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**ESKAY MINING CORP.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED**  
**AUGUST 31, 2022 AND 2021**  
**(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, 2022	As at February 28, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 10,369,463	\$ 876,222
Amounts receivable (note 6)	686,345	842,063
Prepaid expenses and other deposits (note 3)	750,628	464,840
<b>Total current assets</b>	<b>11,806,436</b>	2,183,125
<b>Non-current assets</b>		
Deposits (note 4)	94,303	94,303
Investment in associate (note 11)	6,142,263	6,091,409
Equipment (note 5)	190,955	112,135
<b>Total assets</b>	<b>\$ 18,233,957</b>	<b>\$ 8,480,972</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (note 8)	\$ 3,716,748	\$ 454,349
Seabridge loan (note 10)	2,658,316	2,470,802
<b>Total current liabilities</b>	<b>6,375,064</b>	2,925,151
<b>Non-current liabilities</b>		
Provision for reclamation (note 7)	94,040	66,310
<b>Total liabilities</b>	<b>6,469,104</b>	2,991,461
<b>Shareholders' equity</b>		
Share capital (note 12)	111,563,974	95,982,395
Reserves	14,484,027	12,083,662
Accumulated deficit	(114,283,148)	(102,576,546)
<b>Total shareholders' equity</b>	<b>11,764,853</b>	5,489,511
<b>Total shareholders' equity and liabilities</b>	<b>\$ 18,233,957</b>	<b>\$ 8,480,972</b>

Nature of operations and going concern (note 1)  
Commitments and contingencies (note 18)  
Subsequent events (note 20)

### Approved on behalf of the Board of Directors:

"Hugh M. (Mac) Balkam", Director

"J. Gordon McMehen", Director

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>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Operating expenses</b>				
Exploration and evaluation expenditures (note 4)	\$ 8,309,828	\$ 7,154,143	\$ 9,569,800	\$ 8,654,751
General and administrative (note 16)	4,009,344	528,318	4,344,608	1,057,504
<b>Total operating expenses</b>	<b>(12,319,172)</b>	<b>(7,682,461)</b>	<b>(13,914,408)</b>	<b>(9,712,255)</b>
<b>Other items</b>				
Interest income	24,152	6,507	28,834	15,895
Amortization (note 5)	(7,971)	(3,947)	(15,730)	(7,894)
Accretion (note 10)	(93,757)	-	(187,514)	-
Flow-through share liability recovery	1,805,844	2,217,076	1,902,223	2,615,717
Fair value adjustment on investment (note 11)	-	(2,088,388)	-	(2,248,673)
Loss from investment in associate (note 11)	(70,575)	-	(127,553)	-
Gain on dilution of investment in associate (note 11)	178,407	-	178,407	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (10,483,072)</b>	<b>\$ (7,551,213)</b>	<b>\$ (12,135,741)</b>	<b>\$ (9,337,210)</b>
<b>Net loss per share - Basic and Diluted</b> (note 15)	<b>\$ (0.06)</b>	<b>\$ (0.05)</b>	<b>\$ (0.07)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding - Basic and Diluted</b> (note 15)	<b>176,481,900</b>	<b>162,686,410</b>	<b>171,481,869</b>	<b>162,070,997</b>

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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>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Net loss for the period	\$ (12,135,741)	\$ (9,337,210)
Adjustments for:		
Share-based payments (note 13)	3,418,963	584,976
Amortization (note 5)	15,730	7,894
Accretion (note 7 and 10)	215,244	837
Flow-through share liability recovery	(1,902,223)	(2,615,717)
Loss from investment in associate (note 11)	127,553	-
Gain on dilution of investment in associate (note 11)	(178,407)	-
Fair value adjustment on investment (note 11)	-	2,248,673
Changes in non-cash working capital items:		
Amounts receivable	155,718	(262,192)
Prepaid expenses and other deposits	(285,788)	416,565
Amounts payable and other liabilities	3,262,399	852,070
Amounts due to related parties	-	(94,924)
<b>Net cash (used in) operating activities</b>	<b>(7,306,552)</b>	<b>(8,199,028)</b>
<b>Investing activity</b>		
Purchase of equipment	(94,550)	-
<b>Net cash (used in) investing activities</b>	<b>(94,550)</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from charity flow through (note 12)	7,000,002	-
Share issue costs	(114,124)	-
Proceeds from exercise of stock options	647,600	28,000
Proceeds from exercise of warrants	9,360,865	848,496
<b>Net cash provided by financing activities</b>	<b>16,894,343</b>	<b>876,496</b>
<b>Net change in cash and cash equivalents</b>	<b>9,493,241</b>	<b>(7,322,532)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>876,222</b>	<b>14,473,006</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 10,369,463</b>	<b>\$ 7,150,474</b>
<b>Supplemental information</b>		
Units issued for acquisition of Garibaldi Resources Corp. (note 12(b)(i))	\$ -	\$ 10,782,001

