
ESKAY MINING CORP.
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED
AUGUST 31, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

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, 2020	As at February 29, 2020
ASSETS		
Current assets		
Cash	\$ 4,343,125	\$ 177,307
Amounts receivable (note 4)	159,741	19,115
Prepaid expenses	24,002	9,274
Total current assets	4,526,868	205,696
Non-current assets		
Deposits and exploration advances (note 3)	72,870	72,870
Total assets	\$ 4,599,738	\$ 278,566
SHAREHOLDERS' EQUITY (DEFICIENCY) AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (notes 6 and 14)	\$ 612,694	\$ 212,530
Amounts due to related parties (note 14)	68,116	490,187
Flow-through share liability (note 7)	791,209	-
Total current liabilities	1,472,019	702,717
Non-current liabilities		
Provision for reclamation (note 5)	63,511	62,391
Other liabilities (note 8)	161,105	161,105
Total liabilities	1,696,635	926,213
Shareholders' equity (deficiency)		
Share capital (note 9)	73,188,574	67,387,637
Reserves	1,814,425	1,468,836
Accumulated deficit	(72,099,896)	(69,504,120)
Total shareholders' equity (deficiency)	2,903,103	(647,647)
Total shareholders' equity (deficiency) and liabilities	\$ 4,599,738	\$ 278,566

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

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

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

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Operating expenses				
Exploration and evaluation expenditures (note 3)	\$ 2,051,559	\$ 540	\$ 2,363,209	\$ 3,856
General and administrative (note 13)	638,783	134,472	723,165	376,514
Total operating expenses	(2,690,342)	(135,012)	(3,086,374)	(380,370)
Other items				
Interest income	512	22	261	96
Flow-through share liability recovery	652,041	-	652,041	463
Warrant modification expense	(161,704)	-	(161,704)	-
Net loss and comprehensive loss for the period	\$ (2,199,493)	\$ (134,990)	\$ (2,595,776)	\$ (379,811)
Net loss per share - Basic and Diluted (note 12)	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding				
- Basic and diluted (note 12)	129,679,851	112,495,603	123,965,212	112,372,234

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

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

	Six Months Ended August 31,	
	2020	2019
Operating activities		
Net loss for the period	\$ (2,595,776)	\$ (379,811)
Adjustments for:		
Share-based payments	453,575	177,500
Accretion (note 5)	1,120	1,081
Warrant modification expense	161,704	-
Flow-through share liability recovery (note 7)	(652,041)	(463)
Changes in non-cash working capital items:		
Amounts receivable	(140,626)	5,364
Prepaid expenses	(14,728)	7,504
Amounts payable and other liabilities	400,164	(21,639)
Amounts due to related parties	(59,949)	169,068
Net cash (used in) operating activities	(2,446,557)	(41,396)
Financing activities		
Proceeds from private placements	6,202,000	-
Share issue costs	(12,775)	-
Proceeds from shares issued as a result of exercise of stock options	117,150	85,000
Proceeds from exercise of warrants	306,000	-
Net cash provided by financing activities	6,612,375	85,000
Net change in cash	4,165,818	43,604
Cash, beginning of period	177,307	60,693
Cash, end of period	\$ 4,343,125	\$ 104,297
Supplemental information		
Common shares issued in settlement of debt	\$ 362,122	\$ -

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

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

Equity attributable to shareholders

	Share capital	Reserves	Accumulated deficit	Total shareholders' deficiency
Balance, February 28, 2019	\$ 66,677,037	\$ 1,165,600	\$(68,335,064)	\$ (492,427)
Exercise of stock options (note 9(b)(iii))	163,100	(78,100)	-	85,000
Share-based payments	-	177,500	-	177,500
Expiry of stock options	-	(18,880)	18,880	-
Net loss for the period	-	-	(379,811)	(379,811)
Balance, August 31, 2019	\$ 66,840,137	\$ 1,246,120	\$(68,695,995)	\$ (609,738)
Balance, February 29, 2020	\$ 67,387,637	\$ 1,468,836	\$(69,504,120)	\$ (647,647)
Common shares issued for debt settlement (note 9(b)(v))	362,122	-	-	362,122
Private placement	6,202,000	-	-	6,202,000
Share issue costs - cash	(12,775)	-	-	(12,775)
Flow-through share premium (note 7)	(1,443,250)	-	-	(1,443,250)
Exercise of stock options (note 9(b)(iv))	225,136	(107,986)	-	117,150
Exercise of warrants (note 9(b)(iv))	306,000	-	-	306,000
Share-based payments	-	453,575	-	453,575
Warrant modification	161,704	-	-	161,704
Net loss for the period	-	-	(2,595,776)	(2,595,776)
Balance, August 31, 2020	\$ 73,188,574	\$ 1,814,425	\$(72,099,896)	\$ 2,903,103

