserve	Deficit	Total Shareholders' Equity
Balance, December 31, 2016	13,827,214	$ 22,902,034	$ 429,049	$ 3,505,692	$ (23,439,730)	$ 3,397,045
Shares issued for mineral properties	100,000	12,000	–	–	–	12,000
Share-based payments	–	–	–	147,660	–	146,660
Comprehensive loss for the period	–	–	–	–	(248,100)	(248,100)
Balance, March 31, 2017	13,927,214	$ 22,914,034	$ 429,049	$ 3,653,352	$ (23,687,830)	$ 3,308,605
Balance, December 31, 2017	13,977,214	$ 22,918,534	$ 429,049	$ 3,620,692	$ (23,511,124)	$ 3,457,151
Shares issued for mineral properties (Note 4e)	200,000	20,000	–	–	–	20,000
Comprehensive loss for the period	–	–	–	–	(140,757)	(140,757)
Balance, March 31, 2018	14,177,214	$ 22,938,534	$ 429,049	$ 3,620,692	$ (23,651,881)	$ 3,336,394

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

APEX RESOURCES INC.

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

	Three months ended March 31, 2018	2017
Operating activities		
Net loss	$ (140,757)	$ (248,100)
Items not involving cash:		
Share-based payments	–	147,660
Unrealized loss on investments	38,417	–
Changes in non-cash operating working capital		
Receivables	(3,589)	67
Prepaid expenses	1,822	1,135
Accounts payable and accrued liabilities	(1,427)	14,632
Accounts payable to related parties	7,195	(1,145)
Cash used in operating activities	(98,339)	(85,751)
Investing		
Mineral property acquisition, exploration and evaluation costs	(41,870)	(86,582)
Mineral property option payments received	150,000	45,000
Short-term investments in GICs purchased	(250,000)	–
Short-term investments in GICs redeemed	–	130,000
Cash provided by (used in) investing activities	(141,870)	88,418
Increase (decrease) in cash during the period	(240,209)	2,667
Cash, beginning of period	254,183	19,026
Cash, end of period	$ 13,974	$ 21,693
Supplemental information		
Interest paid	$ –	$ –
Interest received	635	303
Income tax paid	–	–
Non-cash transactions		
Shares issued under mineral property option agreements	$ 20,000	$ 12,000

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Apex Resources Inc. (the "Company" or "Apex"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trading under the symbol APX. The Company changed its name from Sultan Minerals Inc. to Apex Resources Inc. on July 15, 2016. The address of the Company's corporate office and its principal place of business is 1066 West Hastings Street, Suite 2000, Vancouver, British Columbia, Canada.

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Certain disclosures included in the audited annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the IASB have been condensed or omitted. These condensed interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements. Accordingly, these unaudited condensed interim financial statements should be read in conjunction with the Company's December 31, 2017 audited financial statements.

The financial statements were authorized for issuance by the Board of Directors on May 23, 2018.

b) Going Concern

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $23,651,881 at March 31, 2018, which has been funded primarily by issuance of shares and receipt of mineral property option proceeds. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These factors comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

c) Measurement Basis

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3 of the audited financial statements for the year ended December 31, 2017. All amounts are expressed in Canadian dollars unless otherwise stated.

2. BASIS OF PREPARATION (CONTINUED)

d) Use of Estimates

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

New Accounting Standards Adopted Effective January 1, 2018

- IFRS 9 *Financial Instruments:* The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. The Company has assessed the classification and measurement of its financial assets and financial liabilities in accordance with the new measurement categories under IFRS 9. Classification and measurement of the Company's assets and liabilities remained the same.

  IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The Company designated its short-term investments as financial assets at fair value through profit or loss ("FVTPL"). The Company previously measured its short-term investments at FVTPL, therefore there was no impact on adoption of IFRS 9. These investments continue to be initially recorded at fair value, with subsequent changes being recognized in profit or loss.

- FRS 7 *Financial Instruments* – Disclosure IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. Adoption of this standard did not have a significant impact on the Company's financial statements.

- IFRS 15 *Revenue from Contracts with Customers:* IFRS 15 provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more informative and relevant information. Adoption of this standard did not have a significant impact on the Company's financial statements.

- *Other narrow scope amendments/interpretations*: The Company has adopted narrow scope amendments/interpretations to IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, IFRS 2 *Share Based Payments* and IAS 1 *Presentation of Financial Statements*, which did not have an impact on the Company's condensed interim financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Accounting Standards and Amendments Issued but Not yet Effective

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

The Company has not early adopted the following standard and anticipates that the application of this standard will not have a material impact on the financial position and financial performance of the Company.

