

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

April 26, 2019

Eskay Mining Corp. (TSXV: ESK) – Regrouping After SSR Backs Out from an Option on One of the Properties

Sector/Industry: Junior Resource

www.eskaymining.com

Market Data (as of April 26, 2019)

Current Price	C\$0.11
Fair Value	N/A
Rating*	N/A
Risk*	5 (Highly Spec)
52 Week Range	C\$0.07 - C\$0.38
Shares O/S	112,248,864
Market Cap	C\$12.35 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	N/A
YoY Return	-57.7%
YoY TSXV	-24.5%

*see back of report for rating and risk definitions.

* All figures in C\$ unless otherwise specified.



Highlights

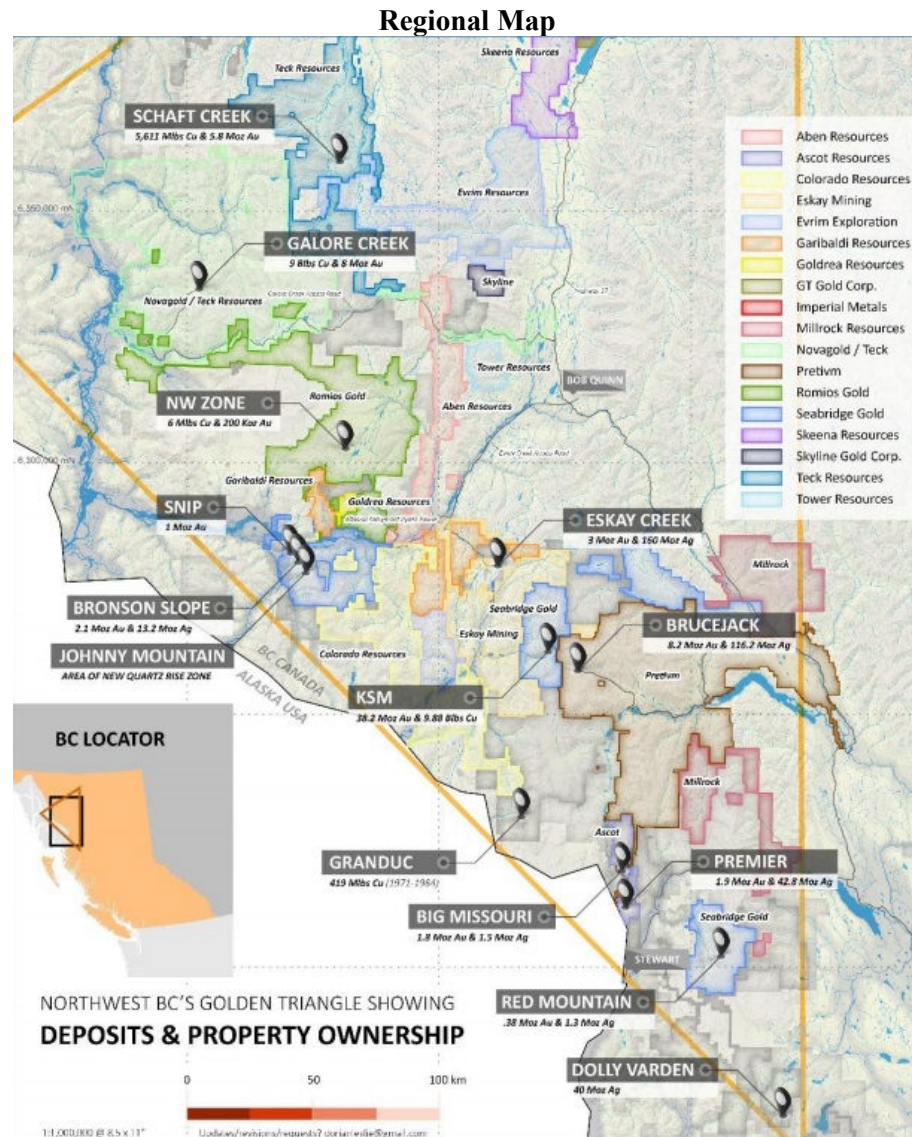
- Eskay Mining Corp. (“company”, “Eskay”) suffered a setback in late 2018 when its partner SSR Mining Inc. (TSX: SSRM) terminated its option agreement on Eskay’s SIB property after spending \$7.7 million.
- We suspect the termination was because SSR was hoping for better results from a 2018 drill program on the SIB property. Although the program did not generate ideal results, we believe the project remains significantly untested.
- Although this came as a disappointment, **the SIB property only accounts for 8% of Eskay’s 52,000 ha land package** in British Columbia’s Golden Triangle. Eskay’s land holdings surround the world-class Eskay Creek gold-silver mine, and are adjacent to Seabridge’s (TSX: SEA) KSM gold-copper project, and Pretium’s (TSX: PVG) Brucejack gold projects.
- **A large proportion of the Corey property remains underexplored.**
- In September 2018, the company announced results of a 136 sq. km VTEM survey on Corey. The program identified three distinct VTEM anomalies.
- The company will need to complete a financing quickly to resume exploration on its properties.
- Management and board members hold a total of 19.82 million shares, or 18% of the total outstanding shares – strongly aligning their interest with investors.

