

**ESSEX MINERALS INC.**

Financial Statements

For the Years ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

## **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 the Company. 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 28, 2019

## Independent Auditors' Report

To the Shareholders of Essex Minerals Inc.:

We have audited the accompanying financial statements of Essex Minerals Inc., which comprise the statements of financial position as at September 30, 2018 and 2017, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and 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.

### *Auditors' 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 the 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 the auditors' 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 entity'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 entity'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, 2018 and 2017 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, British Columbia  
January 28, 2019

  
Chartered Professional Accountants

## ESSEX MINERALS INC.

Statements of Financial Position  
As at September 30, 2018 and 2017  
Expressed in Canadian dollars

	2018	2017
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	89,694	215,191
GST and other receivables (Note 6)	11,301	14,281
<b>Total current assets</b>	100,995	229,472
<b>Exploration and evaluation assets (Note 4)</b>	462,656	434,589
<b>Total assets</b>	563,651	664,061
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	81,318	3,193
Due to related parties (Note 6)	63,000	-
<b>Total Liabilities</b>	144,318	3,193
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 5)</b>	888,219	879,219
<b>Reserves</b>	303,239	303,239
<b>Deficit</b>	(772,125)	(521,590)
<b>Total shareholders' equity</b>	419,333	660,868
<b>Total liabilities and shareholders' equity</b>	563,651	664,061

These financial statements are authorized for issue by the Board of Directors on January 28, 2019:

They are signed on the Company's behalf by:

"Adam Cegielski"  
Director/CEO

"Yuying Liang"  
Director

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

## ESSEX MINERALS INC.

Statements of Loss and Comprehensive Loss  
For the years ended September 30, 2018 and 2017  
Expressed in Canadian dollars, except for number of shares

	2018	2017
<b>General and administrative expenses</b>		
Bank charges and interest	\$ 364	\$ 557
Filing and transfer agent fees	19,640	35,884
Management fee (Note 6)	81,000	21,000
News releases	875	-
Office and miscellaneous	2,433	2,190
Professional fees (Note 6)	139,676	82,502
Property investigation	-	1,625
Telephone	1,504	2,748
Travel and promotion	5,043	5,980
<b>Loss before income taxes</b>	(250,535)	152,486
Income tax recovery (expense) (Note 10)	-	(19,178)
<b>Net loss and comprehensive loss for the year</b>	(250,535)	(133,308)
<b>Basic and diluted loss per share</b>	\$ (0.02)	\$ (0.02)
<b>Weighted average number of common shares - Basic and diluted</b>	10,403,089	8,237,650

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

## ESSEX MINERALS INC.

Statements of Cash Flows  
For the years ended September 30, 2018 and 2017  
Expressed in Canadian dollars

	2018	2017
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(250,535)	(133,308)
Changes in non-cash working capital items:		
GST and other receivables	2,980	(13,413)
Accounts payable and accrued liabilities	78,125	(30,367)
Due to related parties	63,000	-
Deferred tax recovery	-	(19,178)
<b>Net cash flows used in operating activities</b>	<b>(106,430)</b>	<b>(196,266)</b>
<b>Investing activity</b>		
Exploration and evaluation assets expenditures	(19,067)	(239,819)
<b>Net cash flows used in investing activity</b>	<b>(19,067)</b>	<b>(239,819)</b>
<b>Financing activity</b>		
Common shares issued for cash, net of share issue costs	-	637,461
<b>Net cash flows provided by financing activity</b>	<b>-</b>	<b>637,461</b>
<b>Change in cash</b>	<b>(125,497)</b>	<b>201,376</b>
<b>Cash, beginning of year</b>	<b>215,191</b>	<b>13,815</b>
<b>Cash, end of year</b>	<b>89,694</b>	<b>215,191</b>

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

## ESSEX MINERALS INC.

Statements of Changes in Shareholders' Equity  
 For the years ended September 30, 2018 and 2017  
 Expressed in Canadian dollars, except for number of shares

