

ESSEX MINERALS INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Nine Months Ended June 30, 2020

General

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements and notes for the nine months ended June 30, 2020 and 2019, and the audited financial statements and notes for the fiscal years ended September 30, 2019 and 2018. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com.

The MD&A was approved by the Board of Directors of the Company on August 24, 2020.

The head office and principal address of the Company is located at 3002-1211 Melville Street, Vancouver, BC V6E 0A7, and the registered and records office of the Company is located at 2500- 700 W Georgia Street, Vancouver, BC V7Y 1B3.

Statement of Compliance

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

Basis of Presentation

The condensed interim financial statements have been prepared on a historical cost basis except for some financial instruments classified in accordance with measurement standards under IFRS.

All amounts are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

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

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

Overview

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

The Company is a natural resource company focused on mineral exploration opportunities where it can adopt an option earn-in and joint venture model with proven technical teams which have already expended the time and capital to assemble exploration projects where drill targets have been identified.

On February 19, 2020, the Company entered into an agreement with private Australian companies, KNX Resources Ltd. ("KNX") and IsMins Pty Ltd ("IsMins"), to earn in on the three exploration properties in Australia selected for their potential to host large, high-grade gold deposits.

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 ("TSXV").

Significant Events and Transactions

5 for 1 Share Consolidation

On January 31, 2020, the Company consolidated all of the issued and outstanding common shares on a five for one basis. The consolidation has reduced the common shares issued and outstanding from 10,425,007 pre-consolidated to 2,085,001 post-consolidated common shares. All shares figures and references have been retroactively adjusted to reflect the share consolidation. Effective January 31, 2020, the common shares of the Company commenced trading on the TSX Venture Exchange on a consolidated basis.

Private Placements

On March 9, 2020, the Company completed the first tranche of a non-brokered private placement financing, issuing 12,675,000 common shares at a price of \$0.10 per share for gross proceeds of \$1,267,500.

On March 17, 2020, the Company completed the second tranche of a non-brokered private placement financing, issuing 2,325,000 common shares at a price of \$0.10 per share for gross proceeds of \$232,500.

In connection with the March 2020 private placement, the Company paid finder's fee by issuing 1,451,500 common shares at a price of \$0.10 per share.

On June 25, 2020, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$1,290,000 and issued 5,160,000 common shares at a price of \$0.25 per share. Finders' fee of \$63,000 in cash and 252,000 warrants with a fair value of \$75,967 were paid. The finders' warrants are exercisable at a price of \$0.25 for a period of two years from the date of issuance.

On June 30, 2020, the Company closed the second tranche of a non-brokered private placement for gross proceeds of \$20,000 and issued 80,000 common shares at a price of \$0.25 per share.

Advance for Australian Gold Properties

On May 1, 2020, the Company announced the signing of an earn-in joint venture over three epithermal and orogenic gold properties in Australia assembled by a private Australian company KNX in the Georgetown region of Queensland and the Pine Creek region of the Northern Territory.

The three properties are:

Cumberland

Five granted exploration permits covering 26,000 ha, 30 km from Georgetown, North Queensland, 70 km northwest of the former 3.5 million-ounce Kidston gold mine. The property has the potential to host high-grade epithermal gold mineralization and is currently held 80% by KNX and 20% by another Australian private company, AMD Resources Ltd ("AMD"). The property has a number of drill-ready exploration targets.

Mt. Turner

A granted exploration permit covering 6,000 ha, 30 km northeast of Cumberland with potential to host high-grade epithermal mineralization and large gold-copper porphyry mineralization. This property is held 100% by KNX.

Compass Creek

Three granted exploration permits covering 6,400 ha in Pine Creek goldfield, 28 km north of Kirkland Lake's 2.5Mtpa Union Reefs mill. The property has the potential to host large high-grade orogenic gold mineralization and is held 80% by KNX and 20% by AMD.

Under the terms of the venture, Essex has the right to earn an initial First Stage Earn-in of 50% of KNX's interest in the three properties by spending AUD \$1,000,000 on exploration by May 2021.

The Company has committed to spend an initial AUD \$125,000 within three months to pay for aerial LiDAR mapping and assaying of soil samples to better position initial drill programs and completion of NI 43-101 property reports.

At the end of the First Stage Earn-in, Essex has the right to acquire the balance of KNX's interest in the properties at independent valuation or earn an additional 25% interest in Mt Turner and 20% interest in Cumberland and Compass Creek by funding a further AUD \$3,000,000 on exploration.

As at June 30, 2020 the company had advanced \$217,382 to KNX as part of its initial First Stage Earn-in on the KNX properties.