Key Financial Data (FYE- Feb 28)

(C\$)	2017	2018 (9M)
Cash	\$165,634	\$28,710
Working Capital	-\$188,168	-\$248,448
Total Assets	\$320,061	\$202,124
Net Income (Loss)	-\$937,493	-\$597,635
EPS	-\$0.01	-\$0.01

**SSR
Terminates
Option
Agreement**

In November 2018, SSR announced its decision to terminate its option agreement on the SIB property, **after spending \$7.7 million**, since Eskay and SSR entered into the option agreement in April 2017. SSR had the option to acquire an initial 51% interest by spending \$11.7 million in exploration over three years. **The property is currently jointly held by Eskay (80%) and Kirkland Lake Gold Ltd. / TSX: KL (20%).** Although this came as a disappointment, the 4,400 ha SIB property only accounts for 8% of Eskay's 52,000 ha land package in the Eskay Rift Belt in the heart of British Columbia's Golden Triangle. Its holdings surround the Eskay Creek gold-silver mine, and are adjacent to Seabridge's KSM gold-copper project, and Pretium's Brucejack gold projects. The Eskay Creek mine was the second richest gold mine in Canada, and the fifth largest silver producer in the world. It is also considered to be the richest gold-rich VMS deposit in the world. Pretium commenced production at its BruceJack Mine in the summer of 2017. Seabridge's KSM project is one of the largest undeveloped gold projects in the world



Source: Company

2018 Drill Results at SIB

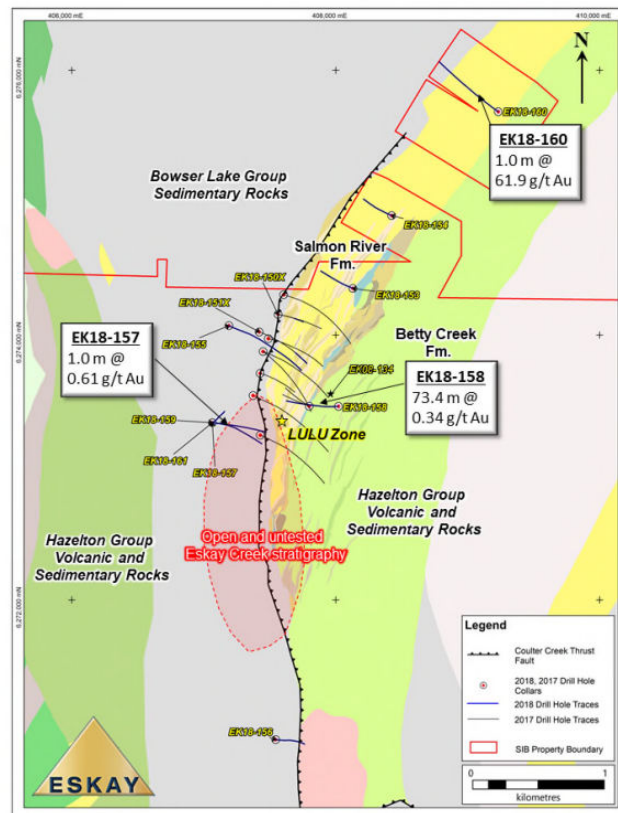
In 2017, SSR had completed a 9,336 m / 12-hole program on the SIB property. SSR's primary focus was on the unexplored part of the property beneath the Coulter Creek Thrust Fault ("CCFT"). Drill holes averaged approximately 900 m, and were over a strike length of 1 km. Although high grades were not encountered, all holes intersected favourable **Salmon River Formation** rocks, which resembles Eskay Creek Mine's host rocks.

Results of SSR's 2018 drill program (11 holes) were announced in December 2018. The 2018 program was focused on the footwall and the hanging wall of the CCTF.

Four holes targeted the hanging wall. Holes 158 and 160 (2.5 km apart) showed encouraging Volcanogenic Massive Sulphide (VMS) feeder-style mineralization. Both 158 and 160 returned reasonable values along long intervals. Hole 158 returned 0.57 gpt gold over 11.93 m, and 0.34 gpt over 73.60 m, while hole 160 returned 0.24 g/t gold over a long 109 m interval. Hole 160 also returned very high grade 61.9 g/t gold over 1.0 m. Key results are shown below.