	Common shares		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance, September 30, 2016	5,676,000	303,510	264,000	(388,282)	179,228
Shares issued pursuant to Initial Public Offering	4,549,007	732,351	-	-	732,351
Share issue costs, net of tax	100,000	(114,142)	39,239	-	(74,903)
Flow-through share premium	-	(50,000)	-	-	(50,000)
Shares issued for mineral property	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
Shares issued for mineral property (Note 4)	50,000	9,000	-	-	9,000
Net loss and comprehensive loss for the year	-	-	-	(250,535)	(250,535)
Balance, September 30, 2018	10,425,007	888,219	303,239	(772,125)	419,333

# ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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## 1. Nature and Continuance of Operations

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

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

The head office, principal address and registered and records office of the Company are located at 800 – 1199 West Hastings Street, Vancouver, BC, Canada, V6E 3T5.

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 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.

	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Deficit	\$ (772,125)	\$ (521,590)
Working capital (deficiency)	\$ (43,323)	\$ 226,279

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, 2018 and 2017

Expressed in Canadian dollars

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

#### **Basis of presentation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("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 28, 2019.

#### **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.

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.

## **ESSEX MINERALS INC.**

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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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 September 30, 2018 and 2017.

#### **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.

## **ESSEX MINERALS INC.**

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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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.**

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

#### **Deferred financing costs**

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

#### **Segment information**

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

#### **Financial instruments**

The Company's financial instruments consist of cash, other receivables, accounts payable and due to related parties. Cash are classified as fair value through profit or loss and recorded at fair value, other receivables as loans and receivables. Accounts payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost. The fair value of the Company's financial assets 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.

## ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

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

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

*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:

*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, 2018 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 the adoption of the standards 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.

## ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

#### Standards issued but not yet effective (cont'd...)

##### *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 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.

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

## ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

- 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.

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	-
	<b>\$ 120,000</b>	<b>100,000</b>

## ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

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

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, 2016	Additions	Balance September 30, 2017	Additions	Balance September 30, 2018
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
Additions during the year					
Property option payments					
- cash	15,000	15,000	30,000	20,000	50,000
- shares (Note 5b)	-	7,500	7,500	9,000	16,500
	15,000	22,500	37,500	29,000	66,500
<b>Exploration costs</b>					
Geophysical IP/Mag-EM survey	-	138,338	138,338	-	138,338
Airborne geophysical survey	90,000	-	90,000	-	90,000
Project management	19,752	20,152	39,904	-	39,904
Technical report	23,177	13,237	36,414	-	36,414
Travel, supplies and field expenses	15,606	17,156	32,762	-	32,762
Field costs	10,500	11,000	21,500	-	21,500
Soil sampling	-	21,336	21,336	-	21,336
Geological consulting	9,700	1,000	10,700	-	10,700
Geophysical consulting	9,827	-	9,827	-	9,827
Equipment rental	3,678	2,600	6,278	-	6,278
Assays	166	-	166	-	166
Mining exploration tax credit	(10,136)	-	(10,136)	(933)	(11,069)
	172,270	224,819	397,089	-	396,156
Balance, end of year	187,270	247,319	434,589	28,067	462,656

### 5. Share Capital

#### a) Authorized

Unlimited number of common shares with no par value.

## ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

#### b) Issued and outstanding

As at September 30, 2018, 10,425,007 (2017: 10,375,007) 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.

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.

#### c) Escrow shares

As at September 30, 2018, the Company has 1,305,450 (2017: 2,175,750) 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 and 435,150 released on September 15, 2018).

