

ESSEX MINERALS INC.

Financial Statements
(Expressed in Canadian Dollars)

Years ended September 30, 2017 and 2016

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 29, 2018

"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, 2017 and 2016, 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, 2017 and 2016, 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 29, 2018


Chartered Professional Accountants

ESSEX MINERALS INC.

Statements of Financial Position
Expressed in Canadian dollars

As at	September 30 2017	September 30 2016
	\$	\$
ASSETS		
Current assets		
Cash	215,191	13,815
GST and other receivables	14,281	868
Total current assets	229,472	14,683
Deferred financing costs	-	12,256
Exploration and evaluation assets (Note 4)	434,589	187,270
Total assets	664,061	214,209
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	3,193	34,216
Total current liabilities	3,193	34,216
Deferred tax liability (Note 10)	-	765
Total liabilities	3,193	34,981
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	879,219	303,510
Reserves	303,239	264,000
Deficit	(521,590)	(388,282)
Total shareholders' equity	660,868	179,228
Total liabilities and shareholders' equity	664,061	214,209

These financial statements are authorized for issue by the Board of Directors on January 29, 2018:

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 2017 \$	Year ended September 30 2016 \$
General and administrative expenses		
Professional fees	82,502	23,303
Filing and transfer agent fees	35,884	2,500
Management fees (Note 6)	21,000	-
Travel and promotion	5,980	-
Telephone	2,748	-
Office and miscellaneous	2,190	52
Property investigation	1,625	-
Bank charges and interest	557	79
Loss before income taxes	152,486	25,934
Income tax recovery (Note 10)	(19,178)	(3,297)
Net loss and comprehensive loss for the year	(133,308)	(22,637)
Basic and diluted loss per share	(0.02)	(0.00)
Weighted average number of common shares		
- Basic and diluted	8,237,650	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 2017	Year ended September 30 2016
	\$	\$
Operating activities		
Net loss for the year	(133,308)	(22,637)
Changes in non-cash working capital items:		
GST and other receivable	(13,413)	(633)
Accounts payable and accrued liabilities	(30,367)	20,965
Due to related parties	-	(9,743)
Deferred tax recovery	(19,178)	(3,297)
Net cash flows used in operating activities	(196,266)	(15,345)
Investing activities		
Exploration and evaluation assets investments	(239,819)	(1,000)
Net cash flows used in investing activities	(239,819)	(1,000)
Financing activities		
Common shares issued for cash, net of share issue costs	637,461	(1,600)
Net cash flows provided by (used in) financing activities	637,461	(1,600)
Increase (Decrease) in cash	201,376	(17,945)
Cash, beginning of year	13,815	31,760
Cash, end of year	215,191	13,815

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, 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
Shares issued pursuant to Initial Public Offering (Note 5)	4,549,007	732,351	-	-	732,351
Share issue costs, net of tax (Note 5)	100,000	(114,142)	39,239	-	(74,903)
Flow through share premium (Note 5d)	-	(50,000)	-	-	(50,000)
Shares issued for mineral property (Note 4)	50,000	7,500	-	-	7,500
Net loss and comprehensive loss for the year	-	-	-	(133,308)	(133,308)
Balance, September 30, 2017	10,375,007	879,219	303,239	(521,590)	660,868

The accompanying notes are an integral part of these financial statements

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

1. Nature and Continuance of Operations and Going Concern

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

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

The head office, principal address and registered and records office of the Company are located at 3750 W. 49th 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.

	September 30 2017	September 30 2016
Deficit	\$ (521,590)	\$ (388,282)
Working capital (deficiency)	\$ 226,279	\$ (19,533)

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

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

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”).

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.

The financial statements were approved by the Board of Directors of the Company on January 29, 2018.

Cash

Cash consists of cash on hand and deposits in banks with no restrictions.

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.

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, 2017 and 2016.

Mining tax credit

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

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

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

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.

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.

Flow-through shares

Flow-through shares expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A flow through share premium liability is recognized for this difference, and included in deferred tax recovery at the time the qualifying expenditures are made.

A deferred tax liability equal to the tax value of flow-through expenditures renounced is recognized once the Company has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled when eligible expenditures have been incurred and management establishes the intent to make renunciation filings with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

Share issue costs

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

Share purchase warrants

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

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

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

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. The corresponding amount is recorded to the contributed surplus. The Company applies the fair value method of accounting for share-based payments and the fair value is calculated using the Black-Scholes option pricing model.

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.

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

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

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

Segment information

The Company currently conducts substantially all of its operations in Canada under 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 are classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and accounts payable and accrued liabilities 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 statements of loss and comprehensive loss.

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 statements of loss and comprehensive loss.

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 statements of loss and comprehensive loss.

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.

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:

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

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

Financial instruments (cont'd...)

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, which is recognized at amortized cost.