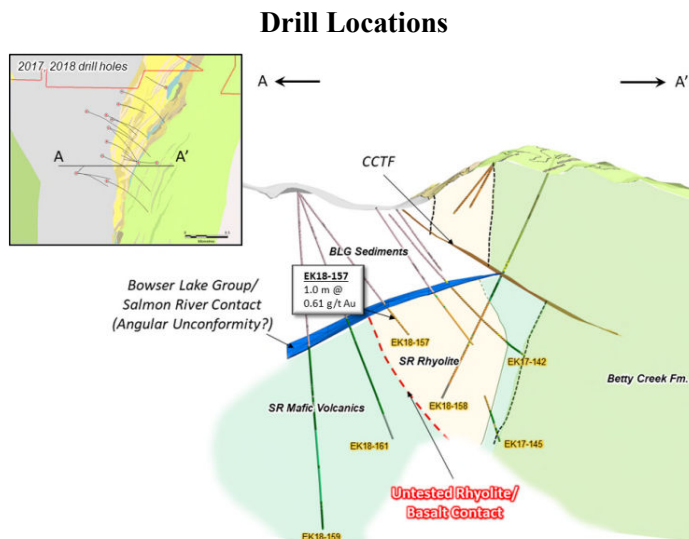
Key Results and Drill Locations

Hole	Depth From (m)	Depth To (m)	Length (m)	Au g/t	Ag g/t	Zn ppm	Pb ppm
EK18-160	142.40	251.65	109.25	0.80	3.6	1833	1490
including	169.06	170.32	1.26	49.2	48800	36800	
	201.97	203.10	1.13	1.85	20.0	28400	16650
	203.10	204.10	1.00	61.90	8.5	122	89
EK18-158	78.92	90.85	11.93	0.57	1.0	346	157
including	80.92	81.92	1.00	2.81	2.7	1125	1045
EK18-158	425.40	499.00	73.60	0.34	1.0	209	108
EK18-157	614.20	617.20	3.00	0.15	<0.5	90	16
EK18-157	619.20	620.20	1.00	0.61	<0.5	122	19



Source: Company

Six holes were drilled on the footwall. 10 holes were drilled in 2017. Of the six holes drilled in 2018, one of them (hole 157) intersected sporadic gold mineralization, including 0.61 gpt over 1 m. We suspect that SSR was probably hoping for much better results from these six holes.



Source: Company

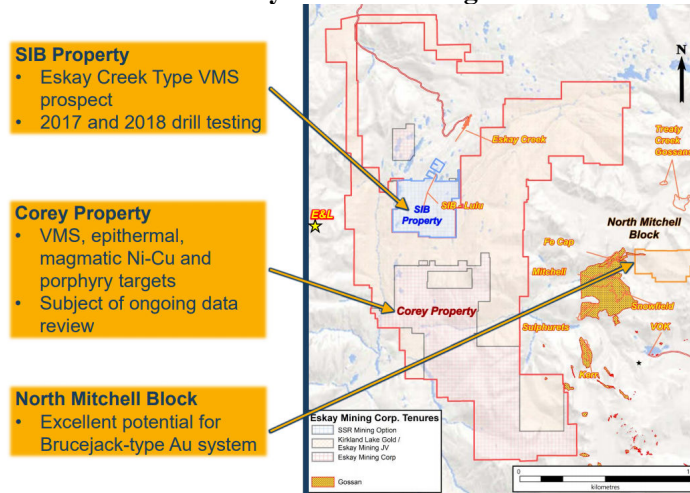
Although the 2018 program did not generate ideal results, we believe the project remains significantly untested (due to the reasons listed below), and is too early to be “written off”. The property may not be of the magnitude SSR was hoping for, but it could very well be of high value to a junior such as Eskay.

- The 2017 and 2018 program confirmed mineralization at both the hanging wall and the footwall.
- The long intervals with reasonable grades on the hanging wall is encouraging.
- The 2018 program outlined a thickening rhyolite package stepping south and west, similar to the Eskay mine. Hole 157 is the southernmost hole drilled in the 2018 program, and there is potential for further exploration to the south.
- Areas closer to surface remain largely untested for up to 200 m up-dip, and for approximately 850 m along strike.

Eskay's Land Package

As mentioned earlier, the SIB property only accounts for 8% of Eskay's 52,000 ha land package in the Golden Triangle. The other primary areas are named the Corey property and the North Mitchell Block – as shown below.

