
**ESKAY MINING CORP.
FINANCIAL STATEMENTS
YEARS ENDED FEBRUARY 28, 2021 AND
FEBRUARY 29, 2020
(EXPRESSED IN CANADIAN DOLLARS)**

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Eskay Mining Corporation.

Opinion

We have audited the financial statements of Eskay Mining Corporation (the "Company"), which comprise the statements of financial position as at February 28, 2021 and February 29, 2020, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity (deficiency) and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2021 and February 29, 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
June 25, 2021

Eskay Mining Corp.
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at February 28, 2021	As at February 29, 2020
ASSETS		
Current assets		
Cash	\$ 14,473,006	\$ 177,307
Amounts receivable (note 9)	105,908	19,115
Prepaid expenses and other deposits (note 3)	884,462	9,274
Total current assets	15,463,376	205,696
Non-current assets		
Deposits and exploration advances (note 4)	72,870	72,870
Equipment (note 5)	78,939	-
Total assets	\$ 15,615,185	\$ 278,566
SHAREHOLDERS' EQUITY (DEFICIENCY) AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (notes 11 and 18)	\$ 792,010	\$ 212,530
Amounts due to related parties (note 18)	106,845	490,187
Flow-through share liability (note 12)	4,017,837	-
Total current liabilities	4,916,692	702,717
Non-current liabilities		
Provision for reclamation (note 10)	64,633	62,391
Other liabilities	-	161,105
Total liabilities	4,981,325	926,213
Shareholders' equity (deficiency)		
Share capital (note 13)	82,905,744	67,387,637
Reserves	11,413,593	1,468,836
Accumulated deficit	(83,685,477)	(69,504,120)
Total shareholders' equity (deficiency)	10,633,860	(647,647)
Total shareholders' equity (deficiency) and liabilities	\$ 15,615,185	\$ 278,566

Nature of operations and going concern (note 1)
 Commitments and contingencies (note 19)
 Subsequent events (note 22)

Approved on behalf of the Board of Directors:

"Hugh M. (Mac) Balkam", Director

"J. Gordon McMehen", Director

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

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

	Year ended February 28, 2021	Year ended February 29, 2020
Operating expenses		
Exploration and evaluation expenditures (note 4)	\$ 4,822,112	\$ 246,530
General and administrative (note 17)	10,738,823	1,087,022
Total operating expenses	(15,560,935)	(1,333,552)
Other items		
Interest income	10,561	147
Amortization	(2,024)	-
Flow-through share liability recovery (note 12)	1,181,513	28,619
Other expense recoveries	163,305	-
Income tax recovery	26,223	-
Net loss and comprehensive loss for the year	\$ (14,181,357)	\$ (1,304,786)
Net loss per share - Basic and Diluted (note 16)	\$ (0.10)	\$ (0.01)
Weighted average number of common shares outstanding - Basic and Diluted (note 16)	136,162,795	114,348,260

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

Eskay Mining Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended February 28, 2021	Year ended February 29, 2020
Operating activities		
Net loss for the period	\$ (14,181,357)	\$ (1,304,786)
Adjustments for:		
Share-based payments	9,751,675	524,566
Amortization	2,024	-
Accretion (note 10)	2,242	2,162
Flow-through share liability recovery (note 12)	(1,181,513)	(28,619)
Other expense recoveries	(161,105)	-
Changes in non-cash working capital items:		
Amounts receivable	(86,793)	(8,745)
Prepaid expenses	(875,188)	6,413
Amounts payable and other liabilities	941,602	230,503
Amounts due to related parties	(383,342)	160,120
Net cash (used in) operating activities	(6,171,755)	(418,386)
Investing activity		
Purchase of equipment	(80,963)	-
Net cash (used in) investing activity	(80,963)	-
Financing activities		
Proceeds from private placements	20,001,625	442,000
Share issue costs	(927,013)	-
Proceeds from shares issued as a result of exercise of stock options	245,150	93,000
Proceeds from exercise of warrants	1,228,655	-
Net cash provided by financing activities	20,548,417	535,000
Net change in cash	14,295,699	116,614
Cash, beginning of year	177,307	60,693
Cash, end of year	\$ 14,473,006	\$ 177,307
Supplemental information		
Common shares issued in settlement of debt	\$ 362,122	\$ 90,000

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

Eskay Mining Corp.

