

ESSEX MINERALS INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended September 30, 2016.

General

The following discussion and analysis should be read in conjunction with the audited financial statements and notes for the fiscal years ended September 30, 2016 and 2015. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com.

The Management Discussion and Analysis was approved by the Board of Directors of the Company on January 27, 2017.

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

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Financial Statements and the Management Discussion and Analysis were approved by the Board of Directors of the Company on January 27, 2017.

Basis of Presentation

The 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 except cash flow information.

All amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "progressing", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to predict or control could cause actual results to differ materially from those contained in the forward-looking statements. which include, without limitation, commodity price volatility, changes in debt and equity markets, increases in costs, interest rate and exchange rate fluctuations, general economic conditions, the ability of the Company to receive continued financial support from related parties and to obtain public equity financing, the ability to generate profitable operations in the future, and the receipt of regulatory approvals on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements.

Overview

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.

The Company is a natural resource company engaged in the acquisition and exploration of mining properties. The Company's main emphasis is on the exploration for copper and gold in the Kamloops Mining Division, British Columbia where the Company has acquired an option to acquire a 100% undivided interest in the Melba Property which is described below under the heading "Interest in the Melba Property". The Company commenced natural resource development operations on December 18, 2012 when it entered into the Melba Option Agreement, as amended September 30, 2014 and further amended on December 1, 2014, September 30, 2015, November 5, 2015 and October 3, 2016, to acquire a 100% undivided interest in certain mineral claims which are referred to as the "Melba Property". The Company has not made any significant dispositions.

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). Pursuant to the prospectus the Company hereby offers, through its agent, Canaccord Genuity Corp. (the "Agent") on a commercially reasonable efforts basis (the "Offering") for sale to purchasers resident in the Provinces of British Columbia and Alberta (the "Selling Provinces") an aggregate of 3,500,000 Common Shares of the Company (the "Shares") at a price of \$0.15 per Share 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"). Each FT Share will be a Common Share of the Company that qualifies as a "flow-through share" within the meaning of the Tax Act (as defined herein).

The Company intends to expend existing working capital and net proceeds from the Offering to undertake Phase I of the exploration program on the Melba Property, to pay the balance of the estimated costs of the Offering, to pay for administrative costs for the next 12 months, to make property payments and for working capital.

"Interest in the Melba Property"

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	\$ 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	\$ 45,000	-
	<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; and
2. an additional \$250,000 by July 31, 2017.

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, 2014	Additions	Balance September 30, 2015	Additions	Balance September 30, 2016
	\$	\$	\$	\$	\$
Acquisition costs					
Additions during the year					
Property option payments – cash	15,000	-	15,000	-	15,000
	15,000	-	15,000	-	15,000
Exploration costs					
Airborne geophysical survey	90,000	-	90,000	-	90,000
Assays	166	-	166	-	166
Equipment rental	-	-	3,678	-	3,678
Field costs	4,000	-	10,500	-	10,500
Geological consulting	-	-	9,700	-	9,700
Geophysical consulting	4,000	-	9,827	-	9,827
Project management	19,752	-	19,752	-	19,752
Technical report	13,100	4,102	22,177	1,000	23,177
Travel, supplies and field expenses	4,006	-	15,606	-	15,606
Mining exploration tax credit	-	(10,136)	(10,136)	-	(10,136)
	135,024	(6,034)	171,270	1,000	172,270
Balance, end of year	150,024	(6,034)	186,270	1,000	187,270

Going Concern

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 "Interests in Melba Property"), 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.

	September 30 2016	September 30 2015
Deficit	\$ (388,282)	\$ (365,645)
Working capital (deficiency)	\$ (19,533)	\$ 9,001

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.

Selected Annual Information

	2016	2015	2014
	\$	\$	\$
Sales or Revenue	-	-	-
Net Loss	22,637	69,244	21,895
Loss per share	0.00	0.01	0.005
Total Assets	214,209	228,921	289,264

Results of Operations

During the fiscal year ended September 30, 2016 the Company had net loss of \$22,637 or \$(0.00) per share compared with a loss of \$69,244 or \$(0.01) per share for the fiscal year ended September 30, 2015.

Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company's transfer agent. During the fiscal year ended September 30, 2016 \$2,500 (2015: \$Nil) was paid to the TSX Venture Exchange. Management fees are paid or accrued to the Company's Chief Executive Officer for management services provided to the Company. During the prior fiscal year, \$18,000 was paid to the Company's Chief Executive Officer pursuant to a management contract that was terminated at the end of March 2015. Office and miscellaneous expenses and telephone expenses were incurred for maintenance of the Company's office. Professional fees are incurred for general maintenance of the Company's records and for filings with regulatory authorities. Included within professional fees are legal fees in the amount of \$11,212 (2014: \$31,091), audit and related services fees of \$12,091 (2015: \$14,980) and fees paid or accrued to the Company's Chief Financial Officer in the amount of \$Nil (2015: \$6,750). Travel and promotion expenses were incurred with respect to the Company's search for new business projects and financings. Amounts were recorded for recovery of income taxes previously deferred with respect to expenditures incurred pursuant to flow through share issuances.

Operating Expenses

	Three months ended September 30		Year ended September 30	
	2016	2015	2016	2015
		\$		\$
General and Administrative Expenses				
Bank charges and interest	5	6	79	94
Filing fees	-	-	2,500	-
Management fees	-	-	-	18,000
Office and miscellaneous	52	96	52	2,743
Professional fees	11,408	(656)	23,303	52,821
Telephone	-	762	-	3,037
Travel and promotion	-	1,176	-	5,304
Loss before income taxes	(11,465)	(1,384)	(25,934)	(81,999)
Income tax recovery	3,297	12,755	3,297	12,755
Net Income (loss) and comprehensive loss for the period	(8,168)	11,371	(22,637)	(69,244)

Fourth Quarter Ended September 30, 2016

During the three months ended September 30, 2016 the Company recorded a net loss of \$8,168 (2015: \$11,371). Office and miscellaneous expenses and telephone expenses were incurred for maintenance of the Company's office. During the three months ended September 30, 2016 the Company incurred professional legal fees in the amount of \$9,268 and audit related services of \$2,140. Travel and promotion expenditures were incurred in the prior year with respect to the search for meetings regarding financings. Amounts were recorded for recovery of income taxes previously deferred with respect to expenditures incurred pursuant to flow through share issuances.

The following table sets out selected quarterly information for the eight most recent quarters ended September 30, 2016:

Quarters ended in 2016 fiscal year	September 30	June 30	March 31	December 31
	\$	\$	\$	\$
Sales or Revenue	-	-	-	-
Income (loss)	(8,168)	(549)	(9,957)	(3,963)
Income (loss) per common share	(0.00)	(0.00)	(0.00)	(0.00)
Quarters ended in 2015 fiscal year	September 30	June 30	March 31	December 31
	\$	\$	\$	\$
Sales or Revenue	-	-	-	-
Income (loss)	11,371	(3,070)	(27,288)	(50,257)
Income (loss) per common share	0.00	(0.00)	(0.00)	(0.01)

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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*;
- 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 ensuring 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.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had a material impact on these consolidated financial statements.

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 September 30, 2016 and 2015.

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.

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 at September 30, 2016 and 2015.

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.

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.

Comprehensive income/loss

Comprehensive income/loss is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale

investments. Certain gains and losses are presented in other comprehensive income until it is considered appropriate to recognize into net earnings.

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.

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.

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.

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 consolidated 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 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 consolidated financial statements.

Outstanding Share Data

- a) **Authorized:** Unlimited number of common shares with no par value
- b) **Issued and Outstanding**

As at September 30, 2016 and 2015, 5,676,000 common shares with no par value were issued and outstanding.

c) Escrow shares

As at September 30, 2016 and 2015, the Company has 4,001,000 common shares held in escrow. 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 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.

