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**ESKAY MINING CORP.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED**  
**AUGUST 31, 2019 AND 2018**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**Notice to Reader**

The accompanying unaudited condensed interim financial statements of Eskay Mining Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

**Eskay Mining Corp.**  
**Condensed Interim Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

	As at August 31, 2019	As at February 28, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 104,297	\$ 60,693
Amounts receivable (note 4)	5,006	10,370
Prepaid expenses	8,183	15,687
<b>Total current assets</b>	<b>117,486</b>	<b>86,750</b>
<b>Non-current assets</b>		
Deposits and exploration advances (note 3)	72,870	72,870
<b>Total assets</b>	<b>\$ 190,356</b>	<b>\$ 159,620</b>
<b>SHAREHOLDERS' DEFICIENCY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (notes 6 and 14)	\$ 50,388	\$ 72,027
Amounts due to related parties (note 14)	499,135	330,067
Flow-through share liability (note 7)	28,156	28,619
<b>Total current liabilities</b>	<b>577,679</b>	<b>430,713</b>
<b>Non-current liabilities</b>		
Provision for reclamation (note 5)	61,310	60,229
Other liabilities (note 8)	161,105	161,105
<b>Total liabilities</b>	<b>800,094</b>	<b>652,047</b>
<b>Shareholders' deficiency</b>		
Share capital (note 9)	66,840,137	66,677,037
Reserves	1,246,120	1,165,600
Accumulated deficit	(68,695,995)	(68,335,064)
<b>Total shareholders' deficiency</b>	<b>(609,738)</b>	<b>(492,427)</b>
<b>Total shareholders' deficiency and liabilities</b>	<b>\$ 190,356</b>	<b>\$ 159,620</b>

Nature of operations and going concern (note 1)  
 Commitments and contingencies (note 15)  
 Subsequent events (note 17)

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

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**Eskay Mining Corp.****Condensed Interim Statements of Loss and Comprehensive Loss****(Expressed in Canadian dollars)****(Unaudited)**

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	<b>Three Months Ended August 31,</b>		<b>Six Months Ended August 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Operating expenses</b>				
Exploration and evaluation expenditures (note 3)	\$ 540	\$ 55,816	\$ 3,856	\$ 325,329
General and administrative (note 13)	134,472	137,844	376,514	228,205
<b>Total operating expenses</b>	<b>(135,012)</b>	<b>(193,660)</b>	<b>(380,370)</b>	<b>(553,534)</b>
<b>Other items</b>				
Interest income (expense)	22	80	96	(192)
Flow-through share liability recovery (note 7)	-	8,333	463	8,333
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (134,990)</b>	<b>\$ (185,247)</b>	<b>\$ (379,811)</b>	<b>\$ (545,393)</b>
<b>Net loss per share - Basic</b> (note 12)	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Net loss per share - Diluted</b> (note 12)	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding - Basic</b> (note 12)	<b>112,495,603</b>	<b>112,217,625</b>	<b>112,372,234</b>	<b>111,273,962</b>
<b>Weighted average number of common shares outstanding - Diluted</b> (note 12)	<b>112,495,603</b>	<b>112,217,625</b>	<b>112,372,234</b>	<b>111,273,962</b>

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

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**Eskay Mining Corp.****Condensed Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

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	<b>Six Months Ended August 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Net loss for the period	\$ (379,811)	\$ (545,393)
Adjustments for:		
Share-based payments	177,500	46,850
Accretion (note 5)	1,081	1,044
Flow-through share liability recovery	(463)	(8,333)
Changes in non-cash working capital items:		
Amounts receivable	5,364	(3,317)
Prepaid expenses	7,504	(54,403)
Amounts payable and other liabilities	(21,639)	(27,543)
Amounts due to related parties	169,068	(4,215)
<b>Net cash used in operating activities</b>	<b>(41,396)</b>	<b>(595,310)</b>
<b>Investing activity</b>		
Redemption of deposits and exploration advances	-	60,000
<b>Net cash provided by investing activity</b>	<b>-</b>	<b>60,000</b>
<b>Financing activities</b>		
Proceeds from private placements	-	448,028
Proceeds from shares issued as a result of exercise of stock options	85,000	25,000
<b>Net cash provided by financing activities</b>	<b>85,000</b>	<b>473,028</b>
<b>Net change in cash</b>	<b>43,604</b>	<b>(62,282)</b>
<b>Cash, beginning of period</b>	<b>60,693</b>	<b>165,634</b>
<b>Cash, end of period</b>	<b>\$ 104,297</b>	<b>\$ 103,352</b>

