

**ESSEX MINERALS INC.**

**Condensed Interim Financial Statements**  
(Expressed in Canadian Dollars)

Nine months ended June 30, 2017 and 2016

[Unaudited . prepared by Management]

# **ESSEX MINERALS INC.**

3750 W. 49<sup>th</sup> Avenue, Vancouver, BC, Canada, V6N 3T8  
Telephone (604) 250-2844

## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim financial statements.

## ESSEX MINERALS INC.

Condensed Interim Statements of Financial Position  
Expressed in Canadian dollars  
[Unaudited . prepared by Management]

As at	June 30 2017	September 30 2016
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	275,718	13,815
Account receivable and prepaid expenses	3,918	-
Exploration advance	7,056	-
GST receivable	9,841	868
<b>Total current assets</b>	<b>296,533</b>	<b>14,683</b>
<b>Deferred financing costs</b>	<b>-</b>	<b>12,256</b>
<b>Exploration and evaluation assets (Note 3)</b>	<b>394,964</b>	<b>187,270</b>
<b>Total assets</b>	<b>691,497</b>	<b>214,209</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	157	34,216
Due to related parties (Note 5)	846	-
Flow-through share premium (Note 4(d))	8,750	-
<b>Total current liabilities</b>	<b>9,753</b>	<b>34,216</b>
<b>Deferred tax liabilities (Note 9)</b>	<b>43,665</b>	<b>765</b>
<b>Total liabilities</b>	<b>53,418</b>	<b>34,981</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 4)</b>	<b>836,872</b>	<b>303,510</b>
<b>Reserves (Note 4)</b>	<b>314,000</b>	<b>264,000</b>
<b>Deficit</b>	<b>(512,793)</b>	<b>(388,282)</b>
<b>Total shareholders' equity</b>	<b>638,079</b>	<b>179,228</b>
<b>Total liabilities and shareholders' equity</b>	<b>691,497</b>	<b>214,209</b>

These financial statements are authorized for issue by the Board of Directors on August 18, 2017:

They are signed on the Company's behalf by:

*"Christopher Dyakowski"*  
Director

*"Kenneth Phillippe"*  
Director

The accompanying notes are an integral part of these financial statements

## ESSEX MINERALS INC.

Condensed Interim Statements of Loss and Comprehensive Loss  
Expressed in Canadian dollars, except for number of shares  
[Unaudited . prepared by Management]

	Three months ended June 30 2017	Three months ended June 30 2016	Nine months ended June 30 2017	Nine months ended June 30 2016
	\$	\$	\$	\$
<b>General and administrative expenses</b>				
Bank charges and interest	63	6	272	52
Filing and transfer agent fees	11,769	-	32,007	2,500
Management fee	9,000	-	12,000	-
Office and miscellaneous	256	-	2,093	-
Professional fees	6,000	543	70,492	11,895
Telephone	828	-	1,980	-
Travel and promotion	1,701	-	4,017	-
<b>Loss before income taxes</b>	(29,617)	(549)	(122,861)	(14,447)
Income tax	1,650	-	1,650	-
<b>Net loss and comprehensive loss for the period</b>	(31,267)	(549)	(124,511)	(14,447)
<b>Basic and diluted loss per share</b>	(0.00)	(0.00)	(0.02)	(0.00)
<b>Weighted average number of common shares</b> - Basic and diluted	10,375,007	5,676,000	7,534,948	5,676,000

The accompanying notes are an integral part of these financial statements

## ESSEX MINERALS INC.

Condensed Interim Statements of Cash Flows  
Expressed in Canadian dollars  
[Unaudited . prepared by Management]

	Nine months ended June 30 2017	Nine months ended June 30 2016
	\$	\$
<b>Cash flows provided by (used in) operating activities</b>		
Net loss for the period	(124,511)	(14,447)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses	(3,918)	-
GST receivable	(8,973)	(523)
Exploration advances	(7,056)	-
Accounts payable and accrued liabilities	(34,059)	706
Due to related parties	846	-
Income tax	(1,650)	-
<b>Net cash flows (used in) operating activities</b>	<b>(176,021)</b>	<b>(14,264)</b>
<b>Investing activities</b>		
Exploration and evaluation assets expenditures	(200,194)	(1,000)
<b>Net cash flows (used in) financing activities</b>	<b>(200,194)</b>	<b>(1,000)</b>
<b>Financing activities</b>		
Deferred financing costs	656	-
Common shares issued for cash , net of share issue costs	637,462	-
<b>Net cash flows (used in) financing activities</b>	<b>638,118</b>	<b>-</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>261,903</b>	<b>(15,264)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>13,815</b>	<b>31,760</b>
<b>Cash and cash equivalents, end of period</b>	<b>275,718</b>	<b>16,496</b>

