

**ESSEX MINERALS INC.**

Financial Statements  
(Expressed in Canadian Dollars)

Years ended September 30, 2016 and 2015

## Management's Responsibility for Financial Reporting

To the Shareholders of Essex Minerals Inc. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of Essex Minerals Inc. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

January 27, 2017

"Christopher Dyakowski"  
CEO

"Kenneth Phillippe"  
CFO



## Independent Auditors' Report

To the Shareholders of Essex Minerals Inc.:

We have audited the accompanying financial statements of Essex Minerals Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2016 and 2015, the statements of loss and comprehensive loss, changes in equity, and cash flows, for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Essex Minerals Inc. as at September 30, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Essex Minerals Inc.'s ability to continue as a going concern.

Vancouver, BC, Canada  
January 27, 2017

*MNP LLP*

Chartered Professional Accountants

## ESSEX MINERALS INC.

Statements of Financial Position  
Expressed in Canadian dollars

As at	September 30 2016	September 30 2015
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,815	31,760
GST receivable	868	235
<b>Total current assets</b>	<b>14,683</b>	<b>31,995</b>
<b>Deferred financing costs</b>	<b>12,256</b>	<b>10,656</b>
<b>Exploration and evaluation assets (Note 3)</b>	<b>187,270</b>	<b>186,270</b>
<b>Total assets</b>	<b>214,209</b>	<b>228,921</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	34,216	13,251
Due to related parties (Note 5)	-	9,743
<b>Total current liabilities</b>	<b>34,216</b>	<b>22,994</b>
<b>Deferred tax liabilities (Note 9)</b>	<b>765</b>	<b>4,062</b>
<b>Total liabilities</b>	<b>34,981</b>	<b>27,056</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 4)</b>	<b>303,510</b>	<b>303,510</b>
<b>Reserves (Note 4)</b>	<b>264,000</b>	<b>264,000</b>
<b>Deficit</b>	<b>(388,282)</b>	<b>(365,645)</b>
<b>Total shareholders' equity</b>	<b>179,228</b>	<b>201,865</b>
<b>Total liabilities and shareholders' equity</b>	<b>214,209</b>	<b>228,921</b>

These financial statements are authorized for issue by the Board of Directors on January 27, 2017:

They are signed on the Company's behalf by:

"Stephen Kenwood"  
Director

"Chris Dyakowski"  
Director

The accompanying notes are an integral part of these financial statements

## ESSEX MINERALS INC.

Statements of Loss and Comprehensive Loss  
Expressed in Canadian dollars, except for number of shares

	Year ended September 30 2016 \$	Year ended September 30 2015 \$
<b>General and administrative expenses</b>		
Bank charges and interest	79	94
Filing fees	2,500	-
Management fees	-	18,000
Office and miscellaneous	52	2,743
Professional fees	23,303	52,821
Telephone	-	3,037
Travel and promotion	-	5,304
Loss before income taxes	(25,934)	(81,999)
Income tax recovery (Note 9)	3,297	12,755
<b>Net loss and comprehensive loss for the year</b>	<b>(22,637)</b>	<b>(69,244)</b>
<b>Basic and diluted loss per share</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares</b>		
- Basic and diluted	5,676,000	5,676,000

The accompanying notes are an integral part of these financial statements

## ESSEX MINERALS INC.

Statements of Cash Flows  
Expressed in Canadian dollars

	Year ended September 30 2016	Year ended September 30 2015
	\$	\$
<b>Cash flows provided by (used in) operating activities</b>		
Net loss for the year	(22,637)	(69,244)
Changes in non-cash working capital items:		
GST receivable	(633)	60
Accounts payable and accrued liabilities	20,965	11,913
Due to related parties	(9,743)	9,743
Deferred tax liabilities	(3,297)	(12,755)
<b>Net cash flows (used in) operating activities</b>	<b>(15,345)</b>	<b>(60,283)</b>
<b>Investing activities</b>		
Exploration and evaluation assets (expenditures) recovery	(1,000)	6,034
<b>Net cash flows provided by (used in) investing activities</b>	<b>(1,000)</b>	<b>6,034</b>
<b>Financing activities</b>		
Deferred financing costs	(1,600)	(10,656)
<b>Net cash flows (used in) financing activities</b>	<b>(1,600)</b>	<b>(10,656)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(17,945)</b>	<b>(64,905)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>31,760</b>	<b>96,665</b>
<b>Cash and cash equivalents, end of year</b>	<b>13,815</b>	<b>31,760</b>

The accompanying notes are an integral part of these financial statements

## ESSEX MINERALS INC.

Statements of Changes in Equity  
Expressed in Canadian dollars, except for number of shares

	Common shares		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance, September 30, 2014	5,676,000	303,510	264,000	(296,401)	271,109
Net loss and comprehensive loss for the year	-	-	-	(69,244)	(69,244)
Balance, September 30, 2015	5,676,000	303,510	264,000	(365,645)	201,865
Net loss and comprehensive loss for the year	-	-	-	(22,637)	(22,637)
Balance, September 30, 2016	5,676,000	303,510	264,000	(388,282)	179,228

The accompanying notes are an integral part of these financial statements

# ESSEX MINERALS INC.

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

## 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.

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>September 30 2016</b>	<b>September 30 2015</b>
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.