(Unaudited) (Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION INTERESTS

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 2017
Acquisition costs						
As at December 31, 2017	$ 8,051	$ –	$ 78,914	$ 40,500	$ 33,200	**$ 160,665**
Incurred during the period	–	–	–	–	40,000	**40,000**
As at March 31, 2018	8,051	–	78,914	40,500	73,200	**200,665**
Exploration and evaluation costs						
Incurred during the year						
Site activities	–	–	–	–	–	**–**
Geological and geophysical	–	–	560	–	21,310	**21,870**
Assays and analysis	–	–	–	–	–	**–**
Option proceeds	–	(150,000)	–	–	–	**(150,000)**
	–	(150,000)	560	–	21,310	**(128,130)**
As at December 31, 2017	–	2,460,000	136,455	79,741	32,296	**2,708,492**
As at March 31, 2018	–	2,310,000	137,015	79,741	53,606	**2,580,362**
Balance, March 31, 2018	**$ 8,051**	**$ 2,310,000**	**$ 215,929**	**$ 120,241**	**$ 126,806**	**$ 2,781,027**

(Unaudited) (Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION INTERESTS (CONTINUED)

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	GOLDEN TRIANGLE PROPERTY, BRITISH COLUMBIA	RED RIDGE PROPERTY, YUKON	MOUNT ANDERSON PROPERTY, YUKON	TOTAL 2017
Acquisition costs						
As at December 31, 2016	$ 8,051	$ –	$ 74,500	$ 16,000	$ –	**$ 98,551**
Acquisition incurred during the year	–	–	4,414	24,500	33,200	**62,114**
As at December 31, 2017	8,051	–	78,914	40,500	33,200	**160,665**
Exploration and evaluation costs						
Incurred during the year						
Site activities	–	–	3,490	–	–	**3,490**
Geological and geophysical	–	–	91,018	76,249	32,296	**199,563**
Assays and analysis	–	–	–	–	–	**–**
Option proceeds	–	(495,000)	–	–	–	**(495,000)**
	–	(495,000)	94,508	76,249	32,296	**(291,947)**
As at December 31, 2016	–	2,955,000	41,947	3,492	–	**3,000,439**
As at December 31, 2017	–	2,460,000	136,455	79,741	32,296	**2,708,492**
Balance, December 31, 2017	**$ 8,051**	**$ 2,460,000**	**$ 215,369**	**$ 120,241**	**$ 65,496**	**$ 2,869,157**

(Unaudited) (Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION INTERESTS (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.

During September 2016, the Company entered into an agreement with 1994854 Alberta Ltd. to option out 80% interest in Kena Property owned by Apex. The Kena Option Out agreement (the "Option Out") was approved by the TSXV on October 3, 2016 (the "Effective Date"). In April 2017, 1994854 Alberta Ltd. merged with Prize Mining Corporation ("Prize"), a publicly-traded company listed on the TSX-V and all references are now made to Prize as the optionee. A gain was recorded in financial statements for the year ended December 31, 2017 from Option Out proceeds as summarized below.

Kena accumulated acquisition, exploration and evaluation costs as of December 31, 2014	$	2,789,077
Less: impairment recorded in fiscal 2015		(2,748,819)
Book value of Kena prior to Option Out		40,258
Less: 80% book value Option Out		(32,207)
Book value of Kena, December 31, 2016	$	8,051
Cash proceeds received on Option Out	$	500,000
Value of shares received on Option Out		1
Total proceeds		500,001
Less: 80% book value Option Out		(32,207)
Gain on sale recorded in fiscal 2016 on Kena Option Out	$	467,794
Cash proceeds received on Option Out	$	250,000
Value of shares received on Option Out		108,750
Gain in fiscal 2017 on Kena Option Out	$	358,750

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

- make the following cash payments to the Company:

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

4. MINERAL PROPERTY EXPLORATION INTERESTS (CONTINUED)

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

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

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

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

  for a total of 1,500,000 shares;

- incur exploration expense as follows:

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

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

After Prize has earned its 80% interest in the project, Prize has a second option to earn and acquire up to an additional 20% undivided interest in the project by making a $2,000,000 cash payment to Apex and granting a 1% net smelter returns royalty to the Company.

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

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

The property is subject to various NSR's associated with the various claims. In particular, the Jersey property is subject to a 3.0% NSR that can be reduced to 1.5% by making payments of $500,000 and issuing 50,000 common shares. Annual advance royalty payments of $50,000 were to commence in October 2000. The agreement was amended in October 2000, 2004, 2009, and May 2009 extending the commencement of these royalty payments to October 20, 2013. The first annual royalty payment was paid by the Company. Subsequent royalty payments became the responsibility of Margaux Resources Ltd. ("Margaux") upon Margaux entering the option agreement as described below.