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

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**Eskay Mining Corp.****Condensed Interim Statements of Changes in Shareholders' Deficiency  
(Expressed in Canadian Dollars)  
(Unaudited)**

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**Equity attributable to shareholders**

	<b>Share capital</b>	<b>Reserves</b>	<b>Accumulated deficit</b>	<b>Total shareholders' deficiency</b>
<b>Balance, February 28, 2018</b>	<b>\$ 66,220,609</b>	<b>\$ 1,251,254</b>	<b>\$ (67,746,408)</b>	<b>\$ (274,545)</b>
Private placement (note 9(b)(i)(ii))	457,700	-	-	457,700
Share issue costs - cash	(9,672)	-	-	(9,672)
Flow-through share premium (note 7)	(39,200)	-	-	(39,200)
Exercise of stock options (note 9(b)(iii))	47,600	(22,600)	-	25,000
Share-based payments	-	46,850	-	46,850
Net loss for the period	-	-	(545,393)	(545,393)
<b>Balance, August 31, 2018</b>	<b>\$ 66,677,037</b>	<b>\$ 1,275,504</b>	<b>\$ (68,291,801)</b>	<b>\$ (339,260)</b>
<b>Balance, February 28, 2019</b>	<b>\$ 66,677,037</b>	<b>\$ 1,165,600</b>	<b>\$ (68,335,064)</b>	<b>\$ (492,427)</b>
Exercise of stock options (note 9(b)(iv))	163,100	(78,100)	-	85,000
Share-based payments	-	177,500	-	177,500
Expiry of stock options	-	(18,880)	18,880	-
Net loss for the period	-	-	(379,811)	(379,811)
<b>Balance, August 31, 2019</b>	<b>\$ 66,840,137</b>	<b>\$ 1,246,120</b>	<b>\$ (68,695,995)</b>	<b>\$ (609,738)</b>

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

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# **Eskay Mining Corp.**

## **Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended August 31, 2019**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Nature of operations and going concern**

Eskay Mining Corp. (the "Company" or "Eskay") is a Canadian company incorporated in British Columbia and listed for trading on the TSX Venture Exchange ("TSXV") and the Frankfurt Stock Exchange. The Company is primarily engaged in the acquisition and exploration of mineral properties. The primary office is located at The Canadian Venture Building, 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that 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 operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company has incurred losses in prior periods, with a current net loss of \$379,811 during the six months ended August 31, 2019 (six months ended August 31, 2018 - loss of \$545,393) and has an accumulated deficit of \$68,695,995 (February 28, 2019 - \$68,335,064). As at August 31, 2019, the Company had a working capital deficiency of \$460,193 (February 28, 2019 - \$343,963). These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to social and government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's mineral exploration property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

### **2. Significant accounting policies**

#### Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of October 23, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended February 28, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending February 29, 2020 could result in restatement of these unaudited condensed interim financial statements.

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# Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

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## 2. Significant accounting policies (continued)

### New accounting policies

#### *(i) Leases ("IFRS 16")*

The Company adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Company adopted IFRS 16 on March 1, 2019 using the modified retrospective approach without restatement of comparative amounts, electing to measure the right-of-use asset at an amount equal to the lease liability. The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability. An assessment was made and there was no impact to the Company's financial statements as at March 1, 2019.

### Accounting policy

As a result of adopting this standard, the Company's accounting policy for leases is stated below. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

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## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 2. Significant Accounting Policies (continued)

#### *New accounting policies (continued)*

##### *(i) Leases ("IFRS 16") (continued)*

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

### 3. Exploration and evaluation expenditures

	Three Months Ended August 31,		Six Months Ended August 31,	
	2019	2018	2019	2018
<b>St. Andrew Goldfield (SIB) - Eskay Project</b>				
Surveying, sampling and analysis	\$ -	\$ 4,081	\$ -	\$ 4,081
Accretion	540	522	1,081	1,044
Other	-	3,449	2,775	4,949
Transportation	-	7,007	-	8,114
	<b>540</b>	<b>15,059</b>	<b>3,856</b>	<b>18,188</b>
<b>Corey Mineral Claims</b>				
Surveying, sampling and analysis	-	33,332	-	244,778
Geological and consulting	-	-	-	21,938
Camping procurement and expediting	-	-	-	33,000
Transportation	-	7,200	-	7,200
Other	-	225	-	225
	-	<b>40,757</b>	-	<b>307,141</b>
<b>Total exploration and evaluation expenditures</b>	<b>\$ 540</b>	<b>\$ 55,816</b>	<b>\$ 3,856</b>	<b>\$ 325,329</b>