The accompanying notes are an integral part of these financial statements

## ESSEX MINERALS INC.

Condensed Interim Statements of Changes in Equity  
Expressed in Canadian dollars, except for number of shares  
[Unaudited . prepared by Management]

	Common shares		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance, September 30, 2015	5,676,000	303,510	264,000	(365,645)	201,865
Net loss and comprehensive loss for the period	-	-	-	(14,447)	(14,447)
Balance, June 30, 2016	5,676,000	303,510	264,000	(380,092)	187,418
Net loss and comprehensive loss for the period	-	-	-	(8,190)	(8,190)
Balance, September 30, 2016	5,676,000	303,510	264,000	(388,282)	179,228
Shares issued pursuant to Initial Public Offering (Note 4)	4,649,007	697,351	-	-	697,351
- Share issue costs		(171,489)	50,000		(121,489)
Shares issued for mineral property	50,000	7,500	-	-	7,500
Net loss and comprehensive loss for the period	-	-	-	(124,511)	(124,511)
<b>Balance, June 30, 2017</b>	<b>10,375,007</b>	<b>836,872</b>	<b>314,000</b>	<b>(512,793)</b>	<b>638,079</b>

The accompanying notes are an integral part of these financial statements

## ESSEX MINERALS INC.

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited . prepared by Management]

Expressed in Canadian dollars

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### 1. Nature and Continuance of Operations

The Company was incorporated on November 19, 2012 under the Business Corporations Act (British Columbia). The Company's principal business activity is the exploration of mineral properties. The Company currently conducts substantially all of its operations in Canada in one business segment.

On December 22, 2016, the Company received a receipt of the British Columbia Securities Commission for the Long Form Prospectus dated December 20, 2016 (the prospectus). On March 15, 2017, the Company completed an Initial Public Offering and its shares were listed on the TSX Venture Exchange.

The head office, principal address and registered and records office of the Company are located at 3750 W. 49<sup>th</sup> Avenue, Vancouver, BC, Canada, V6N 3T8.

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

These financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company emphasises that attention should be drawn to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern the most significant of these being the Company's ability to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future. Other uncertainties include the fact that the Company is currently in the exploration stage for its interests in the Melba property in British Columbia, Canada (see Note 3), the economic viability of which have not been fully assessed. The Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of capitalized costs on the Melba property is uncertain and dependent upon projects achieving commercial production or sale. The outcome of these matters cannot be predicted at this time. The Company is considering a number of alternatives to secure additional capital including obtaining funding facilities or equity financings. Although management intends to secure additional financing there is no assurance management will be successful or that it will establish future profitable operations. These factors together raise substantial doubt about the Company's ability to continue as a going concern.

	<b>June 30 2017</b>	<b>September 30 2016</b>
Deficit	\$ (512,793)	\$ (388,282)
Working capital (deficiency)	\$ 286,780	\$ (19,533)

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used and such amounts would be material.

## **ESSEX MINERALS INC.**

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited . prepared by Management]

Expressed in Canadian dollars

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### **2. Significant Accounting Policies**

#### **Statement of Compliance**

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard 34 . *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). They do not include all of the information required for full annual financial statements.

#### **Basis of presentation**

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34 . *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International

Accounting Standards Board (IASB) and interpretations of the International Reporting Interpretations Committee (IFRIC). They do not include all of the information required for full annual financial statements.

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

All amounts are in Canadian dollars unless otherwise stated.

#### **Approval of financial statements**

The financial statements were approved by the Board of Directors of the Company on August 18, 2017.

