

ESSEX MINERALS INC.

Condensed Interim Financial Statements
For the Three and Nine Months Ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

[Unaudited - prepared by Management]

ESSEX MINERALS INC.

400 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6
Telephone (604) 328-0425

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

ESSEX MINERALS INC.

Condensed Interim Statements of Financial Position

As at June 30, 2019 and September 30, 2018

Expressed in Canadian dollars

	June 30, 2019	September 30, 2018
	\$	\$
ASSETS		
Current assets		
Cash	106,198	89,694
GST and other receivables (Note 6)	17,960	11,301
Total current assets	124,158	100,995
Exploration and evaluation assets (Note 4)	462,656	462,656
Total assets	586,814	563,651
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	239,169	81,318
Due to related party (Note 6)	94,500	63,000
Total Liabilities	333,669	144,318
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	888,219	888,219
Reserves	303,239	303,239
Deficit	(938,313)	(772,125)
Total shareholders' equity	253,145	419,333
Total liabilities and shareholders' equity	586,814	563,651

These condensed interim financial statements are authorized for issue by the Board of Directors on August 29, 2019:

They are signed on the Company's behalf by:

"Yari Nieken"
Director/CEO

"Yuying Liang"
Director

The accompanying notes are an integral part of these condensed interim financial statements.

ESSEX MINERALS INC.

Condensed Interim Statements of Loss and Comprehensive Loss

For the Three and Nine Months ended June 30, 2019 and 2018

Expressed in Canadian dollars, except for number of shares

[Unaudited - prepared by Management]

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
General and administrative expenses				
Bank charges and interest (recovery)	\$ (475)	\$ 123	\$ 188	\$ 277
Filing and transfer agent fees	1,936	4,346	12,626	16,957
Management fee (Note 6)	-	33,000	30,000	51,000
News releases	-	-	-	875
Office and miscellaneous	8	1,652	313	2,064
Professional fees (Note 6)	30,344	60,266	109,344	107,824
Rent	-	-	13,717	-
Telephone	-	276	-	1,504
Travel and promotion	-	602	-	5,042
Loss before income taxes	(31,813)	(100,265)	(166,188)	(185,543)
Income tax recovery	-	936	-	936
Net loss and comprehensive loss for the period	(31,813)	(99,329)	(166,188)	(184,607)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares - Basic and diluted	10,425,007	10,425,007	10,425,007	10,394,604

The accompanying notes are an integral part of these condensed interim financial statements.

ESSEX MINERALS INC.

Condensed Interim Statements of Cash Flows

For the Three and Nine Months ended June 30, 2019 and 2018

Expressed in Canadian dollars

[Unaudited - prepared by Management]

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(31,813)	(99,329)	(166,188)	(184,607)
Changes in non-cash working capital items:				
GST and other receivables	(1,601)	(4,949)	(6,659)	6,202
Accounts payable and accrued liabilities	(41,057)	53,934	157,851	50,741
Due to related parties	-	31,500	31,500	31,500
Net cash flows provided by (used in) operating activities	(74,471)	(18,844)	16,504	(96,164)
Investing activity				
Exploration and evaluation assets expenditure	-	-	-	(20,000)
Net cash flows used in investing activity	-	-	-	(20,000)
Change in cash	(74,471)	(18,844)	16,504	(116,164)
Cash, beginning of period	180,669	117,871	89,694	215,191
Cash, end of period	106,198	99,027	106,198	99,027
Non-cash transaction				
Shares issued for exploration and evaluation assets	-	-	-	9,000

The accompanying notes are an integral part of these condensed interim financial statements.

ESSEX MINERALS INC.

Condensed Interim Statements of Changes in Shareholders' Equity

For the Nine Months ended June 30, 2019 and 2018

Expressed in Canadian dollars, except for number of shares

[Unaudited - prepared by Management]

	Common shares		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance, September 30, 2017	10,375,007	879,219	303,239	(521,590)	660,868
Shares issued for mineral property (Note 4)	50,000	9,000	-	-	9,000
Net loss and comprehensive loss for the period	-	-	-	(184,607)	(184,607)
Balance, June 30, 2018	10,425,007	888,219	303,239	(706,197)	485,261
Balance, September 30, 2018	10,425,007	888,219	303,239	(772,125)	419,333
Net loss and comprehensive loss for the period	-	-	-	(166,188)	(166,188)
Balance, June 30, 2019	10,425,007	888,219	303,239	(938,313)	253,145

The accompanying notes are an integral part of these condensed interim financial statements.

ESSEX MINERALS INC.

Notes to Condensed Interim Financial Statements

For the Three and Nine Months Ended June 30, 2019 and 2018

Expressed in Canadian dollars

[Unaudited - prepared by Management]

1. Nature and Continuance of Operations

Essex Minerals Inc. (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 400 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6.

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 condensed interim 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 4), 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.

	June 30, 2019	September 30, 2018
Deficit	\$ (938,313)	\$ (772,125)
Working capital deficiency	\$ (209,511)	\$ (43,323)

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

ESSEX MINERALS INC.

Notes to Condensed Interim Financial Statements
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2. Significant Accounting Policies

Basis of presentation

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

These condensed interim 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 condensed interim financial statements have been prepared using the accrual basis of accounting.

The condensed interim financial statements were approved by the Board of Directors of the Company on August 29, 2019.

Cash

Cash is comprised of only cash at bank 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.

The Company reviews the indicators of impairment of each property on an annual basis, at a minimum. This review generally is made by reference to the timing of exploration work, work programs proposed, and the exploration results achieved by the Company and others. When the indicators of impairment exist, the carrying value of a property is compared to its net recoverable amount. An impairment adjustment is made for the decline in fair value.