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

**Eskay Mining Corp.****Condensed Interim Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****(Unaudited)****Equity attributable to shareholders**

	<b>Share capital</b>	<b>Reserves</b>	<b>Accumulated deficit</b>	<b>Total</b>
<b>Balance, February 28, 2021</b>	<b>\$ 82,905,744</b>	<b>\$ 11,413,593</b>	<b>\$ (83,685,477)</b>	<b>\$ 10,633,860</b>
Units issued for investment (note 12(b)(i))	10,782,001	-	-	10,782,001
Exercise of stock options (note 12(b)(ii))	52,850	(24,850)	-	28,000
Exercise of warrants (note 12(b)(ii))	1,223,405	(374,909)	-	848,496
Share-based payments (note 13)	-	584,976	-	584,976
Net loss for the period	-	-	(9,337,210)	(9,337,210)
<b>Balance, August 31, 2021</b>	<b>\$ 94,964,000</b>	<b>\$ 11,598,810</b>	<b>\$ (93,022,687)</b>	<b>\$ 13,540,123</b>
<b>Balance, February 28, 2022</b>	<b>\$ 95,982,395</b>	<b>\$ 12,083,662</b>	<b>\$ (102,576,546)</b>	<b>\$ 5,489,511</b>
Units issued for charity flow-through (note 12(b)(iv))	7,000,002	-	-	7,000,002
Share issue costs - cash	(114,124)	-	-	(114,124)
Flow-through share premium (note 9)	(1,902,223)	-	-	(1,902,223)
Exercise of stock options (note 12(b)(v))	1,237,059	(589,459)	-	647,600
Expiry of stock options	-	(429,139)	429,139	-
Exercise of warrants (note 12(b)(vi))	9,360,865	-	-	9,360,865
Share-based payments (note 13)	-	3,418,963	-	3,418,963
Net loss for the period	-	-	(12,135,741)	(12,135,741)
<b>Balance, August 31, 2022</b>	<b>\$111,563,974</b>	<b>\$ 14,484,027</b>	<b>\$ (114,283,148)</b>	<b>\$ 11,764,853</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, 2022**

**(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"), 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 unaudited condensed interim financial statements were approved by the board of directors on October 28, 2022.

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, and incurred a net loss of \$12,135,741 during the six months ended August 31, 2022 (six months ended August 31, 2021 - net loss of \$9,337,210) and has an accumulated deficit of \$114,283,148 (February 28, 2022 - \$102,576,546).

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 unaudited condensed interim 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***

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 28, 2022, the date the Board of Directors approved these unaudited condensed interim financial 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, 2022, 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 28, 2023 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, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

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## 2. Significant accounting policies (continued)

### (b) *New accounting policies*

#### *IFRS 3, Business Combinations ("IFRS 3")*

IFRS 3 was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The Company adopted the amendment on March 1, 2022, there was no significant impact due to the adoption of this accounting policy.

#### *IAS 16 - Property, Plant and Equipment*

IAS 16 Property, Plant and Equipment was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The Company adopted the amendment on March 1, 2022, there was no significant impact due to the adoption of this accounting policy.

#### *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 Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

### 3. Prepaid expenses and other deposits

	As at August 31, 2022	As at February 28, 2022
Prepaid expenses	\$ 145,155	\$ 101,592
Deposits <sup>(1)</sup>	605,473	363,248
	<b>\$ 750,628</b>	<b>\$ 464,840</b>

<sup>(1)</sup> As at August 31, 2022, there are deposits of \$605,473 (February 28, 2022 - \$363,248), related to airborne geophysical surveys, drilling, and camp expenses for the Company's exploration program.