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 September 30, 2017 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”)

IFRS 9, issued on July 24, 2014, is the IASB’s replacement of IAS 39, Financial Instruments: Recognition and Measurement (IAS 39”). IFRS 9 is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16, Leases (“IFRS16”)

IFRS 16 was issued on January 13, 2016 and replaces the current guidance in IAS 17, Leases (“IAS17”). IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS16’s approach to lessor accounting substantially unchanged from IAS17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

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

3. 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.

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

3. Significant accounting judgments and estimates (cont'd...)

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

- Impairment of exploration and evaluation assets (E&E assets)
In accordance with the Company's accounting policy, the Company's E&E assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, metal prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

Management has assessed for impairment indicators for the Company's E&E assets and has concluded that no indicators of impairment were identified and the Company plans to continue with its objective of developing the Melba Mineral Property.

- 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:

- 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.
- Valuation of Agent's warrants
Estimating the fair value of the granted Agent's warrants required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The fair value of Agent's warrants is estimated using the Black Scholes Model. The estimate of option valuation also requires determining the most appropriate inputs to the valuation model including the volatility, expected life of warrants, risk free interest rate and dividend yield.

4. 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:

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

4. Exploration and Evaluation Assets (cont'd...)

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

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

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

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

Expenditure related to the properties can be summarized as follows:

	Balance September 30, 2015	Additions	Balance September 30, 2016	Additions	Balance September 30, 2017
	\$	\$	\$	\$	\$
Acquisition costs					
Additions during the year					
Property option payments					
- cash	15,000	-	15,000	15,000	30,000
- shares (Note 5b)	-	-	-	7,500	7,500
	15,000	-	15,000	22,500	37,500
Exploration costs					
Geophysical IP/Mag-EM survey	-	-	-	138,338	138,338
Airborne geophysical survey	90,000	-	90,000	-	90,000
Project management (Note 6)	19,752	-	19,752	20,152	39,904
Technical report	22,177	1,000	23,177	13,237	36,414
Travel, supplies and field expenses	15,606	-	15,606	17,156	32,762
Field costs	10,500	-	10,500	11,000	21,500
Soil sampling	-	-	-	21,336	21,336
Geological consulting	9,700	-	9,700	1,000	10,700
Geophysical consulting	9,827	-	9,827	-	9,827
Equipment rental	3,678	-	3,678	2,600	6,288
Assays	166	-	166	-	166
Mining exploration tax credit	(10,136)	-	(10,136)	-	(10,136)
	171,270	1,000	172,270	224,819	397,089
Balance, end of year	186,270	1,000	187,270	247,319	434,589

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

5. Share Capital

a) Authorized:

Unlimited number of common shares with no par value.

b) Issued and Outstanding

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

On March 15, 2017, the Company completed an Initial Public Offering (“IPO”, “Offering”), whereby the Company issued an aggregate of 3,549,007 Common Shares of the Company (the “Shares”) at a price of \$0.15 per Share for gross proceeds of \$532,351 and 1,000,000 flow-through Common Shares of the Company (the “FT Shares”) at a price of \$0.20 per FT Share for gross proceeds of \$200,000. Each FT Share is a Common Share of the Company that qualifies as a “flow-through share” within the meaning of the Tax Act.

The Company paid the agent a corporate finance fee of \$15,000 cash plus 100,000 common shares of the Company. The Company also incurred and paid to the Agent reasonable expenses associated with the offering in the amount of \$25,578.

On March 17, 2017, the Company issued 50,000 common shares pursuant to the acquisition of the Melba Property (Note 4).

As at September 30, 2017, the Company recognized a deferred tax asset of \$31,587 (2016: Nil) through share capital in respect of the share issuance costs.

c) Escrow shares

As at September 30, 2017 the Company has 2,175,750 (2016 - 2,901,000) 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 (290,100 released on March 15, 2017); and
- 15% released every six months thereafter, subject to acceleration provisions provided for in National Policy 46-201 – *Escrow for Initial Public Offerings* (435,150 released on September 15, 2017).

d) Flow-through shares

On March 15, 2017, the Company completed an initial public offering of its shares and issued 1,000,000 common shares on a flow-through basis at a price of \$0.20 per share for gross proceeds of \$200,000 (see note 5b), and recognized a liability on flow-through share of \$50,000.

As at September 30, 2017, the Company has incurred more than \$200,000 of qualified expenditures resulting in the reversal of the flow-through share premium liability of \$50,000 and recording of the deferred tax liability of \$52,000. The Company intends to renounce the total proceeds of \$200,000 on December 31, 2017.

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

5. Share Capital (cont'd...)

e) Agent Warrants

	Number Outstanding	Exercise Price	Expiry Date	Remaining Life
September 30, 2017	409,410	\$0.15	March 15, 2019	1.46 years

On March 15, 2017, upon the closing of IPO (see note 5b), the Company paid a cash commission of 9% of the aggregate gross proceeds of the Offering to the agent in the amount of \$65,912. The Company also issued 409,410 agents warrants. Each warrant is exercisable to purchase an additional common share of the Company at a price of \$0.15 per share on or before March 15, 2019.