Selected Annual Information

	September 30, 2019	September 30, 2018	September 30, 2017
	\$	\$	\$
Sales or Revenue	-	-	-
Net loss	(707,399)	(250,535)	(133,308)
Net loss per share - basic and diluted	(0.07)	(0.02)	(0.02)
Total assets	82,896	563,651	664,061

Results of Operations

	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
Expenses				
Management and consulting fees	\$ 70,262	\$ -	\$ 315,262	\$ 30,000
General and administration	5,106	(467)	32,484	14,218
Professional fees	48,200	30,344	109,627	109,344
Regulatory and transfer agent fees	2,029	1,936	21,419	12,626
Property investigation costs	91,414	-	307,119	-
Travel and promotion	1,268	-	12,354	-
Total expenses	(218,279)	(31,813)	(798,265)	(166,188)
Interest expense	-	-	(2,600)	-
Foreign exchange gain	(1,323)	-	-	-
Net loss	\$ (219,602)	\$ (31,813)	\$ (800,865)	\$ (166,188)

Three months ended June 30, 2020

The net loss for the quarter ended June 30, 2020 was \$219,602 compared to net loss of \$31,813 for the quarter ended June 30, 2019. Major variances as follows:

- For the quarter ended June 30, 2020, property investigation costs were \$91,414 compared to \$Nil for the prior year quarter. The increase in property investigation costs is due to the services provided for supervision of the KNX joint venture properties and for investigation of other opportunities.
- For the quarter ended June 30, 2020, management and consulting fees were \$70,262 compared to \$Nil for the prior year quarter. The increase is related to the management and consulting fees for services provided by the officers of the Company and directors' fee. No management fees and director fees were paid in the prior year quarter.
- For the quarter ended June 30, 2020, professional fees were \$48,200 compared to \$30,344 for the prior year quarter. The increase in professional fees is largely due fees related to the joint venture agreements and the private placement completed in the current quarter.
- For the quarter ended June 30, 2020, general and administration were \$5,106 compared to an expense recovery of \$467 for the prior year quarter. The increase is related to the higher fees paid for website hosting and for the subscription on market intelligence for investment research. No fees were recorded during the prior year quarter. The recovery of \$467 from the prior year quarter was mainly from a reversal of service charge.

Nine months ended June 30, 2020

The net loss for the nine months ended June 30, 2020 was \$800,865 compared to net loss of \$166,188 for the nine months ended June 30, 2019. Major variances as follows:

- For the nine months ended June 30, 2020, regulatory and transfer agent fees were \$21,419 compared to \$12,626 for the nine months ended June 30, 2019. The increase in regulatory and transfer agent fees is attributable to the Company's 5 for 1 consolidation of its common shares.
- For the nine months ended June 30, 2020, property investigation costs were \$307,119 compared to \$Nil for the nine months ended June 30, 2019. The increase in property investigation costs is due to the

services provided for supervision of the KNX joint venture properties and for investigation of other opportunities.

- For the nine months ended June 30, 2020, management and consulting fees were \$315,262 compared to \$30,000 for the nine months ended June 30, 2019. Management and consulting fees include director's fee, fee for services provided by the officers of the Company, and other consulting services. The increase is largely related to the consulting fees paid for developing and identifying capital sources for the Company. In addition, management and consulting fees were paid to the officers of the Company effective April 2020. No director fees and management fees were paid in the prior year period.
- For the nine months ended June 30, 2020, general and administration were \$32,484 compared to \$14,218 for the nine months ended June 30, 2019. The increase in general administration is largely related to higher rent expense in the current period. The Company paid five months of rent in the current period versus three months of rent in the prior year. In addition, the increase is also due to the higher fees paid for website hosting and for the subscription on market intelligence for investment research. No fees were recorded during the prior year period.
- For the nine months ended June 30, 2020, travel and promotions were \$12,354 compared to \$Nil for the nine months ended June 30, 2019. The increase is related to the travel expenses for trips to Australia in connection with the earn-in joint venture transaction. No travel and promotion were recorded during the prior year period.

Summary of periodic results

The following table sets out selected quarterly information for the eight most recent quarters ended June 30, 2020:

	Jun 30, 2020 (Q3)	Mar 31, 2020 (Q2)	Dec 31, 2019 (Q1)	Sep 30, 2019 (Q4)	Jun 30, 2019 (Q3)	Mar 31, 2019 (Q2)	Dec 31, 2018 (Q1)	Sep 30, 2018 (Q4)
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss	(219,602)	(521,520)	(59,743)	(541,211)	(31,813)	(72,077)	(62,298)	(65,928)
Basic and diluted loss per share	(0.01)	(0.09)	(0.03)	(0.26)	(0.02)	(0.03)	(0.03)	(0.03)

Liquidity and Capital Resources

As at June 30, 2020, the Company had current assets of \$1,538,267 and current liabilities of \$174,575 compared to current assets of \$82,896 and current liabilities of \$370,962 as at September 30, 2019. As at June 30, 2020, the Company had working capital of \$1,363,692 compared to working capital deficiency of \$280,666 as at September 30, 2019.

Cash and cash equivalent at June 30, 2020 were \$1,263,994 compared to \$46,793 at September 30, 2019.

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

On March 9, 2020, the Company completed the first tranche of a non-brokered private placement financing, issuing 12,675,000 common shares at a price of \$0.10 per share for gross proceeds of \$1,267,500.

On March 17, 2020, the Company completed the second tranche of a non-brokered private placement financing, issuing 2,325,000 common shares at a price of \$0.10 per share for gross proceeds of \$232,500.