Statements of Changes in Shareholders' Equity (Deficiency) (Expressed in Canadian Dollars)

Equity attributable to shareholders

	Share capital	Reserves	Accumulated deficit	Total
Balance, February 28, 2019	\$ 66,677,037	\$ 1,165,600	\$ (68,335,064)	\$ (492,427)
Common shares issued for settlement of debt (note 13(b)(ii))	90,000	-	-	90,000
Private placement (note 13(b)(iii))	442,000	-	-	442,000
Exercise of stock options (note 13(b)(i))	178,600	(85,600)	-	93,000
Share-based payments	-	524,566	-	524,566
Expiry of stock options	-	(135,730)	135,730	-
Net loss for the year	-	-	(1,304,786)	(1,304,786)
Balance, February 29, 2020	\$ 67,387,637	\$ 1,468,836	\$ (69,504,120)	\$ (647,647)
Common shares issued for debt settlement (note 13(b)(ix))	362,122	-	-	362,122
Private placement	20,001,625	-	-	20,001,625
Share issue costs - cash	(927,013)	-	-	(927,013)
Flow-through share premium (note 12)	(5,199,350)	-	-	(5,199,350)
Value of broker warrants associated with financing (note 13(b)(vii))	(374,909)	374,909	-	-
Exercise of stock options (note 13(b)(viii))	426,977	(181,827)	-	245,150
Exercise of warrants (note 13(b)(x))	1,228,655	-	-	1,228,655
Share-based payments	-	9,751,675	-	9,751,675
Net loss for the year	-	-	(14,181,357)	(14,181,357)
Balance, February 28, 2021	\$ 82,905,744	\$ 11,413,593	\$ (83,685,477)	\$ 10,633,860

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

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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"), the Frankfurt Stock Exchange and the OTCQB Venture Market in the United States. 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 financial statements were approved by the board of directors on June 25, 2021.

These 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, and incurred a net loss of \$14,181,357 during the year ended February 28, 2021 (year ended February 29, 2020 - net loss of \$1,304,786) and has an accumulated deficit of \$83,685,477 (February 29, 2020 - \$69,504,120). As at February 28, 2021, the Company had a working capital surplus of \$10,546,684 (February 29, 2020 - working capital deficiency \$497,021).

On March 31, 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC") of the IASB. The policies set out below have been consistently applied to all periods presented. These financial statements have been prepared on a historical cost basis, except for those instruments carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(b) Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred on exploration projects not commercially viable and technically feasible. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(b) Exploration and evaluation expenditures (continued)

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(c) Mining tax credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect of exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration and evaluation expenditures.

(d) Decommissioning, restoration and similar liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an exploration property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in estimates of decommissioning costs are accounted for as a change in the related liability and recognized in profit and loss. The periodic unwinding of the discount is recognized in operations as an accretion expense.

(e) Significant accounting judgments and estimates

The application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less disposal costs in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

(ii) Estimation of decommissioning and restoration costs and the timing of expenditure

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated timing of decommissioning and restoration work), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(e) Significant accounting judgments and estimates (continued)

(iii) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(iv) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(f) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. The Company's diluted loss per share for the periods presented does not include the effect of stock options and warrants as they are anti-dilutive.

(h) Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of 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 for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. 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 current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

(i) Impairment of non-financial assets

At each statement of financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss in the statements of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

At the end of each reporting date, the Company assesses whether there is any indication that previously recognized impairment losses no longer exist. If such an indication exists, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss in the statement of loss and comprehensive loss.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(j) *Share capital and common share purchase warrants*

The Company periodically issues units to investors consisting of common shares and common share purchase warrants in private placements. These private placement warrants are equity instruments. Accordingly, gross proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. "bifurcation") of the private placement warrants is made for accounting purposes at the time of issuance or at any time thereafter.

Transaction costs directly attributable to the issuance of units are recognized as a decrease in share capital net of related income tax effects. Agent warrants are reflected as transaction costs at their estimated issue date fair value as determined using the Black-Scholes option-pricing model. When agent warrants expire unexercised, the balance is transferred to deficit.

(k) *Flow-through shares*

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which offer a tax incentive to Canadian investors by transferring the tax deductibility of exploration expenditures from the Company to the investors.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability. The subsequent renunciation of such qualifying expenditures incurred by the Company in favour of the flow-through subscribers is reported as a reduction in the flow-through share liability and a corresponding amount as other income recorded in profit and loss.