The fair value of warrant granted was \$0.10 per warrant as estimated using Black-Sholes option pricing model for a cumulative total of \$39,239, which was recorded against contributed surplus. The following assumptions were used in the Black-Sholes model to determine the fair value of the warrants granted were as follows:

	September 30, 2017
Risk-free interest rate	0.80%
Expected dividend yield	-
Expected Volatility	128%
Expected terms in years	2 years

6. Related Party Balances and Transactions

During the fiscal year ended September 30, 2017, the Company has the following related party transactions:

- Paid \$21,000 (2016 - \$Nil) to a company controlled by a Director and the Chief Executive Officer (Note 7) as management fee. Included in exploration and evaluation assets is \$210,674 (2016 - \$Nil) paid to the company for project management and overhead fees.
- Included in exploration and evaluation assets is \$11,000 (2016 - \$Nil) paid to the Chief Executive Officer for geological services and fieldwork.
- Paid professional fees of \$18,000 (2016: \$Nil) to the Company's Chief Financial Officer for providing professional accounting services.
- Included in the exploration and evaluation assets is \$10,243 (2016 - \$Nil) paid to the Director for geological services and fieldwork.

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.

As at September 30, 2017, included in the GST and other receivable, the Company has \$282 (2016: \$Nil) due from related parties.

7. Commitments

- On October 1, 2016, the Company entered into a service agreement with a company controlled by a Director and the Chief Executive Officer to provide services for \$3,000 per month, to

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

7. Commitments (cont'd...)

commence on the completion of the Company's Initial Public Offering and ending on December 31, 2018.

b) See Note 4.

8. Financial Instruments

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

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. Refer to note 1 for further details related to the ability of the Company to continue as a going concern.

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, 2017, the Company had a cash balance of \$215,191 (2016 - \$13,815) to settle accounts payable and accrued liabilities of \$3,193 (2016 - \$34,216). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

Cash is held with reputable banks in Canada. The long-term credit rating of these banks, as determined by Standard and Poor's, was A+.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances on the statement of financial position. As a result, the Company is not exposed to material cash flow interest rate risk on its cash balances.

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.

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

8. Financial Instruments (cont'd...)

The Company's financial instruments are cash and accounts payable and accrued liabilities. Cash is measured at fair value and is considered to be Level 1 instruments.

Financial instruments that are not measured at fair value are represented by other receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

9. 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.

10. 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, 2017 and 2016:

	2017	2016
	\$	\$
Net loss before tax	(152,486)	(25,934)
Statutory tax rate	26.00%	13.13%
Expected income tax (recovery)	(39,646)	(3,404)
Non-deductible items	620	-
Tax effect of flow-through shares	52,000	-
Flow-through share premium	(50,000)	-
Change in deferred tax asset not recognized	17,848	107
Total income tax expense (recovery)	(19,178)	(3,297)

	2017	2016
	\$	\$
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	(19,178)	(3,297)
Total tax expense (recovery)	(19,178)	(3,297)

ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2017 and 2016

Expressed in Canadian dollars

10. Income Taxes (cont'd...)

The statutory tax rate increased from 13.13% to 26% due to the Initial Public Offering in 2017.

The deferred taxes assets and liabilities reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Movement in deferred tax assets (liabilities) at September 30, 2017 and 2016 are comprised of the following:

	As of September 30, 2016	Flow- through shares	(Charged to)/ recovered through earnings	(Charged to)/ recovered through share capital	As of September 30, 2017
	\$	\$	\$	\$	\$
Deferred tax assets (liabilities)					
Mineral properties	(19,067)	(52,000)	(21,732)	-	(92,799)
Financing costs	831	-	(6,041)	31,587	26,377
Non-capital losses	17,471	-	48,951	-	66,422
Deferred tax assets (liabilities)	(765)	(52,000)	21,178	31,587	-
	As of September 30, 2015	Flow- through shares	(Charged to)/ recovered through earnings	(Charged to)/ recovered through share capital	As of September 30, 2016
	\$	\$	\$	\$	\$
Deferred tax assets (liabilities)					
Mineral properties	(16,873)	-	(2,194)	-	(19,067)
Financing costs	-	-	831	-	831
Non-capital losses	12,812	-	4,659	-	17,471
Deferred tax assets (liabilities)	(4,061)	-	3,296	-	(765)

The unrecognized deductible temporary differences as at September 30, 2017 and 2016 are comprised of the following:

	2017	2016
	\$	\$
Non-capital losses	48,567	-
Total unrecognized deductible temporary differences	48,567	-

The Company has not recognized a deferred tax asset in respect of the non-capital losses of approximately \$48,567 (2016: \$nil) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in year 2037.