On June 25, 2020, the Company completed the first tranche of a non-brokered private placement financing, issuing 5,160,000 common shares at a price of \$0.25 per share for gross proceeds of \$1,290,000.

On June 30, 2020, the Company completed the second tranche of a non-brokered private placement financing, issuing 80,000 common shares at a price of \$0.25 per share for gross proceeds of \$20,000.

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

Outstanding Shares

As at June 30, 2020 and the date of this report, the Company has 23,776,501 common shares outstanding.

As at June 30, 2020 and the date of this report, the Company has 252,000 warrants outstanding.

As the June 30, 2020, there were no stock options outstanding.

As at the date of this report, the Company has 2,100,000 stock options outstanding and exercisable.

New Accounting Standards and Interpretations

New Accounting Policy

Leases

On October 1, 2019, the Company adopted IFRS 16 – Leases is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. It introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The adoption of this new standard did not have a material impact on the condensed interim financial statements of the Company since the Company does not have any lease.

Related Party Balances and Transactions

Balances

At June 30, 2020, the Company has \$23,383 (September 30, 2019 - \$94,500) due to related parties included in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing and have no specified terms of repayment.

Transactions

During the nine months ended June 30, 2020 and 2019, the Company has the following related party transactions:

	June 30, 2020	June 30, 2019
	\$	\$
Management and consulting fees - current directors and officers	77,762	-
Management and consulting fees - former director and officer	3,500	30,000
Professional fees - former officer	6,000	-
Prepaid fees	24,000	-
Advance for earn-in joint venture	41,800	-
Property investigation costs	58,810	-
	211,872	30,000

Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including liquidity 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 of its condensed interim financial statements 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 June 30, 2020, the Company had a cash and cash equivalent balance of \$1,263,994 (September 30, 2019: \$47,793) to settle current liabilities of \$174,575 (September 30, 2019: \$370,960). 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.

The Company's cash is held in large Canadian financial institutions. The Company has not experience nor is exposed to any significant credit losses. As a result, the Company's exposure to credit risk is minimal.

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 of Financial Instruments

The Company's financial instruments measured at fair value consist of cash and cash equivalent, receivables (excluding GST), receivables for shares issued, accounts payable and accrued liabilities, and loan payable. The carrying values of cash and cash equivalent, receivables (excluding GST), receivables for shares issued, accounts payable and accrued liabilities, and loan payable approximate their fair values due to their short-term in nature and/or the existence of market related interest rates on the instruments.

Financial instruments measure at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

All financial instruments are classified as Level 1.

Subsequent Events

Refer to Note 11 of the condensed interim financial statements for the nine months ended June 30, 2020.

Management Changes

On March 9, 2020, the Company announced the resignation of Yari Nieken as the Company's President, Chief Executive Officer and as a director. Paul Loudon was appointed as a new director and replaces Mr. Nieken as President and Chief Executive Officer of the Company.

On April 15, 2020, the Company announced the resignation of Usama Chaudhry as the Company's Chief Financial Officer. Elena Tanzola was appointed as the new Chief Financial Officer and Corporate Secretary of the Company.

On April 15, 2020, the Company announced the resignations of Wilson Yu and Chris Andrews as directors of the Company. The Company appointed James Harris as new director.

On April 15, 2020, the Company appointed Patrick Harford as VP of business development.

On July 13, 2020, the Company announced the resignations of Yuying Liang as directors of the Company. The Company appointed Lewis Meghan as new director.

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 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.

Risks and Uncertainties

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

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

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID- 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

ESSEX MINERALS INC.
CORPORATE DATA
August 24, 2020

HEAD OFFICE

ESSEX MINERALS INC.
3002 - 1211 Melville Street,
Vancouver, BC,
V6E 0A7
Tel: 1 (604) 681-4653
Email: info@essexminerals.com

SOLICITOR

Farris LLP
2005 - 700 W. Georgia Street
Vancouver, BC V7Y 1B3
Email jsujir@farris.com
Jay Sujir
Tel: 1 (604) 684-9151

REGISTRAR & TRANSFER AGENT

Computershare Inc.
510 Burrard Street
Vancouver, BC
V6C 3B9
Tel: 1 (604) 661-9440

AUDITORS

MNP LLP
2200 - 1021 West Hastings Street
Vancouver, BC V6E 0C3
Tel: 1 (604) 685-8408
Fax: 1 (604) 685-8594
Email: jenny.lee@mnp.ca

DIRECTORS AND OFFICERS

Paul Loudon
Elena Tanzola
James Harris
Meghan Lewis
Patrick Harford

Director, President, CEO
CFO, Corporate Secretary
Director
Director
VP Business Development

INVESTOR CONTACTS

Elena Tanzola
Tel: 1 (604) 681-4653
Email: info@essexminerals.com

CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	23,776,501
Options:	2,100,000
Warrants:	252,000
Escrowed shares:	Nil

LISTINGS

TSX Venture Exchange
Trading Symbol: ESX.V
CUSIP #: 297133100