#### **Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Significant areas where management's judgment has been applied include:

- Classifying categories of financial assets and financial liabilities in accordance with IAS 39, *Financial instruments: recognition and measurement*;
- Evaluating if the criteria for recognition of provisions and contingencies are met in accordance with IAS 37, *Provisions, contingent liabilities and contingent assets*;

## ESSEX MINERALS INC.

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited . prepared by Management]

Expressed in Canadian dollars

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### 2. Significant Accounting Policies (continued)

#### Significant accounting judgments and estimates (continued)

- Assessing whether deferred tax assets and liabilities are recognized in accordance with IAS 12, *Income taxes*; and
- The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year as they fall due, and to fund planned and contractual exploration programs, involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Significant areas requiring the use of management estimates and assumptions include:

- **Exploration and Evaluation Expenditure**  
The application of the Company's accounting policy for deferred exploration expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures is capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.
- **Title to Mineral Property Interest**  
Although the Company has taken some steps to verify title to mineral properties in which it has interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfer and title may be affected by undetected defect.
- **Asset Retirement Obligations**  
The Company recognizes the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Company's interpretation of current regulatory requirements. Based on the assessment, the Company did not have any significant asset retirement obligations at the reporting dates.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less. There were no cash equivalents as at June 30, 2017 and September 30, 2016.

#### Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets. Such costs, include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs, related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

## **ESSEX MINERALS INC.**

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited - prepared by Management]

Expressed in Canadian dollars

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### **2. Significant Accounting Policies (continued)**

#### **Exploration and evaluation assets (continued)**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of exploration and evaluation costs into mine development, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines.

#### **Asset retirement obligation**

Provisions for the decommissioning, restoration and rehabilitation are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Upon initial recognition of the liability, the corresponding costs are added to the carrying amount of the related asset and amortized as an expense, using a systematic method, over the economic life of the asset. Following initial recognition of the asset retirement obligation, the carrying amount of the liability is adjusted annually for the passage of time and changes to the amount or timing of the underlying cash flows needed to settle the obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. The Company does not have any asset retirement obligation as June 30, 2017 and September 30, 2016.

#### **Mining tax credit**

Mining tax credits are recorded as a reduction of the related deferred exploration expenditures upon receipts from the Canada Revenue Agency (CRA). These non-repayable mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

#### **Impairment of non-financial assets**

The Company reviews and evaluates its property, including exploration and evaluation assets, property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

## **ESSEX MINERALS INC.**

Notes to Condensed Interim Financial Statements

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[Unaudited . prepared by Management]

Expressed in Canadian dollars

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### **2. Significant Accounting Policies (continued)**

#### **Impairment of non-financial assets (continued)**

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

#### **Flow-through shares**

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company adopted a policy whereby the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax basis. A portion of the deferred tax assets that were not previously recognized are recognized as a recovery of deferred taxes in the statements of operations and comprehensive loss up to the amount of the deferred tax liability upon renunciation.

#### **Share issue costs**

Professional, consulting, regulatory and other costs directly attributable to equity financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

## **ESSEX MINERALS INC.**

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited . prepared by Management]

Expressed in Canadian dollars

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### **2. Significant Accounting Policies (continued)**

#### **Share purchase warrants**

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using quoted market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to contributed surplus. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants. When warrants are exercised, the corresponding assigned value of the warrants is reclassified to share capital. Warrants that are issued as payments for agency fee or other transactions costs are accounted for as share-based payments.

#### **Share based payments**

Share based payments to directors, officers and consultants are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

#### **Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

#### **Deferred financing costs**

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

#### **Segment information**

The Company currently conducts substantially all of its operations in Canada in one business segment.

#### **Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities and due to related parties. Cash and cash equivalents are classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, accounts payable and accrued liabilities and due to related parties are equal to their carrying value due to their short-term maturity.

## ESSEX MINERALS INC.

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited . prepared by Management]

Expressed in Canadian dollars

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### 2. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* . This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement.

*Loans and receivables* . These assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* . These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

*Available-for-sale* . Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

##### Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

## ESSEX MINERALS INC.

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited . prepared by Management]

Expressed in Canadian dollars

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### 2. Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* . This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of operation and comprehensive loss.

*Other financial liabilities* . This category includes accounts payables and accrued liabilities and due to related parties, which is recognized at amortized cost.

#### Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

## ESSEX MINERALS INC.

Notes to Condensed Interim Financial Statements

June 30, 2017

[Unaudited - prepared by Management]

Expressed in Canadian dollars

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### 2. Significant Accounting Policies (continued)

#### Flow-through shares (continued)

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the consolidated statement of financial position and its tax basis. A portion of the deferred tax assets that were not previously recognized are recognized as a recovery of deferred taxes in the consolidated statements of operations and comprehensive loss up to the amount of the deferred tax liability upon renunciation.