Resource expenditure deductions for income tax purposes related to exploration and evaluation activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company has indemnified the subscribers of flow-through share offerings against any tax related amounts that became payable by the shareholder as a result of the Company not meeting its commitments.

(l) *Financial Instruments*

Financial instruments of the Company consists of cash, amounts receivables, accounts payable and other liabilities, amounts due to related parties and other liabilities.

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at fair value through profit or loss ("FVTPL") if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(l) Financial Instruments (continued)

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVTPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Subsequent measurement – financial assets at FVTPL

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the statements of financial position with changes in fair value recognized in the statements of loss. The Company does not measure any financial assets at FVTPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(l) Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable and other liabilities, amounts due to related parties, and other liabilities which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in the statements of loss.

(m) Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided using the declining balance method using the following rates:

Exploration equipment	- 25% to 30%
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At the end of each reporting period, the Company reviews the carrying amounts of its equipment to determine whether there is any indication that the equipment has suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the equipment's fair value less cost to sell or its value in use.

(n) New accounting policies

Future accounting policies

IAS 1 Classification of Liabilities as Current or Non-Current (Amendment)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022 and is to be applied retrospectively. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Eskay Mining Corp.**Notes to Financial Statements****Years Ended February 28, 2021 and February 29, 2020****(Expressed in Canadian Dollars)**

3. Prepaid expenses and other deposits

	As at February 28, 2021	As at February 29, 2020
Prepaid expenses	\$ 13,227	\$ 9,274
Deposits	871,235	-
	\$ 884,462	\$ 9,274

4. Exploration and evaluation expenditures

	Year ended February 28, 2021	Year ended February 29, 2020
St. Andrew Goldfield (SIB) - Eskay Project		
Surveying, sampling and analysis	\$ 60,967	\$ 3,271
Geological and consulting	133,475	39,024
Accretion	2,242	2,162
Camping procurement and expediting	524,393	-
Other	1,386,849	71,100
Transportation	308,628	4,267
Write off of joint venture receivable	820,899	-
	3,237,453	119,824
Corey Mineral Claims		
Surveying, sampling and analysis	673,397	3,271
Geological and consulting	162,077	22,315
Camping procurement and expediting	389,205	-
Other	51,220	95,337
Transportation	308,760	5,783
	1,584,659	126,706
Total exploration and evaluation expenditures	\$ 4,822,112	\$ 246,530

St. Andrew Goldfield (SIB) - Eskay Project

Pursuant to an option agreement dated May 7, 2008 and amending option agreement dated January 17, 2013 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 a wholly-owned subsidiary of Kirkland Lake and continued to hold a 20% interest in the SIB Property. St. Andrew and the Company entered into an 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 could 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.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

4. Exploration and evaluation expenditures (continued)

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

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. On September 24, 2019, the Company entered into an agreement with SSR Mining and is now obligated to pay 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. This amount is included in accounts payable and other liabilities at February 28, 2021 and February 29, 2020.

On March 25, 2021, the Company announced that it has acquired a 100% interest in the SIB Property ("St Andrew") (note 22).

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 February 28, 2021, the Company had \$72,870 (February 29, 2020 - \$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.

5. Equipment

Cost

Balance, February 29, 2020	\$	-
Addition		80,963
<hr/>		
Balance, February 28, 2021	\$	80,963

Accumulated depreciation

Balance, February 29, 2020	\$	-
Depreciation		2,024
<hr/>		
Balance, February 28, 2021	\$	2,024

Carrying amounts

At February 29, 2020	\$	-
At February 28, 2021	\$	78,939

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

6. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. As discussed in note 1, the Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be shareholders' equity which comprises share capital, reserves and accumulated deficit, which at February 28, 2021, totaled \$10,633,860 (February 29, 2020 - Shareholder's deficiency \$647,647).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral exploration properties. Selected information is provided to the Board of Directors of the Company.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended February 28, 2021. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of February 28, 2021, the Company is compliant with Policy 2.5.