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# Eskay Mining Corp.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 3. Exploration and evaluation expenditures (continued)

#### St. Andrew Goldfield (SIB) - Eskay Project

Pursuant to an option agreement dated May 7, 2008 with St. Andrew Goldfields Ltd., the Company earned an 80% interest in the SIB Property at Eskay Creek, British Columbia (the "Property") by expending an aggregate of \$3.98 million on exploration of the Property and issuing further 265,000 common shares. On January 26, 2016, Kirkland Lake Gold Inc. ("Kirkland Lake") announced it completed the acquisition of St. Andrew. St. Andrew is now a wholly-owned subsidiary of Kirkland Lake and continues to hold a 20% interest in the SIB Property. St. Andrew and the Company entered into a Joint Venture Agreement with an effective date of November 25, 2016 for the further exploration and development of the Property.

On April 26, 2017, the Company announced that it has signed an option agreement (the "Agreement") with SSR Mining Inc. (formerly Silver Standard Resources Inc.) ("SSR Mining") pursuant to which SSR Mining may acquire up to a 60% undivided interest in part of Eskay's SIB Property, located in northwest British Columbia, Canada. SSR Mining formally abandon the option on January 30, 2019 without earning any interest in the SIB Property after spending approximately \$7.7 million on exploration of the property.

SSR Mining was responsible for all deposits with the B.C Ministry of Energy and Mines in order to permit SSR Mining to conduct exploration and evaluation activities on Eskay's SIB Property. As a result, the B.C. Ministry of Energy and Mines refunded \$60,000 to the Company on August 7, 2018. The Company is now obligated to pay SSR Mining the sum of \$70,000 plus interest from January 30, 2019 at the prime rate of the Royal Bank of Canada plus 2% until the date of payment as reimbursement for the cash deposits made by SSR Mining.

#### Corey Mineral Claims

In September 1990, the Company acquired a 100% interest in mineral tenures located in the Skeena Mining Division, Province of British Columbia for \$30,000 cash and a royalty of 5% of net profits from these claims to a maximum of \$250,000.

These mineral exploration properties are located in northwestern British Columbia, 70 km northwest of Stewart. The Company holds a 100% interest in these mineral tenures subject to a 2% net smelter royalty.

#### Deposits and Exploration Advances

As at August 31, 2019, the Company had \$72,870 (February 28, 2019 - \$72,870) of deposits and exploration advances held by the provincial government of British Columbia. Such deposits were required by the B.C Ministry of Energy and Mines in order to permit the Company to conduct exploration and evaluation activities in that province.

### 4. Amounts receivable

	<b>August 31, February 28,</b>	
	<b>2019</b>	<b>2019</b>
Sales tax receivable - (Canada)	\$ 4,560	\$ 9,826
Interest receivable	-	98
Other receivable	446	446
	<b>\$ 5,006</b>	<b>\$ 10,370</b>

## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

### 5. Provision for reclamation

The Company's provision for reclamation costs is based on management's estimated costs to dismantle and remove its facilities as well as an estimate of the future timing of the costs to be incurred. The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the provision for closure and reclamation associated with the dismantling and removal of the Company's camp:

<b>Balance at February 28, 2019</b>	<b>\$ 60,229</b>
Accretion	1,081
<b>Balance at August 31, 2019</b>	<b>\$ 61,310</b>

The Company has estimated its total provision for reclamation to be \$61,310 at August 31, 2019 (February 28, 2019 - \$60,229) based on a total future liability of approximately \$57,400 and an inflation rate of 2% (February 28, 2019 - 2%) and a discount rate of 1.69% (February 28, 2019 - 1.69%). Reclamation is expected to occur in the year 2021.