4. MINERAL PROPERTY EXPLORATION INTERESTS (CONTINUED)

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

In 2013, the Company entered into an option agreement with Margaux to option its 100% interest in the Jersey and Emerald Properties (excluding the Garnet, HB, and HB2 Lead-Zinc Property) for total proceeds of $4,020,000. The payment terms under the agreement was amended on various dates during 2015 and 2016, and, most recently, on February 13, 2018. Under the payment terms of the amended agreement, to exercise the Option and earn its 100% interest in the project, Margaux will:

- make the following cash payments to the Company:

  (A) deposit of $50,000 (received);
  (B) on or before January 24, 2014, $100,000 (received);
  (C) on or before January 24, 2014, $350,000 (received);
  (D) on or before November 8, 2014, $400,000 (received);
  (E) on or before February 22, 2016, $10,000 (received);
  (F) $15,000 per month commencing April 1, 2016 for a period of 12 months (received);
  (G) $50,000 per month commencing April 1, 2017 for a period of 21 months ($600,000 received). Provided that Margaux is successful in raising an additional $1,500,00 in cash, Margaux will pay $75,000 per month until December 31, 2018; and
  (H) $100,000 per month commencing January 1, 2019 until a total of $4,020,000 has been paid.

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

Apex will retain a 1.5% net smelter returns royalty (“NSR”) on the property. For a period of 60 days following the earlier of (a) the commencement of commercial production on the Property or (b) the completion of a feasibility study on the Property, Margaux may purchase 50% of the NSR (being a 0.75% net smelter returns royalty) from Apex for a payment to Apex of $5,000,000.

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

c) Golden Triangle Property, British Columbia

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

- make the following cash payments:

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

- issue common shares:

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

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

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

4. MINERAL PROPERTY EXPLORATION INTERESTS (CONTINUED)

c) Golden Triangle Property, British Columbia (continued)

Apex may within 240 days of commercial production redeem and purchase the interest and rights to receive the NSR royalty for a one-time payment of $1,000,000 for 1%, leaving 1% of the NSR royalty.

During the year ended December 31, 2017, the Company acquired additional claims in Golden Triangle Area for a cash payment of $1,000.

d) Red Ridge Property, Whitehorse Mining District, Yukon

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

- make the following cash payments:

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

- issue common shares:

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

- complete annual work commitment:

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

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

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

(Unaudited) (Expressed in Canadian dollars)

4. MINERAL PROPERTY EXPLORATION INTERESTS (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. Pursuant to the current option agreement, Apex Minerals Ltd. can exercise the option by paying an aggregate of $300,000 to the Optionors, issuing an aggregate of 1,000,000 common shares in the capital of the Company, and incurring an aggregate of $385,000 of exploration expenditures as follows:

	CASH PAYMENTS	SHARES	WORK COMMITMENT
Upon Signing (paid)	$10,000	-	-
Upon Regulatory Approval (paid and issued)	$10,000	100,000	-
At end of 12 months (paid, issued, incurred)	$20,000	200,000	$35,000
At end of 18 months	$20,000	-	-
At end of 24 months	$40,000	300,000	$100,000
At end of 30 months	$40,000	-	-
At end of 36 months	$80,000	400,000	$250,000
At end of 42 months	$80,000	-	-
Total	**$300,000**	**1,000,000**	**$385,000**

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 summarized as follows:

		Number of Shares	Historical Cost	Fair Value March 31, 2018	Fair Value December 31, 2017
Altair Gold Inc.	a)	133,333	$ 257,500	$ 6,000	$ 10,667
GICs		–	$ 353,000	$ 353,000	$ 103,000
Prize Mining Corporation	b)	750,000	$ 108,751	$ 198,750	$ 232,500
Total Investments		–	$ 719,251	$ 557,750	$ 346,167

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

a) The Company holds 133,333 common shares of Altair instead of 2,000,000 common shares previously held as a result of a share consolidation in 2015. During the period ended March 31, 2018, the Company recorded a loss of $4,667 (March 31, 2017 - $Nil) with respect to these shares.