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

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2020

(Expressed in Canadian Dollars)

(Unaudited)

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 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 \$2,595,776 during the six months ended August 31, 2020 (six months ended August 31, 2019 - net loss of \$379,811) and has an accumulated deficit of \$72,099,896 (February 29, 2020 - \$69,504,120). As at August 31, 2020, the Company had a working capital surplus of \$3,054,849 (February 29, 2020 - working capital deficiency \$497,021). These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

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

Statement of compliance

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

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of October 23, 2020, the date the Board of Directors approved these 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 29, 2020, 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, 2021 could result in restatement of these unaudited condensed interim financial statements.

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements
Three and Six Months Ended August 31, 2020
(Expressed in Canadian Dollars)
(Unaudited)

2. Significant accounting policies (continued)

New accounting policies adopted

IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

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, 2020
(Expressed in Canadian Dollars)
(Unaudited)

3. Exploration and evaluation expenditures

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
St. Andrew Goldfield (SIB) - Eskay Project				
Surveying, sampling and analysis	\$ 23,467	\$ -	\$ 60,967	\$ -
Geological and consulting	50,239	-	53,059	-
Accretion	560	540	1,120	1,081
Camping procurement and expediting	433,766	-	433,766	-
Other	428,836	-	612,106	2,775
Transportation	215,648	-	215,648	-
	1,152,516	540	1,376,666	3,856
Corey Mineral Claims				
Surveying, sampling and analysis	54,575	-	92,075	-
Geological and consulting	253,171	-	303,171	-
Camping procurement and expediting	375,649	-	375,649	-
Transportation	215,648	-	215,648	-
	899,043	-	986,543	-
Total exploration and evaluation expenditures	\$ 2,051,559	\$ 540	\$ 2,363,209	\$ 3,856

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 now a wholly-owned subsidiary of Kirkland Lake and continues to hold a 20% interest in the SIB Property. St. Andrew and the Company entered into 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.

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.

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements
Three and Six Months Ended August 31, 2020
(Expressed in Canadian Dollars)
(Unaudited)

3. Exploration and evaluation expenditures (continued)

Corey Mineral Claims

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

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

Deposits and Exploration Advances

As at August 31, 2020, 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.

4. Amounts receivable

	August 31, 2020	February 29, 2020
Sales tax receivable - (Canada)	\$ 159,295	\$ 18,669
Other receivable	446	446
	\$ 159,741	\$ 19,115

5. Provision for reclamation

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

Balance at February 29, 2020	\$ 62,391
Accretion	1,120
Balance at August 31, 2020	\$ 63,511

The Company has estimated its total provision for reclamation to be \$63,511 at August 31, 2020 (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 Condensed Interim Financial Statements
Three and Six Months Ended August 31, 2020
(Expressed in Canadian Dollars)
(Unaudited)

6. Amounts payable and other liabilities

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

	August 31, 2020	February 29, 2020
Accounts payable	\$ 516,413	\$ 204,530
Accruals and others	96,281	8,000
Total amounts payable and other liabilities	\$ 612,694	\$ 212,530

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

	August 31, 2020	February 29, 2020
Less than 1 month	\$ 410,954	\$ 120,213
1 to 3 months	87,813	15,285
Greater than 3 months	113,927	77,032
Total amounts payable and other liabilities	\$ 612,694	\$ 212,530

7. Flow-through share liability

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

Balance at February 29, 2020	\$ -
Liability incurred on flow-through shares issued	1,443,250
Settlement of flow-through share liability on incurring expenditure	(652,041)
Balance at August 31, 2020	\$ 791,209

The flow-through common shares issued in the non-brokered private placement completed during the quarter ended August 31, 2020 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 \$1,443,250.