### 6. Amounts payable and other liabilities

Amounts payable and other liabilities of the Company are principally comprised of amounts outstanding for purchases relating to exploration and evaluation expenditures and general operating and administrative activities:

	<b>August 31, 2019</b>	<b>February 28, 2019</b>
Accounts payable	<b>\$ 43,789</b>	\$ 58,908
Accruals and others	<b>6,599</b>	13,119
<b>Total amounts payable and other liabilities</b>	<b>\$ 50,388</b>	\$ 72,027

The following is an aged analysis of amounts payable and other liabilities:

	<b>August 31, 2019</b>	<b>February 28, 2019</b>
Less than 1 month	<b>\$ 4,000</b>	\$ 20,641
1 to 3 months	-	6,935
Greater than 3 months	<b>46,388</b>	44,451
<b>Total amounts payable and other liabilities</b>	<b>\$ 50,388</b>	\$ 72,027

### 7. Flow-through share liability

Other liability includes the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability of the flow-through shares issuance:

<b>Balance at February 28, 2019</b>	<b>\$ 28,619</b>
Settlement of flow-through share liability on incurring expenditure	(463)
<b>Balance at August 31, 2019</b>	<b>\$ 28,156</b>

The flow-through common shares issued in the non-brokered private placement completed on June 1, 2018 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$39,200.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the six months ended August 31, 2019, the Company satisfied \$463 of the commitment by incurring eligible expenditures of approximately \$2,775 and as a result the flow-through premium has been reduced to \$28,156.

# Eskay Mining Corp.

## Notes to Condensed Interim Financial Statements Three and Six Months Ended August 31, 2019 (Expressed in Canadian Dollars) (Unaudited)

### 8. Other liabilities

During the year ended February 28, 2017, the Company transferred \$161,105 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute-barred under the Limitations Act (Ontario). The Statute-barred Claims related to expenses billed by and third party liabilities incurred by prior management of the Company prior to October 2010. However, for accounting purposes under IFRS, a debt can only be removed from the Company's Statement of Financial Position when it is extinguished meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention or obligation to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any of the Statute-barred Claims.

### 9. Share capital

a) Authorized share capital - the authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued - as at August 31, 2019, the issued share capital amounted to \$66,840,137. Changes in issued share capital are as follows:

	Number of common shares	Amount
<b>Balance, February 28, 2018</b>	<b>110,274,864</b>	<b>\$ 66,220,609</b>
Private placements (i)(ii)	1,674,000	457,700
Flow-through share premium (note 7)	-	(39,200)
Share issue costs - cash	-	(9,672)
Exercise of stock options (iii)	300,000	25,000
Value transferred to share capital from exercise of stock options	-	22,600
<b>Balance, August 31, 2018</b>	<b>112,248,864</b>	<b>\$ 66,677,037</b>
<b>Balance, February 28, 2019</b>	<b>112,248,864</b>	<b>\$ 66,677,037</b>
Exercise of stock options (iv)	1,100,000	85,000
Value transferred to share capital from exercise of stock options	-	78,100
<b>Balance, August 31, 2019</b>	<b>113,348,864</b>	<b>\$ 66,840,137</b>

(i) On June 1, 2018, the Company closed the first tranche of a non-brokered private placement with the sale of 784,000 flow-through units ("FT Units") of the Company at a price of \$0.30 per FT Unit for \$235,200 and 690,000 units at a price of \$0.25 per unit for \$172,500 for aggregate gross proceeds of \$407,700. Eligible finders were paid cash finders' fees of \$4,500.

Each FT Unit comprises one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of \$0.40 until the earlier of (i) June 1, 2020 (the "Closing"); and (ii) in the event that the closing price of the common shares on the TSXV is at least \$0.60 for ten (10) consecutive trading days, and the 10th trading day (the "Final Trading Day") is at least four (4) months from the Closing, the date which is thirty (30) days from the Final Trading Day (the "Trigger Date"). Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.40 until the earlier of (i) June 1, 2020; and (ii) the Trigger Date.

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## Eskay Mining Corp.

### Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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#### 9. Share capital (continued)

(ii) On June 7, 2018, the Company closed the final tranche of a non-brokered private placement with the sale of 200,000 units at a price of \$0.25 per unit for proceeds of \$50,000. Each unit comprises one common share of the Company and one warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.40 until the earlier of (i) June 7, 2020; and (ii) the Trigger Date.

(iii) During the six months ended August 31, 2018, 300,000 stock options were exercised by a consultant of the Company for gross proceeds of \$25,000. A total value of \$22,600 was transferred to share capital from reserves as a result of the exercise of these stock options.

(iv) During the six months ended August 31, 2019, 1,100,000 stock options were exercised by directors of the Company for gross proceeds of \$85,000. A total value of \$78,100 was transferred to share capital from reserves as a result of the exercise of these stock options.