#### Share issue costs

Professional, consulting, regulatory and other costs directly attributable to equity financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

#### Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects.

#### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at July 31, 2016 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective.

The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated.

#### *IFRS 9 Financial instruments*

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's own credit risk is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial

## ESSEX MINERALS INC.

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[Unaudited - prepared by Management]

Expressed in Canadian dollars

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### 2. Significant Accounting Policies (continued)

#### Standards issued but not yet effective (continued)

instruments: disclosures. In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the own credit requirement in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018.

#### IAS 7 Statement of Cash Flows (Amendment)

In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 7 which were incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in April 2016. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements. The amendments require entities to provide disclosures that enable users of the financial statements to evaluate both cash flow and non-cash changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's financial statements.

### 3. Exploration and Evaluation Assets

#### Melba Mineral Property, Kamloops Mining Division, British Columbia

On December 18, 2012 (Effective Date) and subsequently amended on September 30, 2014, December 1, 2014, September 30, 2015, November 5, 2015 and October 3, 2016, the Company entered into an option agreement to acquire a 100% interest in 8 mining claims located in the Kamloops Mining District of British Columbia. To acquire the 100% interest, the Company must make cash payments of \$120,000 and issue 100,000 of the Company's common shares as follows:

Date	Cash	Shares
Upon the execution and delivery of the Agreement (paid)	\$ 5,000	-
Within 30 days after execution and delivery of the Agreement (paid)	\$ 10,000	-
Within 10 days after listing of the Company's shares on the TSXV (paid and issued)	\$ 15,000	50,000
First anniversary after listing of the Company's shares on the TSXV	\$ 20,000	50,000
Second anniversary after listing of the Company's shares on the TSXV	\$ 25,000	-
Third anniversary after listing of the Company's shares on the TSXV	<u>\$ 45,000</u>	<u>-</u>
	<u>\$ 120,000</u>	<u>100,000</u>

During the term of the option, the Company is required to keep the claims in good standing, and to incur minimum Exploration Expenditures on the Properties of not less than an aggregate of \$350,000 as follows:

1. \$100,000 by the first anniversary of the Effective Date (completed); and
2. an additional \$250,000 by the fourth anniversary of the Effective Date (completed).

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### 3. Exploration and Evaluation Assets (cont'd)

#### Melba Mineral Property, Kamloops Mining Division, British Columbia (cont'd)

These claims are also subject to a 2% Net Smelter Return Royalty payable to the Optionor, which can be acquired at a purchase price of \$1,000,000 per percentage point commencing from the date upon which the Property is put into commercial production.

Expenditure related to the properties can be summarized as follows:

	Balance September 30, 2015	Additions	Balance September 30, 2016	Additions	Balance June 30, 2017
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Additions during the period					
Property option payments - cash	15,000	-	15,000	15,000	30,000
- shares	-	-	-	7,500	7,500
	15,000	-	15,000	22,500	37,500
<b>Exploration costs</b>					
Airborne geophysical survey	90,000	-	90,000	-	90,000
Assays	166	-	166	-	166
Equipment rental	3,678	-	3,678	1,400	5,078
Field costs	10,500	-	10,500	8,500	19,000
Geological consulting	9,700	-	9,700	-	9,700
Geophysical consulting	9,827	-	9,827	-	9,827
Geophysical IP/Mag-EM survey	-	-	-	133,738	-
Project management	19,752	-	19,752	16,705	36,457
Soil sampling	-	-	-	10,670	10,670
Technical report	22,176	1,000	23,176	1,438	24,614
Travel, supplies and field expenses	15,607	-	15,607	12,743	28,350
Mining exploration tax credit	(10,136)	-	(10,136)	-	(10,136)
	171,270	1,000	172,270	185,194	357,464
Balance, end of period	186,270	1,000	187,270	207,694	394,964

### 4. Share Capital

#### a) Authorized:

Unlimited number of common shares with no par value

#### b) Issued and Outstanding

As at June 30, 2017, 10,375,007 common shares with no par value were issued and outstanding. (September 30, 2016: 5,676,000).