The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

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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 June 30, 2019 and September 30, 2018.

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.

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.

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

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.

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.

ESSEX MINERALS INC.

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

Income taxes (cont'd...)

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

Deferred financing costs

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

Segment information

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

Change in accounting policies

Financial instruments

The Company has adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of October 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

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

Change in accounting policies (cont'd...)

Financial instruments (cont'd...)

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original under IAS 39 and the new classification under IFRS 9.

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized Cost
Accounts payable	Other financial liabilities	Amortized Cost
Due to related party	Other financial liabilities	Amortized Cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on October 1, 2018.

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recorded in the statements of net loss in the period in which they arise.

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

Change in accounting policies (cont'd...)

Financial instruments (cont'd...)

Impairment of financial assets and amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net loss.

Standard issued and effective

IFRS 16, Leases ("IFRS 16")

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 IFRS 16's approach to lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated.

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 Condensed Interim Financial Statements

For the Three and Nine Months Ended June 30, 2019 and 2018

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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.

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 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:

- Asset Retirement Obligations
The Company recognizes the liability for an asset retirement obligation. The relevant costs in associated with the asset 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.

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3. Significant Accounting Judgments and Estimates (cont'd...)

Significant areas requiring the use of management estimates and assumptions include (cont'd...):

- 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:

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 (paid and issued)	\$ 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	-
	\$ 120,000	100,000

During the period ended June 30, 2019, the Company failed to make the cash payment of \$25,000 that was due on March 17, 2019.

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:

- \$100,000 by the first anniversary of the Effective Date (incurred); and
- 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.

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

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

Expenditure related to the properties can be summarized as follows:

	Balance September 30, 2017	Additions	Balance September 30, 2018	Additions	Balance June 30, 2019
	\$	\$	\$	\$	\$
Acquisition costs					
Additions during the period					
Property option payments					
- cash	30,000	20,000	50,000	-	50,000
- shares (Note 5b)	7,500	9,000	16,500	-	16,500
	37,500	29,000	66,500	-	66,500
Exploration costs					
Geophysical IP/Mag-EM survey	138,338	-	138,338	-	138,338
Airborne geophysical survey	90,000	-	90,000	-	90,000
Project management	39,904	-	39,904	-	39,904
Technical report	36,414	-	36,414	-	36,414
Travel, supplies and field expenses	32,762	-	32,762	-	32,762
Field costs	21,500	-	21,500	-	21,500
Soil sampling	21,336	-	21,336	-	21,336
Geological consulting	10,700	-	10,700	-	10,700
Geophysical consulting	9,827	-	9,827	-	9,827
Equipment rental	6,278	-	6,278	-	6,278
Assays	166	-	166	-	166
Mining exploration tax credit	(10,136)	(933)	(11,069)	-	(11,069)
	397,089	(933)	396,156	-	396,156
Balance, end of period	434,589	28,067	462,656	-	462,656

5. Share Capital

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

As at June 30, 2019, 10,425,007 (September 30, 2018: 10,425,007) 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.

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

b) Issued and outstanding (cont'd...)

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 valued at \$7,500 pursuant to the acquisition of the Melba Property (Note 4).

On March 15, 2018, the Company issued 50,000 common shares valued at \$9,000 pursuant to the acquisition of the Melba Property (Note 4).

As at September 30, 2018, the Company recognized a deferred tax asset of \$Nil (2017: \$31,587) through share capital in respect of the share issuance costs.

During the nine months ended June 30, 2019, the Company received \$106,000 of subscription from cancelled private placements that was arranged on May 3, 2018. This amount was included in accounts payable and accrued liabilities.

There were no common shares issued during the nine months ended June 30, 2019.

c) Escrow shares

As at June 30, 2019, the Company has 870,300 (September 30, 2018: 1,305,450) 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, 435,150 released on March 15, 2018, 435,150 released on September 15, 2018 and 435,150 released on March 15, 2019).

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 had 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 has renounced the total proceeds of \$200,000 as of June 30, 2019.

e) Agent warrants

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 agent 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.

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

e) Agent warrants (cont'd...)

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:

Risk-free interest rate	0.80%
Expected dividend yield	-
Expected volatility	128%
Expected terms in years	2 years

During the nine months ended June 30, 2019, 409,410 (2018: Nil) agent warrants expired unexercised.

6. Related Party Balances and Transactions

During the nine months ended June 30, 2019, the Company has the following related party transactions:

- (a) Paid or accrued \$Nil (2018: \$21,000) to a company controlled by a former Director and the former Chief Executive Officer as management fees. Paid or accrued \$30,000 (2018: \$30,000) to the former Director and former Chief Executive Officer as management fees.
- (b) Paid or accrued professional fees of \$Nil (2018: \$16,000) to the Company's former Chief Financial Officer for providing professional accounting services.

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 June 30, 2019, included in the GST and other receivables, the Company has \$282 (September 30, 2018: \$282) due from former Chief Executive Officer. As at June 30, 2019, \$94,500 (September 30, 2018: \$63,000) is due to the former Director and former Chief Executive Officer for the services rendered to the Company.

7. Commitment

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.

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

Liquidity risk (cont'd...)

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2019, the Company had a cash balance of \$106,198 (September 30, 2018: \$89,694) to settle current liabilities of \$333,669 (September 30, 2018: \$144,318). 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.

The Company's financial instruments are cash, GST and other receivables, accounts payable and accrued liabilities and due to related party. 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, accounts payable and accrued liabilities and due to related party. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

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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.