#### 10. Stock options

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, February 28, 2018</b>	<b>9,907,144</b>	<b>0.14</b>
Exercised	(300,000)	0.08
Granted (i)	200,000	0.215
<b>Balance, August 31, 2018</b>	<b>9,807,144</b>	<b>0.14</b>
<b>Balance, February 28, 2019</b>	<b>7,857,144</b>	<b>0.14</b>
Exercised	(1,100,000)	0.08
Granted (ii)	2,500,000	0.08
Expired	(200,000)	0.10
<b>Balance, August 31, 2019</b>	<b>9,057,144</b>	<b>0.15</b>

(i) On July 4, 2018, the Company granted 200,000 stock options to a consultant at \$0.215 per share for five years expiring July 4, 2023. These options vested immediately. These options have a grant date fair value of \$39,000, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 147% based on the Company's historical volatility; share price of \$0.215; risk-free interest rate of 2.06% and an expected life of five years. During the three and six months ended August 31, 2018, \$39,000 was recorded as share-based payments.

(ii) On March 6, 2019, the Company granted 2,500,000 stock options to officers, directors and consultants at \$0.08 per share for five years expiring March 6, 2024. These options vested immediately. These options have a grant date fair value of \$177,500, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 139% based on the Company's historical volatility; share price of \$0.08; risk-free interest rate of 1.69% and an expected life of five years. During the three and six months ended August 31, 2019, \$nil and \$177,500, respectively was recorded as share-based payments.

## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

### 10. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of August 31, 2019:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Grant date fair value (\$)	Number of options vested (exercisable)
November 19, 2019	0.08	0.22	1,050,000	78,750	1,050,000
February 3, 2020	0.14	0.43	407,144	45,600	407,144
December 15, 2020	0.075	1.29	850,000	60,350	850,000
December 23, 2020	0.08	1.32	250,000	18,750	250,000
February 5, 2021	0.105	1.44	400,000	47,200	400,000
November 16, 2021	0.22	2.21	1,900,000	375,440	1,900,000
January 30, 2023	0.235	3.42	1,750,000	383,250	1,750,000
February 5, 2023	0.24	3.44	250,000	55,780	250,000
July 4, 2023	0.215	3.84	200,000	39,000	200,000
March 6, 2024	0.08	4.52	2,000,000	142,000	2,000,000
		<b>2.57</b>	<b>9,057,144</b>	<b>1,246,120</b>	<b>9,057,144</b>

The weighted average exercise price of the vested options at August 31, 2019 is \$0.15.

### 11. Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, February 28, 2018</b>	<b>600,000</b>	<b>0.35</b>
Issued (note 9(i)(ii))	1,282,000	0.40
Expired	(600,000)	0.35
<b>Balance, August 31, 2018</b>	<b>1,282,000</b>	<b>0.40</b>
<b>Balance, February 28, 2019 and August 31, 2019</b>	<b>1,282,000</b>	<b>0.40</b>

The following table reflects the warrants issued and outstanding as of August 31, 2019:

Expiry date	Number of warrants outstanding	Exercise price
June 1, 2020	1,082,000	\$ 0.40 <sup>(1)</sup>
June 7, 2020	200,000	\$ 0.40 <sup>(2)</sup>
	<b>1,282,000</b>	<b>\$ 0.40</b>

<sup>(1)</sup> Each warrant entitles the holder to acquire one common share at a price of \$0.40 until the earlier of (i) June 1, 2020; and (ii) in the event that the closing price of the common shares on the TSXV is at least \$0.60 for ten (10) consecutive trading days, and the 10th Trading Day is at least four (4) months from June 1, 2018, the date which is thirty (30) days from the 10th Trading Day.

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## Eskay Mining Corp.

### Notes to Condensed Interim Financial Statements Three and Six Months Ended August 31, 2019 (Expressed in Canadian Dollars) (Unaudited)

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#### 11. Warrants (continued)

(2) Each warrant entitles the holder to acquire one common share at a price of \$0.40 until the earlier of (i) June 7, 2020; and (ii) in the event that the closing price of the common shares on the TSXV is at least \$0.60 for ten (10) consecutive trading days, and the 10th Trading Day is at least four (4) months from June 7, 2018, the date which is thirty (30) days from the 10th Trading Day.

#### 12. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended August 31, 2019 was based on the loss of \$134,990 and \$379,811, respectively (three and six months ended August 31, 2018 - loss of \$185,247 and \$545,393, respectively) and the weighted average number of common shares outstanding of 112,495,603 and 112,372,234 for the three and six months ended August 31, 2019 (three and six months ended August 31, 2018 - 112,217,625 and 111,273,962, respectively). Diluted loss per share for the three and six months ended August 31, 2019 and 2018 did not include the effect of stock options and warrants as they are anti-dilutive.