The Company engaged Canaccord Genuity Corp. as its agent to assist the Company on an Initial Public Offering (%IPO+), whereby the Company issued an aggregate of 3,549,007 Common Shares of the Company (the %Shares+) at a price of \$0.15 per Share for gross proceeds of \$532,351 and 1,000,000 flow-through Common Shares of the Company (the %FT Shares+) at a price of \$0.20 per FT Share (the Shares together with the FT Shares, the %Offered Securities+) for

## ESSEX MINERALS INC.

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### 4. Share Capital (cont'd)

#### b) Issued and Outstanding (cont'd)

gross proceeds of \$200,000. Each FT Share is a Common Share of the Company that qualifies as a flow-through share within the meaning of the Tax Act. The Company's common shares were listed on the TSX Venture Exchange on March 15, 2017. The Company paid a cash commission of 9% of the aggregate gross proceeds of the Offering to the agent in the amount of \$65,912. The Company also issued 409,410 agents warrants at a fair value of \$50,000. Each warrant is exercisable to purchase an additional common share of the Company at a price of \$0.15 per share on or before March 15, 2019. The Company paid the agent a corporate finance fee of \$15,000 cash plus 100,000 common shares of the Company. The Company also incurred and paid to the Agent reasonable expenses associated with the offering in the amount of \$25,578.

On March 15, 2017, the Company issued 50,000 common shares pursuant to the acquisition of the Melba Property (Note 3).

#### c) Escrow shares

As at June 30, 2017 the Company has 2,610,900 common shares held in escrow. (September 30, 2016: 2,901,000). These common shares held in escrow are released as follows: 10% released on the date the Company's securities are listed on a Canadian exchange (released on March 15, 2017) and 15% released every six months thereafter, subject to acceleration provisions provided for in National Policy 46-201 - *Escrow for Initial Public Offerings*.

#### d) Flow-through shares

Proceeds from common shares issued pursuant to flow-through financings are credited to capital stock. Once incurred, these expenditures are included in exploration and evaluation assets, but are not available as a tax deduction to the Company as the tax expenditures have been renounced to the investors.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On March 15, 2017, the Company completed an initial public offering of its shares and issued 1,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$200,000. The Company recognized a liability on flow-through share premium of \$50,000 as at March 15, 2017. At June 30, 2017, the Company incurred approximately \$165,000 of qualified expenditures and the amount of flow-through proceeds remained to be expended was approximately \$35,000. During the nine months ended June 30, 2016 the Company recorded a \$41,250 flow through share premium recovery and recorded a \$42,900 deferred income tax liability due to timing differences related to the exploration and evaluation expenditure. The Company intends to renounce the total proceeds of \$200,000 effective December 31, 2017.

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### 5. Related Party Transactions

During the nine months ended June 30, 2017, the Company has the following related party transactions:

- (a) Paid or accrued \$12,000 (2016 - \$Nil) to a company controlled by a Director and the Chief Executive Officer (Note 7). Included in exploration and evaluation assets is \$16,705 (2016 - \$Nil) paid or accrued to the company for project management and overhead fees. As at June 30, 2017 prepaid expenses included \$3,150 for management fees and related taxes, and prepaid exploration advances included \$7,056 advanced to the company for ongoing exploration activities.
- (b) Included in exploration and evaluation assets is \$8,500 (2016 - \$Nil) paid or accrued to the Chief Executive Officer for geological services and fieldwork. Included in accounts payables as at June 30, 2017 was \$846 (September 30, 2016: \$Nil) owed for expenditures incurred on behalf of the Company
- (c) Paid or accrued professional fees of \$12,000 (2016: \$Nil) to the Company's Chief Financial Officer for providing professional accounting services. Included within accounts payables was \$Nil (September 30, 2016: \$Nil) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 6. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, and interest rate risk.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Company had a cash and cash equivalents balance of \$275,718 (September 30, 2016 - \$13,815) to settle accounts payable and accrued liabilities and due to related parties of \$1,003 (September 30, 2016 - \$34,216). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

#### *Interest rate risk*

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

#### *Fair value hierarchy*

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

## **ESSEX MINERALS INC.**

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### **6. Financial Instruments (continued)**

The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at June 30, 2017, the Company's financial instruments are cash and cash equivalents of \$275,718 (September 30, 2016 - \$13,815), which is considered to be Level 1 instruments.

### **7. Commitments**

- a) On October 1, 2016, the Company entered into a service agreement with Max Investments Inc. to provide services for \$3,000 per month, to commence on the completion of the Company's Initial Public Offering and ending on December 31, 2018.
- b) Also see Note 3.

### **8. Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Melba property claims in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The capital structure of the Company consists of shareholder's equity, comprising issued capital and deficit. The Company is not exposed to any externally imposed requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.