### 4. Exploration and evaluation expenditures

	Three Months Ended August 31,		Six Months Ended August 31,	
	2022	2021	2022	2021
<b>ESKAY-Corey</b>				
Surveying, sampling and analysis	\$ 628,242	\$ 869,485	\$ 741,904	\$ 2,017,337
Geological and consulting	3,847,637	3,222,514	4,121,918	3,431,388
Camping procurement and expediting	1,316,790	1,541,463	1,740,561	1,676,331
Environmental clean up	-	114,500	-	114,500
Claims	8,077	7,500	8,077	7,500
Transportation	2,469,917	1,398,263	2,604,310	1,406,858
Accretion (note 7)	13,865	418	27,730	837
Access road costs	25,300	-	325,300	-
<b>Total exploration and evaluation expenditures</b>	<b>\$ 8,309,828</b>	<b>\$ 7,154,143</b>	<b>\$ 9,569,800</b>	<b>\$ 8,654,751</b>

#### ESKAY-Corey

The ESKAY-Corey property is comprised of the following:

##### St. Andrew (SIB)

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. Pursuant to a Royalty Agreement dated March 8, 2021, the Company acquired the remaining 20% interest in SIB from Kirkland Lake, to hold a 100% working interest, in consideration for the granting of a 2% Net Smelter Returns Royalty on the SIB in favour of Kirkland Lake.

##### Corey claim

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.

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## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

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

#### Deposits and Exploration Advances

As at August 31, 2022, the Company had \$94,303 (February 28, 2022 - \$94,303) 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

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Balance, February 28, 2022	\$	129,947
Addition		94,550

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Balance, August 31, 2022	\$	224,497
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#### Accumulated depreciation

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Balance, February 28, 2022	\$	17,812
Depreciation		15,730

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Balance, August 31, 2022	\$	33,542
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#### Carrying amounts

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At February 28, 2022	\$	112,135
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At August 31, 2022	\$	190,955
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### 6. Amounts receivable

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	August 31, 2022	February 28, 2022
Sales tax receivable - (Canada)	\$ 686,345	\$ 842,063
	\$ 686,345	\$ 842,063

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## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

### 7. 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, 2022</b>	<b>\$ 66,310</b>
Accretion	27,730
<b>Balance at August 31, 2022</b>	<b>\$ 94,040</b>

The Company has estimated its total provision for reclamation to be \$94,040 at August 31, 2022 (February 28, 2022 - \$66,310) based on an estimated total future liability of approximately \$121,755 and an inflation rate of 7.7% (February 28, 2022 - 2.6%) and a discount rate of 3.59% (February 28, 2022 - 1.07%).

### 8. 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:

	August 31, 2022	February 28, 2022
Accounts payable	\$ 3,700,503	\$ 409,148
Accruals and others	16,245	45,201
<b>Total amounts payable and other liabilities</b>	<b>\$ 3,716,748</b>	<b>\$ 454,349</b>

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

	August 31, 2022	February 28, 2022
Less than 1 month	\$ 3,232,947	\$ 361,719
1 to 3 months	483,801	69,737
Greater than 3 months	-	22,893
<b>Total amounts payable and other liabilities</b>	<b>\$ 3,716,748</b>	<b>\$ 454,349</b>

### 9. Flow-through share liability

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

<b>Balance at February 28, 2022</b>	-
Liability incurred on flow-through shares issued	1,902,223
Settlement of flow-through share liability on incurring expenditure	(1,902,223)
<b>Balance at August 31, 2022</b>	<b>\$ -</b>

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## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 9. Flow-through share liability (continued)

The flow-through common shares issued in the non-brokered private placement completed during the year ended February 28, 2022, 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 \$1,902,223.

<u>Date</u>	<u>Flow-through premium</u>
April 6, 2022	\$ 533,333
April 22, 2022	1,368,890
	<u>\$ 1,902,223</u>

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

### 10. Seabridge Loan

On November 11, 2021, the Company entered into an Amended Cost Sharing Agreement to share equally the costs of construction of the first 9 kilometres (the "First Segment of the CCAR") of the Coulter Creek Access Road ("CCAR"), estimated to cost \$12.5 million, limiting Eskay's contribution to a maximum of \$6,250,000. This agreement superseded the transaction announced on July 5, 2021. Pursuant to the Amended Cost Sharing Agreement, Seabridge will provide Eskay with a \$3 million revolving loan facility at an interest rate of 3% per year.