7. Financial risk management

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors. There have been no changes in the risks, objectives, policies and procedures of the Company during the years ended February 28, 2021 and February 29, 2020.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Cash is held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal. Amounts receivable consist of sales taxes receivable from government authorities in Canada and other receivables. Management believes that the credit risk concentration with respect to amounts receivable is minimal.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

7. Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at February 28, 2021, the Company had cash of \$14,473,006 (February 29, 2020 - \$177,307) to settle current liabilities of \$4,916,692 (February 29, 2020 - \$702,717). All of the Company's short-term financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in note 1, the Company's ability to continually 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.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

The Company's overall exposure to the risk of changes in market interest rates relates primarily to its bank current account balances. At prevailing market interest rates, the impact on interest income is minimal.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to valuable minerals to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, the Company does not believe it was exposed to any material movements in the underlying market risk variables during the year ended February 28, 2021.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) Cash is subject to floating interest rates. The Company has no variable interest bearing debt and receives low interest rates on its cash balances. As such, the Company does not have significant interest rate risk.

(ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

Eskay Mining Corp.**Notes to Financial Statements****Years Ended February 28, 2021 and February 29, 2020****(Expressed in Canadian Dollars)**

8. Categories of financial instruments

	February 28, 2021	February 29, 2020
Financial assets:		
Amortized cost		
Cash	\$ 14,473,006	\$ 177,307
Amounts receivable	\$ 105,908	\$ 19,115
Financial liabilities:		
Amortized cost		
Amounts payable and other liabilities	\$ 792,010	\$ 212,530
Amounts due to related parties	\$ 106,845	\$ 490,187
Other liabilities	\$ -	\$ 161,105

As of February 28, 2021 and February 29, 2020, the fair value of all of the Company's current financial instruments approximates the carrying value, due to their short-term nature.

9. Amounts receivable

	February 28, 2021	February 29, 2020
Sales tax receivable - (Canada)	\$ 105,462	\$ 18,669
Other receivable	446	446
	\$ 105,908	\$ 19,115

10. 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:

Balance at February 28, 2019	\$ 60,229
Accretion	2,162
Balance at February 29, 2020	\$ 62,391
Accretion	2,242
Balance at February 28, 2021	\$ 64,633

The Company has estimated its total provision for reclamation to be \$64,633 at February 28, 2021 (February 29, 2020 - \$62,391) based on an estimated total future liability of approximately \$64,631 and an inflation rate of 2.2% (February 29, 2020 - 2.2%) and a discount rate of 1.07% (February 29, 2020 - 1.07%). Reclamation is expected to occur in the year 2022.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

11. 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:

	February 28, 2021	February 29, 2020
Accounts payable	\$ 695,845	\$ 204,530
Accruals and others	96,165	8,000
Total amounts payable and other liabilities	\$ 792,010	\$ 212,530

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

	February 28, 2021	February 29, 2020
Less than 1 month	\$ 529,099	\$ 120,213
1 to 3 months	121,930	15,285
Greater than 3 months	140,981	77,032
Total amounts payable and other liabilities	\$ 792,010	\$ 212,530

12. Flow-through share liability

The following is a continuity schedule of the liability of the flow-through shares issuance:

Balance at February 28, 2019	\$ 28,619
Settlement of flow-through share liability on incurring expenditure	(28,619)
Balance at February 29, 2020	\$ -
Liability incurred on flow-through shares issued	5,199,350
Settlement of flow-through share liability on incurring expenditure	(1,181,513)
Balance at February 28, 2021	\$ 4,017,837

The flow-through common shares issued in the non-brokered private placement completed during the year ended February 28, 2021 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 \$5,199,350.

Date	Flow-through premium
June 3, 2020	\$ 85,000
June 19, 2020	675,750
August 19, 2020	682,500
December 11, 2020	1,052,140
December 11, 2020	2,703,960
	\$ 5,199,350

The flow-through premium is derecognized through income as the eligible expenditures are incurred.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

13. 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 February 28, 2021, the issued share capital amounted to \$82,905,744 (February 29, 2020 - \$67,387,637). Changes in issued share capital are as follows:

	Number of common shares	Amount
Balance, February 28, 2019	112,248,864	\$ 66,677,037
Private placement (iii)	3,600,000	442,000
Exercise of stock options (i)	1,200,000	93,000
Value transferred to share capital from exercise of stock options	-	85,600
Common shares issued for debt settlement (ii)	1,263,157	90,000
Balance, February 29, 2020	118,312,021	\$ 67,387,637
Private placement (iv)(v)(vi)(vii)	29,856,785	20,001,625
Flow-through share premium (note 12)	-	(5,199,350)
Share issue costs	-	(1,301,922)
Exercise of stock options (viii)	2,280,000	245,150
Value transferred to share capital from exercise of stock options	-	181,827
Common shares issued for debt settlement (ix)	2,130,129	362,122
Exercise of warrants (x)	4,840,350	1,228,655
Balance, February 28, 2021	157,419,285	\$ 82,905,744

(i) During the year ended February 29, 2020, 1,200,000 stock options were exercised by directors of the Company for gross proceeds of \$93,000. A total value of \$85,600 was transferred to share capital from reserves as a result of the exercise of these stock options.