As at September 30, 2016 and 2015 the Company has incurred all the qualifying exploration expenditures (as defined in the Canadian Income Tax Act).

Related Party Transactions

During the fiscal year ended September 30, 2016, the Company has the following related party transactions:

- (a) Paid or accrued management fees of \$Nil (2015: \$18,000) to a Company controlled by the Chief Executive Officer. As at September 30, 2016, amount of \$Nil (2015: \$6,300) is owed for management fees and related sales taxes. Amount of \$Nil (2015: \$3,443) is owed to the Chief Executive Officer for expenses incurred on behalf of the Company.
- (b) Included in professional fees is \$Nil (2015: \$6,750) paid to the Company's Chief Financial Officer for accounting services rendered to 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.

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 September 30, 2016, the Company had a cash and cash equivalents balance of \$13,815 (2015 - \$31,760) to settle accounts payable and accrued liabilities and due to related parties of \$34,216 (2015 - \$22,994). 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:

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 September 30, 2016, the Company's financial instruments are cash and cash equivalents of \$13,815 (2015 - \$31,760), which is considered to be Level 1 instruments.

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) On December 19, 2016 the Company engaged Canaccord Genuity Corp. as its agent to assist the Company on a proposed Initial Public Offering ("IPO"), whereby the Company proposed to issue an aggregate of 3,500,000 Common Shares of the Company (the "Shares") at a price of \$0.15 per Share 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"). Each FT Share will be a Common Share of the Company that qualifies as a "flow-through share" within the meaning of the Tax Act, to raise total gross proceeds of \$725,000 on a commercially reasonable effort basis (the "Offering").

The Company shall make an application for the listing of the common shares on the TSX Venture Exchange. The Company agrees to pay cash commission of 9% of the aggregate gross proceeds of the Offering, the agent will receive agent warrants' at any time prior to the date that is 24 months from the date of listing on TSX Venture Exchange to acquire in the aggregate that number of common shares of the Company which is equal to 9% of the number of shares sold under the Offering, at an exercisable price of \$0.15. Upon closing, the Company shall pay the agent a corporate finance fee of \$15,000 cash plus 100,000 shares. The Company is responsible for all reasonable expenses of the offering, upon signing of the engagement letter, the Company shall deposit with Canaccord a retainer of \$11,600 (paid) from which expenses may be deducted as they incurred.

- c) Also see "Interest in Melba Property"

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.

Liquidity and Capital Resources

The Company has financed its operations primarily from proceeds from the sale of shares and debt.

As at September 30, 2016 the Company had working capital deficiency of \$(19,533) compared to working capital of \$9,001 as at September 30, 2015.

Cash provided pursuant to the issuance of new common shares during the fiscal years ended September 30, 2016 and 2015 was \$Nil .

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the TSX Venture markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company plans to issue more securities at such time as it believes additional capital could be obtained on favourable terms. There can be no assurance that such funds can be available on favourable terms, if at all.

Subsequent Events

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).

There were no other material reportable events that occurred subsequent to September 30, 2016.

Risks and Uncertainties

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further development of its projects or to fulfil its obligations under applicable agreement. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's intended business operations with the possible dilution or loss of such interest. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of intended business operations. There is no assurance that the Company can operate profitably or that it will successfully implement its plans.

The Company is in development stage and has no operating earnings. The likelihood of success of the Company must be considered in light of the problems, expenses and difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Company operates at a loss and there is no assurance that the Company will ever be profitable.

ESSEX MINERALS INC.

CORPORATE DATA

January 27, 2017

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DIRECTORS AND OFFICERS

Christopher Dyakowski
Kenneth C. Phillippe
Stephen Kenwood
Thomas Dyakowski.

Director, CEO
Director, CFO, Secretary
Director
Director

CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	5,676,000
Options:	Nil
Warrants:	Nil
Escrowed shares:	4,001,000

SOLICITOR

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LISTINGS

TSX Venture Exchange
Trading Symbol: N/A
CUSIP #: N/A