## 2. Significant Accounting Policies

### Basis of presentation

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

## **ESSEX MINERALS INC.**

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### **2. Significant Accounting Policies (cont'd...)**

#### **Basis of presentation (cont'd...)**

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.

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

The financial statements were approved by the Board of Directors of the Company on January 27, 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*;
- 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.

## **ESSEX MINERALS INC.**

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### **2. Significant Accounting Policies (cont'd...)**

#### **Significant accounting judgments and estimates (cont'd...)**

- **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 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.

## **ESSEX MINERALS INC.**

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### **2. Significant Accounting Policies (cont'd...)**

#### **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.

## **ESSEX MINERALS INC.**

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### **2. Significant Accounting Policies (cont'd...)**

#### **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.

## ESSEX MINERALS INC.

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### 2. Significant Accounting Policies (cont'd...)

#### 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.

## ESSEX MINERALS INC.

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### 2. Significant Accounting Policies (cont'd...)

#### Financial instruments (cont'd...)

##### 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.

## **ESSEX MINERALS INC.**

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### **2. Significant Accounting Policies (cont'd...)**

#### **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 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.

**ESSEX MINERALS INC.**

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

**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	\$ 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
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Additions during the year					
Property option payments – cash	15,000	-	15,000	-	15,000
	15,000	-	15,000	-	15,000
<b>Exploration costs</b>					
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

## ESSEX MINERALS INC.

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### 4. Share Capital

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).

### 5. 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.

### 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 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.

## ESSEX MINERALS INC.

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### 6. Financial Instruments (cont'd...)

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.

### 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) 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 Note 3.

## ESSEX MINERALS INC.

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### 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.

### 9. Income Taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended September 30, 2016 and 2015:

---

	Year ended September 30, 2016	Year ended September 30, 2015
Loss before income taxes	\$ (25,934)	\$ (81,999)
Statutory tax rate	13.13%	13.50%
Expected income tax (recovery)	(3,404)	(11,070)
Non-deductible items	-	340
Change in estimates	234	(2,025)
Changes in tax rates	(127)	-
Total income tax (recovery) expense	\$ (3,297)	\$ (12,755)

---

---

	Year ended September 30, 2016	Year ended September 30, 2015
Current tax expense (recovery)	\$ -	\$ -
Deferred tax expense (recovery)	(3,297)	(12,755)
Total income tax (recovery) expense	\$ (3,297)	\$ (12,755)

---

## ESSEX MINERALS INC.

Notes to Financial Statements  
September 30, 2016 and 2015  
Expressed in Canadian dollars

---

### 9. Income Taxes (cont'd...)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for the calculation of taxable income. Deferred tax assets (liabilities) as at September 30, 2016 and 2015 are comprised of the following:

	2016	2015
Non-capital losses carry forwards	\$ 17,471	\$ 12,813
Deferred financing costs	831	-
Exploration and evaluation assets	(19,067)	(16,875)
Net deferred tax asset (liability)	\$ (765)	\$ (4,062)

The Company has non capital loss carry-forwards of \$134,396 (2015 - \$94,907) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2033	\$ 12,261
2034	\$ 3,164
2035	\$ 86,146
2036	\$ 32,825
Total	\$ 134,396

The prior year's comparative numbers have been revised to conform to the current year's presentation.

### 10. Subsequent Events

- a) On December 22, 2016, the Company has received a receipt of the British Columbia Securities Commission for the Long Form Prospectus dated December 20, 2016 (the prospectus). Pursuit to the Prospectus, the Company offers, through its agent, Canaccord Genuity Corp. on a commercially reasonable efforts basis for sale to purchasers resident in the Provinces of British Columbia and Alberta an aggregate of 3,500,000 Common Shares of the Company at a price of \$0.15 per share and 1,000,000 flow-through Common Shares of the Company at a price of \$0.20 per share. Each flow-through Common Shares will be a Common Share of the Company that qualifies as a "flow-through share" within the meaning of the Tax Act.
- b) Also see Note 7.