Date	Flow-through premium
June 3, 2020	\$ 85,000
June 19, 2020	675,750
August 19, 2020	682,500
	\$ 1,443,250

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

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements Three and Six Months Ended August 31, 2020 (Expressed in Canadian Dollars) (Unaudited)

8. Other liabilities

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

9. Share capital

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

b) Common shares issued - as at August 31, 2020, the issued share capital amounted to \$73,188,574 (August 31, 2019 - \$66,840,137). Changes in issued share capital are as follows:

	Number of common shares	Amount
Balance, February 28, 2019	112,248,864	\$ 66,677,037
Exercise of stock options (i)	1,100,000	85,000
Value transferred to share capital from exercise of stock options	-	78,100
Balance, August 31, 2019	113,348,864	\$ 66,840,137
Balance, February 29, 2020	118,312,021	\$ 67,387,637
Private placement (ii)(iii)(iv)	18,012,385	6,202,000
Flow-through share premium (note 7)	-	(1,443,250)
Share issue costs	-	(12,775)
Exercise of stock options (v)	1,330,000	117,150
Value transferred to share capital from exercise of stock options	-	107,986
Common shares issued for debt settlement (vi)	2,130,129	362,122
Exercise of warrants (vii)	890,000	306,000
Modification of warrants (vii)	-	161,704
Balance, August 31, 2020	140,674,535	\$ 73,188,574

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

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2020

(Expressed in Canadian Dollars)

(Unaudited)

9. Share capital (continued)

(ii) 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 ("FT Units") of the Company at a price of \$0.255 per FT 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 FT Unit comprises one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of \$0.30 until June 3, 2022 (the "Closing"). Each unit comprises one common share of the Company and one common share purchase warrant.

(iii) On June 19, 2020, in connection with the closing of its first tranche of its non-brokered private placement on June 3, 2019, the Company closed the final tranche of a non-brokered private placement with the sale of 7,950,000 FT Units of the Company at a price of \$0.255 per FT 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 \$348,500. Each unit comprises one common share of the Company and one-half warrant. An insider of the Company subscribed for 2,452,941 WC Units for \$417,000 of the offering.

(iv) On August 19, 2020, the Company closed the first tranche of a non-brokered private placement with the sale of 3,500,000 flow-through units ("FTU") of the Company at a price of \$0.645 per FTU 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 FTU 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 \$0.80 until two years from the closing date. Each unit comprises one common share of the Company and one common share purchase warrant.

(v) During the six months ended August 31, 2020, 1,330,000 stock options were exercised by directors and consultants for common shares of the Company for gross proceeds of \$117,150. 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; and (4) 850,000 common shares of the Company at \$0.075 per share. A total value of \$107,986 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, 2020, 2,130,129 shares were issued to a director of the Company for settlement of \$362,122 of debt.

(vii) During the six months ended August 31, 2020, 890,000 warrants were exercised for common shares of the Company for gross proceeds of \$306,000. 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; and (6) 300,000 common shares of the Company at \$0.40 per share.

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements
Three and Six Months Ended August 31, 2020
(Expressed in Canadian Dollars)
(Unaudited)

10. 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	0.14
Exercised	(1,100,000)	0.08
Granted (i)	2,500,000	0.08
Expired	(200,000)	0.10
Balance, August 31, 2019	9,057,144	0.15
Balance, February 29, 2020	11,100,000	0.15
Exercised	(1,330,000)	0.09
Granted (ii)(iii)	1,850,000	0.28
Balance, August 31, 2020	11,620,000	0.18

(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 three and six months ended August 31, 2019, \$nil and \$177,500, respectively, was recorded as share-based payments.

(ii) 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 three and six months ended August 31, 2020, \$308,850 was recorded as share-based payments.

(iii) 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 three and six months ended August 31, 2020, \$144,725 was recorded as share-based payments.