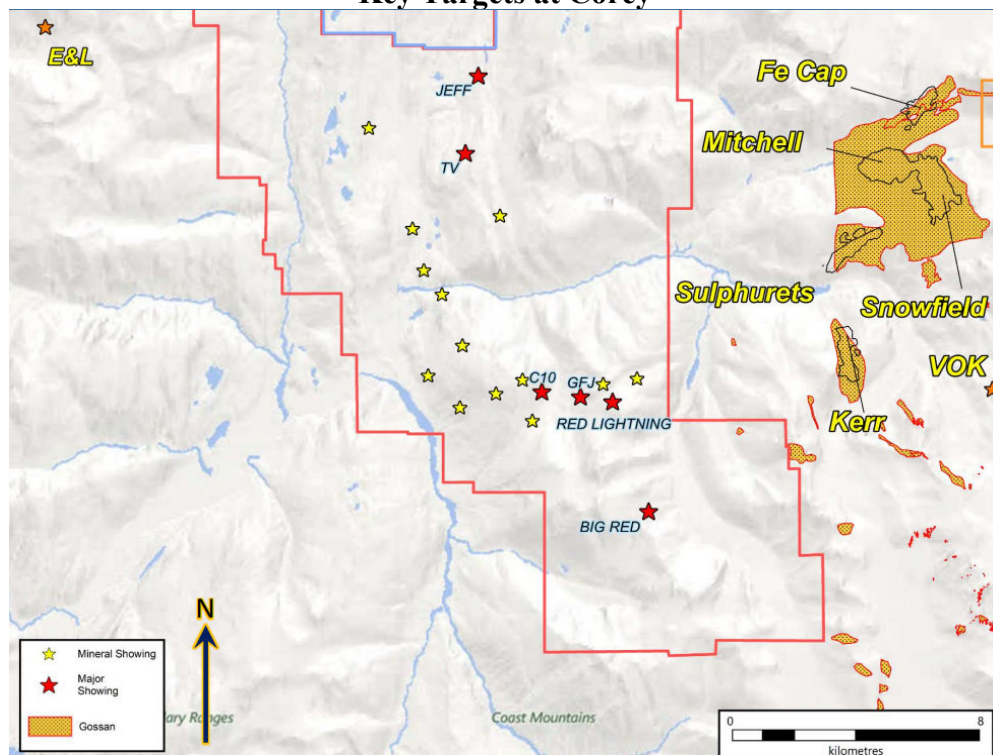
Eskay's Land Package



Source: Company

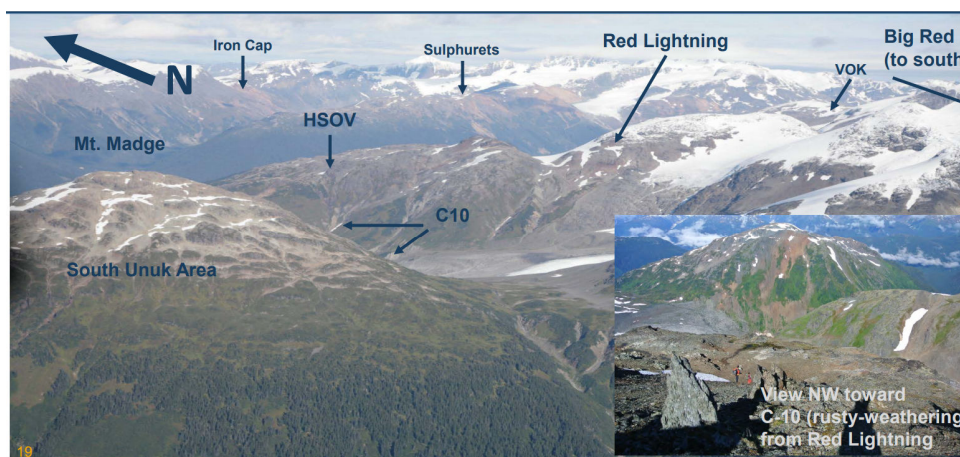
A large proportion of the Corey property remains underexplored. Key targets on Corey (shown below) represent a variety of mineralization styles, including precious metals rich VMS (Eskay Type), high-grade Brucejack-type Au-Ag vein systems, nickel-copper-PGE bearing mafic-ultramafic intrusive rocks, and Cu-Au porphyry style mineralization.

Key Targets at Corey



Source: Company

Red Lightning



Source: Company

One of the most noteworthy targets is the Red Lightning area, which is just 20 km southeast of Garibaldi's (TSXV: GGI / market capitalization of \$125 million) discovery of the E&L Ni-Cu-PGE-Au-Ag massive sulphide occurrence. Historical drilling on Red Lightning conducted in 2008 had intercepted:

- 20.4 m grading 0.79% Cu, 0.42% Ni and 0.08% Co from 222.8 m to 243.2 m, including 10 m of 1.03% Cu, 0.55% Ni and 0.10% Co

The following tables summarize the key results:

2007 Drilling Highlights

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
RL-1	69.2	71.7	2.5	0.25	2.3	0.29	<0.01	0.01
RL-2	79.5	88	8.5	0.11	1	0.12	<0.01	<0.01
Incl.	81	82	1	0.23	1.7	0.23	<0.01	<0.01
RL-2	88	88.5	0.5	1.65	352.4	0.43	1.31	1.86
RL-3	64.7	72.7	8	0.75	1.9	0.26	<0.01	0.01
Incl.	64.7	69.2	4.5	0.29	2	0.31	<0.01	0.01
	69.2	71.7	2.5	0.16	1.3	0.16	<0.01	<0.01
	71.7	72.7	1	5.74	2.8	0.18	<0.01	0.06