(ii) During the year ended February 29, 2020, 1,263,157 shares, were issued to a director of the Company for settlement of \$90,000 of debt.

(iii) On December 5, 2019, the Company closed a non-brokered private placement with the sale of 3,350,000 working capital units at a price of \$0.12 per working capital units for \$402,000 and 250,000 flow-through units at a price of \$0.16 per flow-through units for \$40,000 for aggregate gross proceeds of \$442,000.

Each working capital unit comprises one common share of the Company and one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of \$0.20 until December 5, 2020.

Each flow-through unit comprises one common share of the Company and one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of \$0.22 until December 5, 2020.

(iv) On June 3, 2020, the Company closed the first tranche of a non-brokered private placement with the sale of 1,000,000 flow-through units at a price of \$0.255 per flow-through unit for \$255,000 and 550,000 units at a price of \$0.17 per unit for \$93,500 for aggregate gross proceeds of \$348,500. Eligible finders were paid cash finders' fees of \$1,275 and legal fees of \$11,500.

Each flow-through 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 \$0.30 until June 3, 2022. Each unit comprises one common share of the Company and one-half of one common share purchase warrant exercisable at a price of \$0.30.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

13. Share capital (continued)

(v) On June 19, 2020, in connection with the closing of the first tranche of its non-brokered private placement on June 4, 2020, the Company closed the final tranche of a non-brokered private placement with the sale of 7,950,000 flow-through units of the Company at a price of \$0.255 per flow-through unit for \$2,027,250 and 2,452,941 units at a price of \$0.17 per unit for \$417,000 for aggregate gross proceeds of \$2,444,250. Each unit comprises one common share of the Company and one-half warrant. A director of the Company subscribed for 2,452,941 units for \$417,000 of the offering.

(vi) On August 19, 2020, the Company closed a non-brokered private placement with the sale of 3,500,000 flow-through units of the Company at a price of \$0.645 per flow-through unit for \$2,257,500 and 2,559,444 units at a price of \$0.45 per unit for \$1,151,750 for aggregate gross proceeds of \$3,409,250.

Each flow-through unit comprises one common share of the Company and one common share purchase warrant. Each flow-through unit entitles the holder to acquire one common share at a price of \$0.80 until two years from the closing date. Each unit comprises one common share of the Company and one common share purchase warrant exercisable at a price of \$0.80.

(vii) On December 14, 2020, the Company announced that it has closed the brokered private placement offering and has issued an aggregate of 1,214,100 units of the Company at a price of \$0.90 per unit, 2,904,700 flow-through shares of the Company at a price of \$1.05 per flow-through share and 7,725,600 flow-through units of the Company at a price of \$1.25 per flow-through unit, for an aggregate gross proceeds of \$13,799,625. Each unit and each flow through unit consists of one common share of the Company, and one-half of one common share purchase warrant, with each warrant entitling the holder thereof to acquire one common share of the Company at a price of \$1.30 until December 11, 2022. The broker agents were paid a cash commission of \$737,978 and issued 582,789 broker warrants. Each broker warrant entitles the holder thereof to subscribe for one common share of the Company and one-half of one common share purchase warrants exercisable at a price of \$0.90 until December 11, 2022.

(viii) During the year ended February 28, 2021, 2,280,000 stock options were exercised by directors and consultants for common shares of the Company for gross proceeds of \$245,150. The options were exercised for the following prices: (1) 350,000 common shares of the Company at \$0.10 per share; (2) 80,000 common shares of the Company at \$0.08 per share; (3) 50,000 common shares of the Company at \$0.24 per share; (4) 850,000 common shares of the Company at \$0.075 per share, (5) 400,000 common shares of the Company at \$0.105 per share, (6) 250,000 common shares of the Company at \$0.08 per share and (7) 300,000 common shares of the Company at \$0.22 per share. A total value of \$181,827 was transferred to share capital from reserves as a result of the exercise of these stock options.