The loan will be payable by no later than the later of December 31, 2022 and 30 days after (i) Eskay has incurred an aggregate of \$6,250,000 for its share of the costs of construction and (ii) delivery of the final accounting of construction costs by Seabridge. The costs incurred to date for the construction of the First Segment of the CCAR were approximately \$5.5 million, Eskay's share of which was funded through the drawdown of approximately \$2.7 million of the loan facility. Construction will recommence in 2022 and Eskay will pay its additional share of the costs of the First Segment of the CCAR based upon monthly cash calls which are anticipated to be evenly spread over the remainder of the construction to be completed in 2022.

Since Eskay does not have control over the road and does not have a lease providing unrestricted access to the road, all expenditures associated with this access road have been expensed and included in exploration and evaluation expenditures in the statement of loss.

Eskay issued 500,000 bonus warrants to Seabridge in consideration for making the loan facility available. The bonus warrants are exercisable at \$3.00 per share until the later of December 31, 2022 and 30 days after (i) Eskay has incurred an aggregate of \$6,250,000 for its share of the costs of construction and (ii) delivery of the final accounting of construction costs by Seabridge subject to early expiry pursuant to the rules of the TSX Venture Exchange (the "TSX V"). The warrants were valued at \$375,028 using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 80% based on the Company's historical volatility; share price of \$2.65; risk-free interest rate of 0.93% and an expected life of one year.

<b>Balance, February 28, 2022</b>	<b>\$ 2,470,802</b>
Accretion	187,514
<b>Balance, August 31, 2022</b>	<b>\$ 2,658,316</b>
<b>Allocated as:</b>	
Current	\$ 2,658,316
Non-current	-
<b>Balance, August 31, 2022</b>	<b>\$ 2,658,316</b>

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## Eskay Mining Corp.

### Notes to Condensed Interim Financial Statements Three and Six Months Ended August 31, 2022 (Expressed in Canadian Dollars) (Unaudited)

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#### 11. Investment in associate

On March 8, 2021, the Company 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 working capital units at \$2.56 per unit. On the acquisition date the Company acquired 19.5% of the outstanding common shares of GGI.

From the date of acquisition to January 4, 2022, the Company did not exert significant influence on GGI, as it did not have representation on the Board of Directors, did not participate in management or decision-making processes, did not share in any management personnel and had no material business dealings or transactions between the Company and GGI during this period. Therefore, the Company accounted for the common shares of GGI as a financial asset classified at fair value through profit or loss ("FVTPL").

On January 5, 2022, a director of the Company joined the board of GGI, and the Company assessed that due to this change in circumstances, the investment would be accounted for using the equity method from this date onwards, unless there is a subsequent change in circumstances.

The investments in common shares was considered a Level 1 in the fair value hierarchy for the period from March 8, 2021 to January 4, 2022. As a result of changes in the fair market value of the GGI shares, during the three and six months ended August 31, 2022 the Company recognized an unrealized loss of \$nil (three and six months ended August 31, 2021 - \$2,088,388 and \$2,248,673, respectively) which has been recorded in the statement of loss and comprehensive loss.

For the three and six months ended August 31, 2022, the Company recognized its share of GGI loss of \$70,575 and \$127,553, using the equity method.

The changes to the carrying amounts presented in the consolidated statement of financial position can be summarized as follows:

During the three and six months ended August 31, 2022, GGI issued 5,353,944 shares resulting in a dilution of the Company's interest of 0.82% for \$178,407.

	<b>As at August 31, 2022</b>	<b>As at February 28, 2022</b>
Balance, beginning of period	\$ 6,091,409	\$ -
Transfer of fair market value	-	6,162,959
Loss from investment in associate	(127,553)	(71,550)
Gain on dilution of investment in associate	178,407	-
Balance, end of period	<b>\$ 6,142,263</b>	<b>\$ 6,091,409</b>

The following is a summary of the financial information of GGI, adjusted to conform with the accounting policies of Eskay, on a 100% basis as at the specified date and for the year then ended, as disclosed in the table below, which is the most recent publicly available information for GGI.

## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

### 11. Investment in associate (continued)

	As at July 31, 2022	As at July 31, 2021
Cash and cash equivalents	1,707,420	992,375
Total current assets	2,037,435	2,215,189
Total non-current assets	43,628,226	42,240,040
Total current liabilities	(1,333,017)	(671,571)
Total non-current liabilities	(3,094,000)	(3,320,769)
Net loss	(412,212)	(1,020,252)
Proportionate share of net loss	(127,553)	-

### 12. 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, 2022, the issued share capital amounted to \$111,563,974 (February 28, 2022 - \$95,982,395). Changes in issued share capital are as follows:

	Number of common shares	Amount
<b>Balance, February 28, 2021</b>	<b>157,419,285</b>	<b>\$ 82,905,744</b>
Units issued for acquisition of GGI (i)	4,211,719	10,782,001
Exercise of stock options (ii)	350,000	28,000
Value transferred to share capital from exercise of stock options (ii)	-	24,850
Exercise of warrants (iii)	842,316	848,496
Value transferred to share capital from exercise of broker warrants (iii)	-	374,909
<b>Balance, August 31, 2021</b>	<b>162,823,320</b>	<b>\$ 94,964,000</b>
<b>Balance, February 28, 2022</b>	<b>163,936,993</b>	<b>\$ 95,982,395</b>
Issuance of charity flow-through units (iv)	2,222,223	7,000,002
Flow-through share premium (note 9)	-	(1,902,223)
Share issue costs	-	(114,124)
Exercise of stock options (v)	3,170,000	647,600
Value transferred to share capital from exercise of stock options (v)	-	589,459
Exercise of warrants (vi)	13,787,907	9,360,865
<b>Balance, August 31, 2022</b>	<b>183,117,123</b>	<b>\$111,563,974</b>

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# Eskay Mining Corp.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 12. Share capital (continued)

#### b) Common shares issued (continued)

(i) On March 8, 2021, the Company closed the acquisition of 23,703,688 common shares of GGI from The Sprott Foundation, in consideration for the issuance of 4,211,719 working capital units ("WC Units") of Eskay at a price of \$2.56 per WC Unit. Each WC Unit consists of one common share of the company and one warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of the sale 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 TSXV is at least \$3.72 for twenty (20) consecutive trading days, and the 20th trading day is on or after August 1, 2021. Upon acquisition of the common shares, the Company held 19.5% of the issued and outstanding common shares of GGI.

(ii) During the six months ended August 31, 2021, 350,000 stock options were exercised at \$0.08 per share by directors and consultants for common shares of the Company for gross proceeds of \$28,000. A total value of \$24,850 was transferred to share capital from reserves as a result of the exercise of these stock options.

(iii) During the six months ended August 31, 2021, 842,316 warrants were exercised for common shares of the Company for gross proceeds of \$848,496. The warrants were exercised for the following prices: (1) 107,000 common shares of the Company at \$1.30 per share; and (2) 262,255 common shares of the Company at \$0.90 per share. A total value of \$374,909 was transferred to share capital from reserves as a result of the exercise of the 582,789 broker warrants.

(iv) On April 6<sup>th</sup>, and 22<sup>nd</sup>, 2022, the Company closed the first and second tranches of its non-brokered private placement and raised aggregate proceeds of \$7,000,002 pursuant to the offering and issued 2,222,223 flow-through units to be sold to charitable purchasers (the "Charity FT Units") at a price of \$3.15 per Charity FT Units. Each Charity FT Unit consists of one common share of the Company to be issued as a flow-through share within the meaning of the Income Tax Act (Canada) and one common share purchase warrant. Each warrant shall entitle the holder to purchase one common share at a price of \$3.40 at any time on or before that date which is 24 months after the closing date.

(v) During the six months ended August 31, 2022, 3,170,000 stock options were exercised for the following prices: (1) 70,000 common shares of the Company at \$0.08 per share; (2) 550,000 common shares of the Company at \$0.135 per share; (3) 200,000 common shares of the Company at \$0.215 per share; (4) 1,900,000 common shares of the Company at \$0.22 per share; (4) 250,000 common shares of the Company at \$0.235 per share; and (5) 200,000 common shares of the Company at \$0.24 per share for gross proceeds of \$647,600. A total value of \$589,459 was transferred to share capital from reserves as a result of the exercise of these stock options.