#### 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 September 30, 2018.

## ESSEX MINERALS INC.

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

#### e) Agent warrants

	Number Outstanding	Exercise Price	Expiry Date	Remaining Life
September 30, 2018	409,410	\$0.15	March 15, 2019	0.46 year

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:

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, 2018, the Company has the following related party transactions:

- (a) Paid \$21,000 (2017: \$21,000) to a company controlled by a former Director and the former Chief Executive Officer (Note 7) as management fees. Included in exploration and evaluation assets is \$Nil (2017: \$210,674) paid to the company for project management and overhead fees. Paid \$60,000 (2017: \$Nil) to the current Director and current Chief Executive Officer as management fees.
- (b) Included in exploration and evaluation assets is \$Nil (2017: \$11,000) paid to the former Chief Executive Officer for geological services and fieldwork.
- (c) Paid professional fees of \$16,000 (2017: \$18,000) to the Company's former Chief Financial Officer for providing professional accounting services.
- (d) Included in the exploration and evaluation assets is \$Nil (2017: \$10,243) paid to the former 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, 2018, included in the GST and other receivables, the Company has \$282 (2017: \$282) due from former Chief Executive Officer. As at September 30, 2018, \$63,000 (2017: \$Nil) is due to the current Director and current Chief Executive Officer for the services rendered to the Company.

## **ESSEX MINERALS INC.**

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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### **7. Commitments**

- a) 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, 2018, the Company had a cash balance of \$89,694 (2017: \$215,191) to settle current liabilities of \$144,318 (2017: \$3,193). 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.

## **ESSEX MINERALS INC.**

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

#### *Fair value hierarchy (cont'd...)*

- 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 GST and 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.

### **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.

**ESSEX MINERALS INC.**

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

**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, 2018 and 2017:

	2018	2017
	\$	\$
Net loss before tax	(250,535)	(152,486)
Statutory tax rate	26.75%	26.00%
Expected income tax (recovery)	(67,018)	(39,646)
Non-deductible items	598	620
Tax effect of flow-through shares	-	52,000
Flow-through share premium	-	(50,000)
Change in deferred tax asset not recognized	66,420	17,848
Total income tax expense (recovery)	-	(19,178)
	2018	2017
	\$	\$
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	-	(19,178)
Total tax expense (recovery)	-	(19,178)

The statutory tax rate increased from 26% to 26.75% due to an increase in the BC corporate tax rate on January 1, 2018.

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, 2018 and 2017 are comprised of the following:

	As of September 30, 2017	Flow- through shares	(Charged to)/ recovered through earnings	(Charged to)/ recovered through share capital	As of September 30, 2018
	\$	\$	\$	\$	\$
Deferred tax assets (liabilities)					
Mineral properties	(92,799)	-	(3,570)	-	(96,369)
Financing costs	26,377	-	(6,120)	-	20,257
Non-capital losses	66,422	-	9,690	-	76,112
Deferred tax assets (liabilities)	-	-	-	-	-

**ESSEX MINERALS INC.**

Notes to Financial Statements

For the years ended September 30, 2018 and 2017

Expressed in Canadian dollars

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

	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
<b>Deferred tax assets (liabilities)</b>	<b>(765)</b>	<b>(52,000)</b>	<b>21,178</b>	<b>31,587</b>	<b>-</b>

The unrecognized deductible temporary differences as at September 30, 2018 and 2017 are comprised of the following:

	2018 \$	2017 \$
Non-capital losses	285,818	48,567
<b>Total unrecognized deductible temporary difference</b>	<b>285,818</b>	<b>48,567</b>

The Company has not recognized a deferred tax asset in respect of the non-capital losses of approximately \$285,818 (2017: \$48,567) 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 and 2038.

**11. Subsequent Event**

On October 31, 2018, the Company terminated its previously announced private placement and arranged a new non-brokered private placement in its place. The new non-brokered private placement will now consist of up to 20,000,000 units at a price of \$0.06 per unit for gross proceeds of up to \$1,200,000. Each unit will consist of one common share and one transferable share purchase warrant exercisable for a term of one year. Each whole warrant will entitle the holder to purchase one additional share at an exercise price of \$0.08 per share.

Finders' fees may be payable on all, or part, of the offering, and such finders' fees may be paid in units in lieu of cash. The completion of the offering, including the issuance of any finders' units, is subject to acceptance for filing by the TSX Venture Exchange.