2008 Drilling Highlights

Hole ID	From (m)	To (m)	Length (m)	Cu (%)	Ni (%)	Co (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	Ag (g/t)
CR08-83	82.1	85.6	3.5	0.25	0.11	0.02	<0.01	0.02	0.2	2.1
CR08-84	55.4	57.9	2.5	0.34	0.18	0.03	<0.01	0.03	0.2	<2
CR08-85	160.1	164.1	4	0.34	0.12	0.02	<0.01	0.03	0.3	<2
CR08-86	222.8	243.2	20.4	0.79	0.42	0.08	0.01	0.1	0.8	<2
Incl.	230.2	240.2	10	1.03	0.55	0.1	0.16	0.15	1.1	<2
CR08-86	245.8	248.7	2.9	1.08	0.36	0.09	0.03	0.21	0.6	10

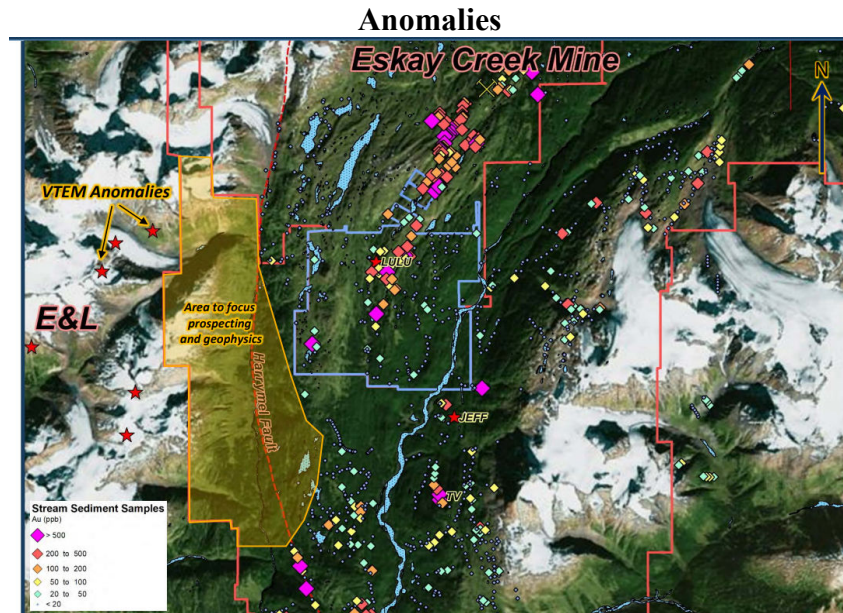
Source: Company

In 2018, a review of the historic work confirmed that mineralization at Red Lightning is a magmatic nickel-copper sulphide system. The review also indicated that Red Lightning could be a part of a number of mafic-ultramafic bodies along a 15 km long, and underexplored belt, running from Garibaldi's E&L deposit to Red Lightning.

In September 2018, the company announced results of a 136 sq. km VTEM survey on Corey, primarily covering the Red Lightning area. The program identified three distinct VTEM

anomalies:

1. White Whale anomaly - along strike of Garibaldi Resources' E&L occurrence – a grab sample returned 0.55% Cu.
2. Cascade anomaly - adjacent to Metallis Resources' (TSXV: MTS) Thunder North zone
3. Sweet Virginia anomaly - along the Red Lightning Ni-Cu trend - soil geochemical sampling yielded gold values of up to 0.18 gpt, and silver values of 7.4 gpt



Source: Company

Eskay intends to complete additional fieldwork to identify drill targets.

The Jeff zone stretches over a 1.5 km long trend, 2 km south of the SIB. Historical drilling has intersected footwall and stratiform (VMS) mineralization similar to the Eskay Creek deposit.