(vi) During the six months ended August 31, 2022, 13,787,907 warrants were exercised for common shares of the Company for gross proceeds of \$9,360,865. The warrants were exercised for the following prices: (1) 5,323,888 common shares of the Company at \$0.80 per share; (2) 5,901,470 common shares of the Company at \$0.30 per share; and (3) 2,562,549 common shares of the Company at \$1.30 per share.

## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
 Three and Six Months Ended August 31, 2022  
 (Expressed in Canadian Dollars)  
 (Unaudited)

### 13. 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, 2021</b>	<b>14,370,000</b>	<b>0.91</b>
Exercised (note 12(b)(ii))	(350,000)	0.08
Granted	75,000	2.49
<b>Balance, August 31, 2021</b>	<b>14,095,000</b>	<b>0.94</b>
<b>Balance, February 28, 2022</b>	<b>14,095,000</b>	<b>0.94</b>
Exercised (note 12(b)(v))	(3,170,000)	0.20
Granted (ii)	2,200,000	1.81
Expired	(175,000)	2.78
<b>Balance, August 31, 2022</b>	<b>12,950,000</b>	<b>1.24</b>

(i) On June 28, 2021, the Company granted 75,000 stock options to a consultant at \$2.49 per share for five years expiring June 28, 2026. These options vested immediately. These options have a grant date fair value of \$163,479, 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 \$2.49; risk-free interest rate of 0.98% and an expected life of five years. During the three and six months ended August 31, 2022, \$163,479 was recorded as share-based payments.

(ii) On July 4, 2022, the Company granted 2,200,000 stock options to officers, directors and consultants of Eskay at \$1.81 per share for five years expiring July 4, 2027. These options vested immediately. These options have a grant date fair value of \$3,418,963, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 128% based on the Company's historical volatility; share price of \$1.81; risk-free interest rate of 3.04% and an expected life of five years. During the three and six months ended August 31, 2022, \$3,418,963 was recorded as share-based payments.

The following table reflects the actual stock options issued and outstanding as of August 31, 2022:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)	Fair value (\$)
January 30, 2023	0.235	0.05	1,500,000	1,500,000	328,500
March 6, 2024	0.08	0.18	1,500,000	1,500,000	106,500
September 5, 2024	0.095	0.20	1,300,000	1,300,000	109,200
December 9, 2024	0.135	0.18	1,000,000	1,000,000	128,500
June 24, 2025	0.24	0.33	1,500,000	1,500,000	308,850
July 21, 2025	0.46	0.08	350,000	350,000	144,725
February 5, 2026	3.00	0.96	3,600,000	3,600,000	9,563,760
July 04, 2027	1.81	4.84	2,200,000	2,200,000	3,418,963
<b>Total</b>	<b>1.24</b>	<b>6.82</b>	<b>12,950,000</b>	<b>12,950,000</b>	<b>14,108,998</b>

The weighted average exercise price of the vested options as at August 31, 2022 is \$1.24.

## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

### 14. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, February 28, 2021</b>	<b>17,371,597</b>	<b>0.66</b>
Issued (note 12(b)(i))	4,211,719	2.82
Exercised (note 12(b)(iii))	(842,316)	(1.01)
<b>Balance, August 31, 2021</b>	<b>20,741,000</b>	<b>1.18</b>
<b>Balance, February 28, 2022</b>	<b>20,127,327</b>	<b>1.13</b>
Issued (note 12(b)(iv))	2,222,223	3.40
Exercised (note 12(b)(vi))	(13,787,907)	(0.68)
<b>Balance, August 31, 2022</b>	<b>8,561,643</b>	<b>2.69</b>

The following table reflects the warrants issued and outstanding as of August 31, 2022:

Expiry date	Number of warrants outstanding	Exercise price (\$)
December 5, 2022	1,627,701	1.30
December 31, 2022	500,000	3.00
March 8, 2023	4,211,719	2.82
April 6, 2024	666,666	3.40
April 22, 2024	1,555,557	3.40
	<b>8,561,643</b>	<b>2.69</b>