(Unaudited) (Expressed in Canadian dollars)

5. SHORT-TERM INVESTMENTS (continued)

b) The Company entered into an agreement with 1994854 Alberta Ltd. to option out 80% interest in Kena Property owned by the Company (Note 4 a)), under which, the Company received 375,000 common shares of 1994854 Alberta Ltd. in October 2016. The agreement was approved by the TSXV on October 3, 2016. In April 2017, 1994854 Alberta Ltd. completed a share-for-share exchange with Prize Mining Corporation ("Prize"), whereby the Company received 375,000 shares of Prize, a publicly-traded company. During the year ended December 31, 2017, the Company received an additional 375,000 shares of Prize Mining in accordance with the terms of the Kena Property Option Agreement (Note 4 a)). The fair value of the 375,000 shares on October 4, 2017 was $108,750. During the period ended March 31, 2018, the Company recognized a loss of $33,750 (March 31, 2017 - $Nil) in connection with the 750,000 shares held.

6. CREDIT CARD DEPOSIT

The amount of $17,250 at March 31, 2018 (December 31, 2017 - $17,250) represents a three-year guaranteed investment certificate with interest at prime minus 2.6% (December 31, 2017 – 2.05%), held by the bank as security for the Company's credit card usage and is classified as restricted cash.

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued and outstanding:

See Statements of Changes in Shareholders' Equity.

(c) Stock options

The Company has a stock option plan which allows for the grant of options to purchase up to 2,039,017 common shares. The following table summarizes information about the stock options outstanding at March 31, 2018 and December 31, 2017:

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

As at March 31, 2018, the weighted average remaining contractual life of stock options outstanding was 3.94 years (December 31, 2017 – 4.19 years).

A summary of the changes in stock options for the period ended March 31, 2018 and year ended December 31, 2017 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2017	642,500	$1.00
Granted	1,010,000	$0.15
Expired	(642,500)	$1.00
Balance, December 31, 2017	1,010,000	$ 0.15
Granted	–	–
Expired	–	–
Balance, March 31, 2018	**1,010,000**	**$ 0.15**
Balance vested, March 31, 2018	1,010,000	$ 0.15

(Unaudited) (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, 2017 was calculated using the Black-Scholes model with the following assumptions:

	December 31, 2017
Risk-free rate	1.19%
Expected dividend yield	0%
Expected option life (years)	5.00
Expected stock price volatility	238%
Fair value at grant date	$ 0.12

(d) Share purchase warrants

There are no share purchase warrants outstanding as at March 31, 2018 and December 31, 2017.

(e) Shareholder rights plan

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

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

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

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

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2018	December 31, 2017
Accounts payable	$ 986	$ 5,108
Accrued liabilities	53,925	51,230
	$ 54,911	$ 56,338

(Unaudited) (Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management compensation:	Three months ended March 31, 2018	2017
Directors' fees (included in office and administration)	$ 4,500	$ 4,500
Geological expenses	–	9,200
Shareholder communications	30,000	18,000
Share-based payments	–	147,660
Salaries	45,000	45,000
Total	$ 79,500	$ 224,360

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

Balances payable for:	March 31, 2018	December 31, 2017
Directors' fees	–	1,500
General office and administration expense	–	1,305
Shareholder communications	10,000	–
	10,000	2,805

10. FINANCIAL INSTRUMENTS

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

As at March 31, 2018, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2017, are shown in the table below:

	March 31, 2018		December 31, 2017	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Cash	$ 13,974	$ 13,974	$ 254,183	$ 254,183
Short term investments	557,750	557,750	346,167	346,167
Credit card deposit	17,250	17,250	17,250	17,250
Reclamation deposit	15,120	15,120	15,120	15,120
Financial liabilities				
Accounts payable	986	986	56,338	56,338
Accounts payable to related parties	10,000	10,000	2,805	2,805

(Unaudited) (Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

The fair values of the Company's financial instruments measured at March 31, 2018, constitute Level 1 measurements for its cash, short-term investments, investments, credit card deposit and reclamation deposits within the fair value hierarchy.

The Company recognized interest income during the three months period ended March 31, 2018, totaling $635 (2017 - $354). 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 March 31, 2018, is the carrying value of its financial assets.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 11, in normal circumstances. The Company's financial liabilities are comprised of its accounts payable and accounts payable to related parties, the contractual maturities of which at March 31, 2018 and December 31, 2017, are summarized as follows:

	March 31, 2018	December 31, 2017
Accounts payable with contractual maturities –		
Within 90 days or less	**$ 986**	$ 5,108
In later than 90 days, not later than one year	**-**	-
Accounts payable to related parties with contractual maturities –		
Within 90 days or less	**10,000**	2,805
In later than 90 days, not later than one year	**-**	-

10. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Interest rate risk
At March 31, 2018, 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.

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'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.