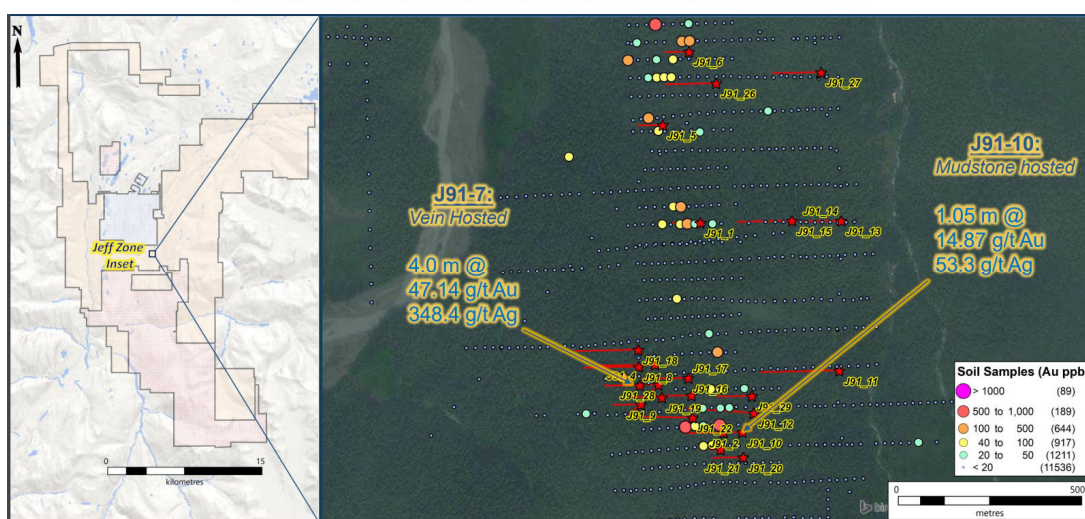
A 1991 drill hole had intersected 4m grading 47.14g/t Au and 348.4 g/t Ag. In addition, two holes intersected VMS-style mineralization, which returned:

- 14.87 g/t gold and 53.3 g.t silver over 0.98 m, and
- 1.05 g/t gold, 29.1 g/t silver over 5.53 m, including 2.44 g/t gold, 54.0 g/t silver over 1.28 m.

*TV – Jeff
Zones*

Drilling Highlights

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Mineralization Style
J91-2	4.1	7.30	3.20	6.37	26.2	<0.01	0.06	Discordant Footwall
J91-2	25.3	25.95	0.65	15.60	140.9	0.01	0.94	Discordant Footwall
J91-3	14.65	15.65	1.00	4.22	16.6	<0.01	0.04	Discordant Footwall
J91-3	44.80	45.72	0.92	3.73	11.2	<0.01	0.03	Discordant Footwall
J91-4	29.05	34.00	4.95	6.17	154.3	<0.01	0.13	Discordant Footwall
J91-4	35.60	36.75	1.15	1.06	63	<0.01	0.01	Discordant Footwall
J91-7	63.10	67.10	4.00	47.14	348.4	0.02	0.16	Discordant Footwall
J91-7	81.80	83.80	2.00	5.49	209.5	<0.01	0.11	Discordant Footwall
J91-10	63.80	64.78	0.98	14.87	53.3	<0.01	0.2	Stratiform
J91-25	68.65	74.18	5.53	1.05	29.1	0.01	0.08	Stratiform
Incl.	72.90	74.18	1.28	2.44	54.0	0.04	0.18	Stratiform