### 15. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended August 31, 2022 was based on the loss of \$10,483,072 and \$12,135,741, respectively (three and six months ended August 31, 2021 - \$7,551,213 and \$9,337,210, respectively) and the weighted average number of common shares outstanding of 176,481,900 and 171,481,869, respectively for the three and six months ended August 31, 2022 (three and six months ended August 31, 2021 - 162,686,410 and 162,070,997, respectively). The diluted loss per share for the three and six months ended August 31, 2022 excluded 12,950,000 (August 31, 2021 - 14,095,000) options and 8,561,643 (August 31, 2021 - 20,741,000) warrants that were anti-dilutive.

## Eskay Mining Corp.

Notes to Condensed Interim Financial Statements  
Three and Six Months Ended August 31, 2022  
(Expressed in Canadian Dollars)  
(Unaudited)

### 16. General and administrative

	Three Months Ended August 31,		Six Months Ended August 31,	
	2022	2021	2022	2021
Professional fees (note 17(ii) and (iii))	\$ -	\$ 28,071	\$ 128,515	\$ 99,455
Reporting issuer costs	48,522	32,053	53,012	53,633
Office and general	391,517	7,393	482,347	51,166
Advertising and promotion	66,088	17,930	80,659	66,514
Management and consulting fees (note 17(i))	83,073	134,684	173,683	198,994
Interest and bank charges	1,181	1,104	7,429	2,766
Share-based payments (note 13)	3,418,963	307,083	3,418,963	584,976
	\$ 4,009,344	\$ 528,318	\$ 4,344,608	\$ 1,057,504

### 17. 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 three and six months ended August 31, 2022, the Company paid or accrued \$113,776 and \$213,386, respectively in management and consulting fees to companies controlled by Marrelli Group of Companies, Balkam Partner, and Robert Myhill who are controlled by officers of the Company (three and six months ended August 31, 2021 - \$130,924 and \$198,984, respectively).

(ii) For the three and six months ended August 31, 2022, the Company paid or accrued \$11,574 and \$22,564, respectively in professional fees (August 31, 2021 - \$6,946 and \$14,000, respectively) to Marrelli Group of Companies (defined as Marrelli Support Services Inc., DSA Filing Services Ltd.) who is controlled by an officer of the Company. As at August 31, 2022, this company is owed \$2,552 (February 28, 2022 - \$6,965).

(iii) During the three and six months ended August 31, 2022, the Company paid professional fees and disbursements of \$92,151 and \$145,006, respectively (August 31, 2021 - \$74,439 and \$95,082, 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. As at August 31, 2022, Gardiner is owed \$19,325 (February 28, 2022 - \$3,408) and this amount is included in amounts due to related parties. These balances are unsecured, non-interest bearing, and due on demand.

(iv) See note 12(b)(ii)(v).

(v) See note 13(ii).

As at August 31, 2022, Hugh Balkam, a director of the Company owns 16,883,345 common shares of the Company carrying approximately 9.22% of the voting rights attached to all common shares of the Company. As at August 31, 2022, directors and officers of the Company control an aggregate of 30,820,990 common shares of the Company or approximately 16.83% of the shares outstanding.

At August 31, 2022, 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.

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# Eskay Mining Corp.

## Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### 18. 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 \$264,000 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 \$1,296,000 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 unaudited condensed interim financial statements.

#### Flow-through commitment

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 is obligated to spend \$7,000,002 by December 31, 2023. As at August 31, 2022, the Company has spent \$7,000,002 as part of the flow-through funding agreement. 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.

### 19. 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.

### 20. Subsequent events

On September 1, 2022, the Company announced maiden drilling at Scarlett Valley, a newly identified VMS center near Scarlet Ridge, part of its 100% controlled Consolidated Eskay project, British Columbia. To date, the Company has completed 22,272m of diamond core drilling in 13 holes, approximately 74% of the 30,000m planned meters to be drilled in 2022. Drill production is currently on target to reach this aggressive goal with four drills fully operational.

On September 22, 2022, 500,000 stock options were exercised by a director of the Company for gross proceeds of \$117,500.

On October 7, 2022, the Company announced that it has completed 29,500m of diamond core drilling substantially fulfilling its planned meterage for the 2022 property wide exploration campaign.