(ix) During the year ended February 28, 2021, 2,130,129 shares were issued to a director of the Company for settlement of \$362,122 of debt.

(x) During the year ended February 28, 2021, 4,840,350 warrants were exercised for common shares of the Company for gross proceeds of \$1,228,655. The warrants were exercised for the following prices: (1) 200,000 common shares of the Company at \$0.20 per share; (2) 20,000 common shares of the Company at \$0.40 per share; (3) 120,000 common shares of the Company at \$0.40 per share; (4) 200,000 common shares of the Company at \$0.40 per share; (5) 50,000 common shares of the Company at \$0.20 per share; (6) 300,000 common shares of the Company at \$0.40 per share; (7) 592,000 common shares of the Company at \$0.40 per share; (8) 250,000 common shares of the Company at \$0.22 per share; (9) 3,100,000 common shares of the Company at \$0.20 per share and (10) 8,350 common shares of the Company at \$1.30.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

14. Stock options

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

	Number of stock options	Weighted average exercise price (\$)
Balance, February 28, 2019	7,857,144	0.16
Exercised	(1,200,000)	0.08
Granted (i)(ii)(iii)	6,000,000	0.10
Expired	(1,557,144)	0.09
Balance, February 29, 2020	11,100,000	0.15
Exercised	(2,280,000)	0.11
Granted (iv)(v)(vi)	5,550,000	2.09
Balance, February 28, 2021	14,370,000	0.91

(i) 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 year ended February 29, 2020, \$nil and \$177,500, respectively, was recorded as share-based payments.

(ii) On September 5, 2019, the Company granted 1,300,000 stock options to officers, directors and consultants at \$0.095 per share for five years expiring September 4, 2024. These options vested immediately. These options have a grant date fair value of \$109,200, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 138% based on the Company's historical volatility; share price of \$0.095; risk-free interest rate of 1.15% and an expected life of five years. During the year ended February 29, 2020, \$109,200 was recorded as share-based payments.

(iii) On September 11, 2019, the Company granted 350,000 stock options to a consultant at \$0.10 per share for five years expiring September 11, 2024. These options vested immediately. These options have a grant date fair value of \$30,800, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 138% based on the Company's historical volatility; share price of \$0.10; risk-free interest rate of 1.43% and an expected life of five years. During the year ended February 29, 2020, \$30,800 was recorded as share-based payments.

(iv) On December 9, 2019, the Company granted 1,550,000 stock options to a director and consultants at \$0.135 per share for five years expiring December 9, 2024. These options vested immediately. These options have a grant date fair value of \$199,175, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 138% based on the Company's historical volatility; share price of \$0.145; risk-free interest rate of 1.61% and an expected life of five years. During the year ended February 29, 2020, \$199,175 was recorded as share-based payments.

(v) On January 8, 2020, the Company granted 300,000 stock options to Focus Communications at \$0.22 per share for three years expiring January 8, 2023. These options vested over the span of one year. These options have a grant date fair value of \$45,450, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 136% based on the Company's historical volatility; share price of \$0.20; risk-free interest rate of 1.65% and an expected life of three years. During the year ended February 29, 2020, \$7,891 was recorded as share-based payments.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

14. Stock options (continued)

(vi) On June 24, 2020, the Company granted 1,500,000 stock options to directors and consultants at \$0.24 per share for five years expiring June 24, 2025. These options vested immediately. These options have a grant date fair value of \$308,850, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146% based on the Company's historical volatility; share price of \$0.23; risk-free interest rate of 0.38% and an expected life of five years. During the year ended February 28, 2021, \$308,850 was recorded as share-based payments.

(vii) On July 21, 2020, the Company granted 350,000 stock options to a consultant at \$0.46 per share for five years expiring July 21, 2025. These options vested immediately. These options have a grant date fair value of \$144,725, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146% based on the Company's historical volatility; share price of \$0.46; risk-free interest rate of 0.35% and an expected life of five years. During the year ended February 28, 2021, \$144,725 was recorded as share-based payments.