#### 13. General and administrative

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	Three Months Ended August 31,		Six Months Ended August 31,	
	2019	2018	2019	2018
Professional fees (note 14(ii) and (v))	\$ 14,354	\$ 25,877	\$ 33,910	\$ 49,223
Reporting issuer costs	3,626	10,590	4,571	11,652
Office and general	(238)	8,720	2,218	27,643
Advertising and promotion	-	9,000	-	9,000
Management and consulting fees (note 14(i))	116,610	41,610	158,220	83,220
Interest and bank charges	120	407	95	617
Share-based payments	-	41,640	177,500	46,850
	\$ 134,472	\$ 137,844	\$ 376,514	\$ 228,205

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#### 14. Related party balances and transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Eskay entered into the following transactions with related parties:

(i) For the three and six months ended August 31, 2019, the Company paid or accrued \$41,610 and \$83,220, respectively in management and consulting fees to companies controlled by current officers (three and six months ended August 31, 2018 - \$41,610 and \$83,220, respectively).

(ii) For the three and six months ended August 31, 2019, the Company paid or accrued \$6,537 and \$12,955, respectively in professional fees (three and six months ended August 31, 2018 - \$6,195 and \$12,532, respectively) to companies controlled by an officer of the Company.

(iii) For the three and six months ended August 31, 2019, the Company paid or accrued \$75,000 in directors fees (three and six months ended August 31, 2018 - \$nil) to directors of the Company.

(iv) As at August 31, 2019, the Company owed this officer \$31,782 (February 28, 2019 - \$31,782) which pertained to interest accrued on a loan advanced to the Company during the year ended February 29, 2012.

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# Eskay Mining Corp.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 14. Related party balances and transactions (continued)

(v) As at August 31, 2019, the Company owed certain officers, directors and parties related to officers and directors \$452,843 (February 28, 2019 - \$289,670), excluding legal services disclosed in (vi) below, in relation to the transactions described above. These balances are unsecured, non interest bearing and due on demand.

(vi) During the three and six months ended August 31, 2019, the Company paid professional fees and disbursements of \$5,818 and \$6,982, respectively (three and six months ended August 31, 2018 - \$8,869 and \$22,968, respectively) to Gardiner Roberts LLP ("Gardiner"), a law firm of which William R. Johnstone, Corporate Secretary of the Company, is a partner. These services were incurred in the normal course of operations for general corporate matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at August 31, 2019, Gardiner is owed \$14,510 (February 28, 2019 - \$8,615) and this amount is included in amounts due to related parties.

(vii) During the six months ended August 31, 2019, the Company granted 2,000,000 stock options to officers and directors and recorded share-based payments of \$142,000.

To the knowledge of the directors and senior officers of the Company, as at August 31, 2019, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company. As at August 31, 2019, directors and officers of the Company control an aggregate of 19,056,704 common shares of the Company or approximately 16.81% of the shares outstanding.

The Company is currently not aware of any arrangements that may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

### 15. Commitments and contingencies

#### Environmental contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

#### Management contract

The Company is party to management contracts that require additional payments of up to \$144,000 to be made upon the occurrence of certain events such as termination for any reason, other than for just cause. The Company is also party to management contracts that require additional payments of up to \$816,000 to be made upon the occurrence of certain events such as a change of control. As the triggering event has not occurred, the contingent payments have not been reflected in these financial statements.

#### Flow-through commitment

The Company was obligated to spend \$235,200 by December 31, 2019. As at August 31, 2019, the Company had spent \$66,260 of funding as part of the flow-through funding agreement for shares issued in June 2018. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

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## **Eskay Mining Corp.**

### **Notes to Condensed Interim Financial Statements**

**Three and Six Months Ended August 31, 2019**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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#### **16. Segmented information**

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

#### **17. Subsequent events**

(i) On September 5, 2019, the Company announced that it entered into an agreement to settle \$90,000 of management fees owed to a company controlled by an officer of Eskay in consideration for the issuance of 1,263,157 common shares.

(ii) On September 5, 2019, the Company announced that it granted 1,300,000 stock options to two directors and a consultant with an exercise price of \$0.095 for five years.

(iii) On September 11, 2019, the Company announced that it granted 350,000 stock options to a consultant with an exercise price of \$0.10 for five years.