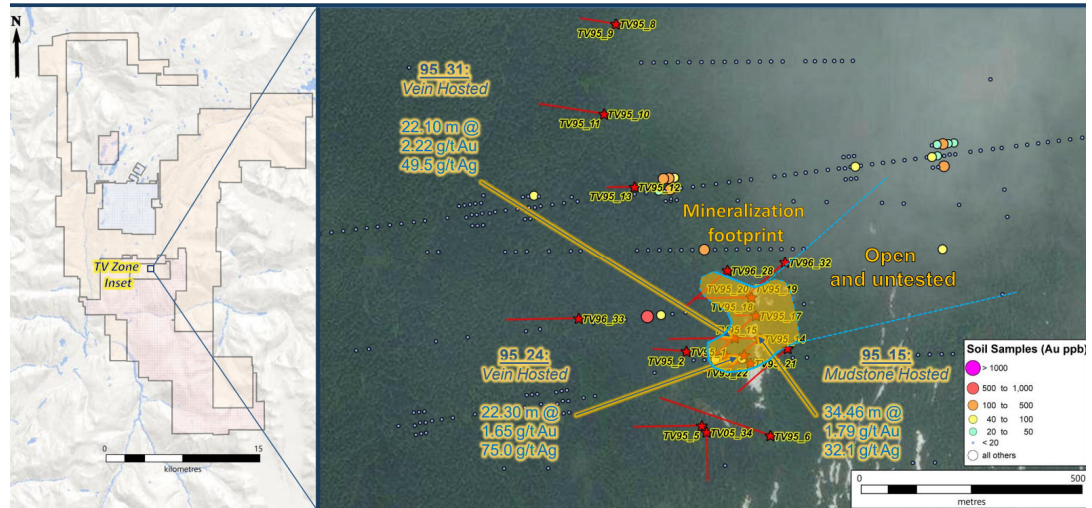
Source: Company

The TV zone, located 4 km south of the SIB, stretches over 1.2 km and has a similar mineralization to the Jeff zone. Drilling in 1995 intersected (VMS-style) 34.5 m of 1.79 gpt Au and 32.1 gpt Ag. Historical (1995) drill results are summarized below:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Mineralization Style
95_03	5.50	21.52	16.02	1.84	46.9	Discordant
Incl.	17.44	21.52	4.08	3.38	68.2	Discordant
95_04	0.51	4.00	3.49	1.57	21.9	Discordant
95_04	12.67	27.38	14.71	2.65	44.4	Discordant
Incl.	19.38	25.38	6.00	4.54	62.3	Discordant
95_14	54.26	56.26	2.00	2.07	36.4	Discordant
95_14	85.83	89.83	4.00	1.74	15.3	Discordant
Incl.	85.83	86.83	1.00	5.38	51.8	Discordant
95_15	40.11	74.57	34.46	1.79	32.1	Stratiform/Discordant
Incl.	40.11	45.73	5.62	1.86	25.7	Stratiform
Incl.	61.00	62.00	1.00	28.90	70.6	Stratiform
95_15	94.29	98.29	4.00	1.29	107.2	Stratiform
95_16	52.12	71.66	19.54	1.28	28.1	Stratiform
Incl.	52.12	56.12	4.00	2.41	30.4	Stratiform
95_16	84.28	90.28	6.00	1.14	5.4	Stratiform
95_18	116.23	127.33	11.10	1.92	77.5	Stratiform
Incl.	123.33	127.33	4.00	3.53	49.2	Stratiform

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Mineralization Style
95_19	152.40	163.50	11.10	1.02	59.3	Stratiform
95_20	125.47	126.97	1.50	7.27	93.6	Discordant
95_21	17.00	21.40	4.40	2.68	13.8	Stratiform/Discordant
95_21	29.60	39.80	10.20	1.46	69.9	Stratiform
95_22	38.11	49.46	11.35	1.19	29.7	Stratiform/Discordant
Incl.	38.11	42.33	4.22	1.80	10.5	Discordant
96-23	7.80	25.90	18.10	1.06	23.9	Discordant
Incl.	22.90	25.90	3.00	2.81	23.1	Discordant
96-24	4.88	27.18	22.30	1.65	75.0	Discordant
Incl.	16.88	27.18	10.30	2.40	128.8	Discordant
96-25	16.90	28.90	12.00	1.52	85.2	Discordant
96-28	122.20	129.70	7.50	1.92	8.9	Discordant
96-29	37.50	48.00	10.50	1.51	34.7	Discordant
96-30	65.80	69.70	3.90	2.21	49.0	Discordant
96-31	5.50	27.60	22.10	2.22	49.5	Discordant
Incl.	19.55	21.15	1.60	12.75	213.2	Discordant

Source: Company

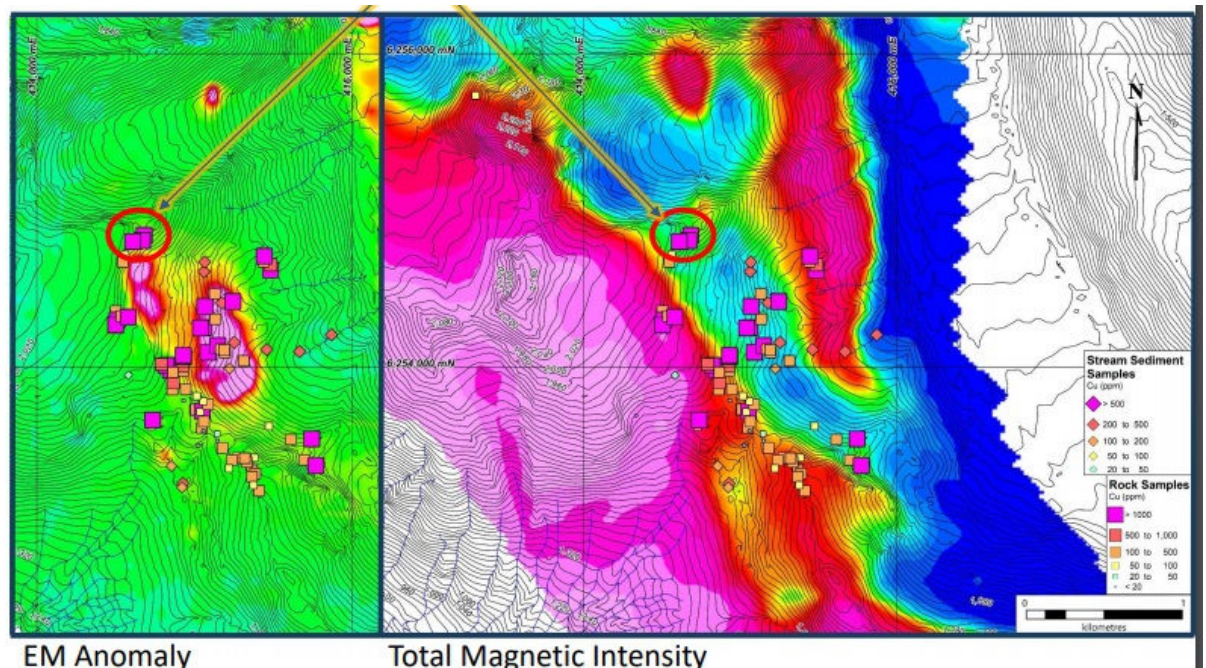


Source: Company

Big Red

The Big Red zone is another attractive porphyry Au-Cu-Mo-Ag exploration target (see map on page 3). 61 grab samples averaged 0.11% Cu, 0.058 g/t Au, 1.8 g/t Ag and 0.035% Mo, with the best sample yielding 0.68% Cu, 0.124 g/t Au and 6.2 g/t Ag.