(viii) On February 5, 2021, the Company granted 3,700,000 stock options to officers, directors and consultants at \$3.00 per share for five years expiring February 5, 2026. These options vested over the span of a year, with 3,500,000 vesting immediately, and the remaining 200,000 to be vested quarterly over the span of a year. These options have a grant date fair value of \$9,829,420, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 141% based on the Company's historical volatility; share price of \$3.00; risk-free interest rate of 0.48% and an expected life of five years. During the year ended February 28, 2021, \$9,297,054 was recorded as share-based payments. 3,200,000 stock options were granted to officers and directors of the Company.

The following table reflects the actual stock options issued and outstanding as of February 28, 2021:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Fair value (\$)	Number of options vested (exercisable)
November 16, 2021	0.22	0.09	1,900,000	375,440	1,900,000
January 30, 2023	0.235	0.23	1,750,000	383,250	1,750,000
February 5, 2023	0.24	0.03	200,000	44,624	200,000
July 4, 2023	0.215	0.03	200,000	39,000	200,000
March 6, 2024	0.08	0.40	1,920,000	136,320	1,920,000
September 5, 2024	0.095	0.32	1,300,000	109,200	1,300,000
December 9, 2024	0.135	0.41	1,550,000	199,175	1,550,000
June 24, 2025	0.24	0.45	1,500,000	308,850	1,500,000
July 21, 2025	0.46	0.11	350,000	144,725	350,000
February 5, 2026	3.00	1.27	3,700,000	9,829,420	3,500,000
	0.91	3.34	14,370,000	11,570,004	14,170,000

The weighted average exercise price of the vested options at February 28, 2021 is \$0.91.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

15. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
Balance, February 28, 2019	1,282,000	0.40
Issued (note 13(b)(i)(ii)(iii))	3,600,000	0.20
Balance, February 29, 2020	4,882,000	0.25
Issued (note 13(b)(iv)(v)(vi)(vii))	17,379,947	0.66
Exercised (note 13(b)(viii))	(4,840,350)	(0.34)
Expired	(50,000)	(0.40)
Balance, February 28, 2021	17,371,597	0.66

The following table reflects the warrants issued and outstanding as of February 28, 2021:

Expiry date	Number of warrants outstanding	Exercise price
June 3, 2022	775,000	\$ 0.30
June 19, 2022	5,201,470	\$ 0.30
August 19, 2022	6,059,444	\$ 0.80
December 5, 2022	4,752,894	\$ 1.30
December 5, 2022 ⁽¹⁾	582,789	\$ 0.90
	17,371,597	\$ 0.66

(1) These warrants are exercisable into units of the Company. Each unit is comprised of a common share and one half of a warrant exercisable at \$1.30 until December 5, 2022.

16. Net loss per common share

The calculation of basic and diluted loss per share for the year ended February 28, 2021 was based on the loss of \$14,181,357 (February 29, 2020 - \$1,304,786) and the weighted average number of common shares outstanding of 136,162,795 for the year ended February 28, 2021 (February 29, 2020 - 114,348,260). The diluted loss per share for the year ended February 28, 2021 excluded 14,370,000 (February 29, 2020 - 11,100,000) options and 17,371,597 (February 29, 2020 - 4,882,000) warrants that were anti-dilutive.

17. General and administrative

	Year ended February 28, 2021	Year ended February 29, 2020
Professional fees (note 18(ii) and (v))	\$ 286,910	\$ 108,706
Reporting issuer costs	205,882	25,257
Office and general	267,072	167,858
Advertising and promotion	181	-
Management and consulting fees (note 18(i))	218,940	256,440
Interest and bank charges	8,163	4,195
Share-based payments (note 14)	9,751,675	524,566
	\$ 10,738,823	\$ 1,087,022

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

18. Related party balances and transactions

Related parties include the Board of Directors, officers, 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 year ended February 28, 2021, the Company paid or accrued \$218,940 in management and consulting fees to companies controlled by current officers (year ended February 29, 2020 - \$256,440).

(ii) For the year ended February 28, 2021, the Company paid or accrued \$36,295, in professional fees (February 29, 2020 - \$29,072) to companies controlled by an officer of the Company. As at February 28, 2021, this company is owed \$7,053 (February 29, 2020 - \$24,915).

(iii) As at February 28, 2021, the Company owed the CEO \$nil (February 29, 2020 - \$31,782) which pertained to interest accrued on a loan advanced to the Company during the year ended February 29, 2012, which is included in the amounts due to related parties. These balances are unsecured, non-interest bearing, and due on demand.

(iv) As at February 28, 2021, the Company owed certain officers, directors and parties related to officers and directors \$15,010 (February 29, 2020 - \$458,407), excluding legal services disclosed in (v) below, in relation to the transactions described above. These balances are unsecured, non-interest bearing and due on demand.

(v) During the year ended February 28, 2021, the Company paid professional fees and disbursements of \$253,072 (February 29, 2020 - \$62,186) 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. As at February 28, 2021, Gardiner is owed \$85,995 (February 29, 2020 - \$13,257) and this amount is included in amounts due to related parties. These balances are unsecured, non-interest bearing, and due on demand.

(vi) See note 13(b)(i)(ii)(v)(viii)(ix)(x).

(vii) See note 14.

(viii) See note 19.

As at February 28, 2021, Hugh Balkman, a director of the Company owns 16,183,345 common shares of the Company carrying approximately 10.3% of the voting rights attached to all common shares of the Company. As at February 28, 2021, directors and officers of the Company control an aggregate of 21,676,920 common shares of the Company or approximately 13.80% of the shares outstanding.

At February 28, 2021, the Company is not aware of any arrangements that may at 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.

19. 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.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

19. Commitments and contingencies (continued)

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 is obligated to spend \$17,246,685 by December 31, 2022. As at February 28, 2021, the Company had spent \$3,674,003 as part of the flow-through funding agreement for shares issued during the year ended February 28, 2021. 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 has 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. The Company does not have sufficient working capital to cover its flow-through commitment, and intends to cover its flow-through commitment through additional equity financing.

20. 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.

21. Income taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2020 - 26.5%) were as follows:

Years Ended February 28,	2021	2020
Loss before income taxes	\$ (14,181,357)	\$ (1,304,786)
Expected income tax recovery based at statutory rate	(3,758,060)	(345,768)
Adjustment to expected income tax recovery;		
Share based compensation	2,584,000	-
Change in benefit of tax assets not recognized	1,174,060	345,768
Deferred income tax provision (recovery)	\$ -	\$ -

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

21. Income taxes (continued)

b) Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	February 28, 2021	February 29, 2020
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<u>Deductible Temporary Differences</u>		
Non-capital losses carry-forward	\$ 11,830,000	\$ 11,040,800
Share issue costs	8,000	12,000
Mineral exploration properties	5,296,000	17,721,000
Equipment	1,254,000	1,254,000
Other temporary differences	148,000	148,000
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Temporary differences	\$ 18,536,000	\$ 30,175,800
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At February 28, 2021, the Company has approximately \$11,830,000 of non-capital losses in Canada which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire in the following periods:

2026	\$ 1,130,000
2027	1,713,000
2028	2,540,000
2029	2,485,000
2030	2,788,000
2032	185,000
2034	80,000
2035	80,000
2036	12,000
2037	8,000
2038	8,000
2039	5,000
2040	6,000
2041	790,000
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	\$ 11,830,000

22. Subsequent events

On March 8, 2021, the Company announced that it had closed the acquisition of 23,703,688 common shares of Garibaldi Resources Corp ("GGI") from The Sprott Foundation in consideration for the issuance of 4,211,719 units of Eskay at a price of \$2.56 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$2.82 per warrant until the earlier of: (i) March 8, 2023; and (ii) in the event that the closing price of the common shares on the TSX Venture Exchange is at least \$3.72 for twenty (20) consecutive trading days, and the 20th trading day (the "Final Trading Day") is on or after August 1, 2021, the date which is thirty (30) days from the Final Trading Day.

On March 25, 2021, the Company announced that it had acquired the remaining 20% interest in the SIB property from St. Andrew Goldfields Ltd. and now owns 100% of the property. St. Andrew Goldfields previous 20% interest has been converted into a 2% Net Smelter Royalty ("NSR") on the SIB property. Eskay has the right, exercisable at any time, to purchase on one half of the 2% NSR for \$3 million and has a right of first refusal to purchase the remaining 1% NSR.

Subsequent to year end, 238,127 warrants with an exercise price of \$1.30 were exercised for gross proceeds of \$309,565.

Eskay Mining Corp.

Notes to Financial Statements

Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

22. Subsequent events (continued)

Subsequent to year end, 262,255 warrants with an exercise price of \$0.90 were exercised for gross proceeds of \$236,029.

Subsequent to year end, 350,000 options with an exercise price of \$0.08 were exercised for gross proceeds of \$28,000.