Grab Samples



Source: Company

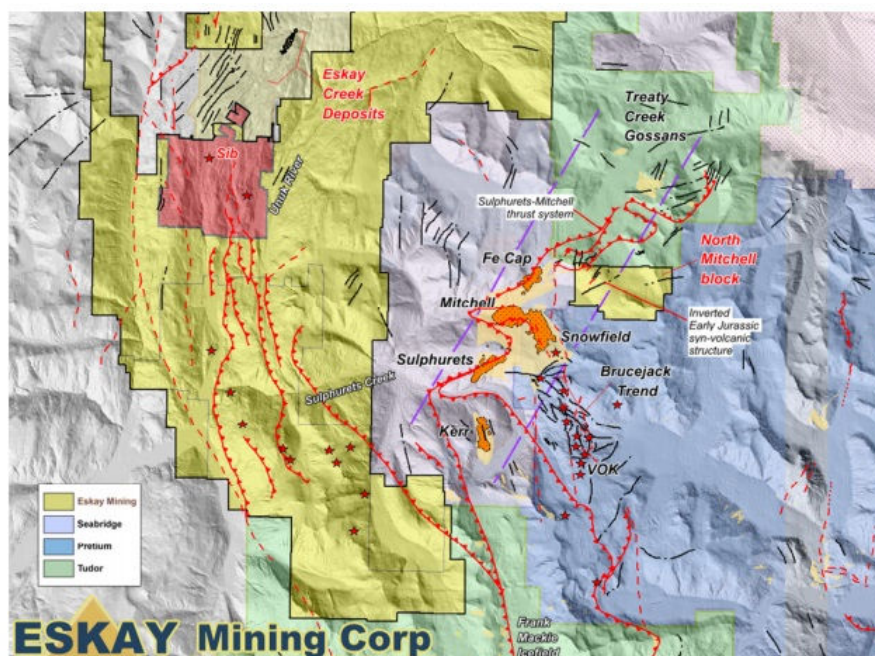
The company plans to conduct detailed geological mapping to potentially delineate zones of mineralization and alteration.

North Mitchell Block

Eskay's North Mitchell Block, covering 1,446 ha, is located within 2 km southeast of

Seabridge's porphyry Au-Cu, Iron Cap deposit, and from Pretium's Snowfield gold deposit.

North Mitchell Block Mineralization



Source: Company

Recent mapping of this area confirmed a Brucejack style exploration target. The stratigraphic units that host occurrences on the Brucejack property are present at North Mitchell. Management is planning geologic mapping to identify drill targets.

Financials

At the end of Q3-FY2018 (ended November 30, 2018), the company had cash and working capital of \$0.03 million and -\$0.25 million, respectively. \$0.29 million of the payables are due to management and directors. We estimate the company had a burn rate (G&A expenses) of \$31k per month in the first nine months of FY2018. The following table summarizes the company's liquidity position:

(in C\$)	2017	2018 (9M)
Cash	\$165,634	\$28,710
Working Capital	-\$188,168	-\$248,448
Current Ratio	0.50	0.34
LT Debt / Assets	-	-
Monthly Burn Rate (G&A)	-\$28,704	-\$31,360
Monthly Burn Rate (exploration)	-\$11,470	-\$31,238
Cash from Financing Activities	\$820,750	\$473,028

Source: Company Data

The company currently has 10.36 million options (weighted average exercise price of \$0.14

per share), and 1.28 million warrants (weighted average exercise price of \$0.40 per share) outstanding. **5.85 million option are currently in the money; the company can raise up to \$0.47 million from the exercise of these options.**

Conclusion

Due to the early stage nature of the company's portfolio, we continue to not assign a fair value estimate or rating on Eskay's shares. Although SSR's termination was a major setback, the SIB project only accounts for 8% of Eskay's land package in a highly prolific region that hosts some of the richest deposits in the world. We expect management to provide a detailed update to the market on their proposed plans for the rest of the year. The company is unlikely to do a financing now, as we expect the 'in the money' options to be exercised.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- Projects currently in the portfolio are in early stages.
- None of the projects have NI43-101 compliant resource estimates.
- Exploration and development risks.
- Volatility in commodity prices.
- Access to capital and share dilution.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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