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements
Three and Six Months Ended August 31, 2020
(Expressed in Canadian Dollars)
(Unaudited)

10. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of August 31, 2020:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Fair value (\$)	Number of options vested (exercisable)
December 23, 2020	0.08	0.01	250,000	18,750	250,000
February 5, 2021	0.105	0.01	400,000	47,200	400,000
November 16, 2021	0.22	0.20	1,900,000	375,440	1,900,000
January 8, 2023	0.22	0.06	300,000	7,891	52,086
January 30, 2023	0.235	0.36	1,750,000	383,250	1,750,000
February 5, 2023	0.24	0.04	200,000	44,624	200,000
July 4, 2023	0.215	0.05	200,000	39,000	200,000
March 6, 2024	0.08	0.58	1,920,000	136,320	1,920,000
September 5, 2024	0.095	0.45	1,300,000	109,200	1,300,000
December 9, 2024	0.135	0.57	1,550,000	199,175	1,550,000
June 24, 2025	0.24	0.49	1,500,000	308,850	1,500,000
July 21, 2025	0.46	0.15	350,000	144,725	350,000
	0.18	2.98	11,620,000	1,814,425	11,372,086

The weighted average exercise price of the vested options at August 31, 2020 is \$0.18.

11. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
Balance, February 28, 2019 and August 31, 2019	1,282,000	0.40
Balance, February 29, 2020	4,882,000	0.25
Private placement - flow-through	7,975,000	0.52
Private placement - working capital	4,060,914	0.61
Exercised (note 9(ii))	(890,000)	(0.34)
Balance, August 31, 2020	16,027,914	0.47

The following table reflects the warrants issued and outstanding as of August 31, 2020:

Expiry date	Number of warrants outstanding	Exercise price
September 23, 2020	642,000	\$ 0.40 ⁽¹⁾
December 5, 2020	3,100,000	\$ 0.20
December 5, 2020	250,000	\$ 0.22
June 3, 2022	775,000	\$ 0.30
June 19, 2022	5,201,470	\$ 0.30
August 19, 2022	6,059,444	\$ 0.80
	16,027,914	\$ 0.47

Eskay Mining Corp.

Notes to Condensed Interim Financial Statements Three and Six Months Ended August 31, 2020 (Expressed in Canadian Dollars) (Unaudited)

11. Warrants (continued)

⁽¹⁾ On May 15, 2020, the Company announced an extension on the exercise date of 1,282,000 warrants currently exercisable until June 1, 2020 (as to 1,082,000) and June 7, 2020 (as to 200,000) at \$0.40 per share, issued pursuant to the private placement financing which closed in June of 2018, for a further year until June 1, 2021 and June 7, 2021 respectively. Each warrant entitles the holder to acquire one common share at a price of \$0.40 until the earlier of (i) June 1, 2021; and (ii) in the event that the closing price of the common shares on the TSXV is at least \$0.60 for ten (10) consecutive trading days, and the 10th trading day is at least four (4) months from June 1, 2018, the date which is thirty (30) days from the 10th trading day. Due to the modification of the warrants, an incremental fair value of \$161,704 was recognized using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 165% based on the Company's historical volatility; share price of \$0.19; risk-free interest rate of 0.26% and an expected life of one year. On August 24, 2020, the Company announced that the extension of the remaining 1,142,000 warrants exercisable at \$0.40 per share has been accelerated as a result of the fact that the Company's common shares have closed at a price of at least \$0.60 for ten (10) consecutive trading days as of August 21, 2020. The remaining 2018 Warrants will expire if they are not exercised by September 23, 2020.

12. Net loss per common share

The calculation of basic and diluted loss per share for the three and six months ended August 31, 2020 was based on the loss of \$2,199,493 and \$2,595,776, respectively (three and six months ended August 31, 2019 - loss of \$134,990 and \$379,811, respectively) and the weighted average number of common shares outstanding of 129,679,851 and 123,965,212, respectively for the three and six months ended August 31, 2020 (three and six months ended August 31, 2019 - 112,495,603 and 112,372,234, respectively). The diluted loss per share for the three and six months ended August 31, 2020 excluded 11,620,000 (2019 - 9,057,144) options and \$16,027,914 (2019 - \$1,282,000) warrants that were anti-dilutive.

13. General and administrative

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Professional fees (note 14(ii) and (v))	\$ 55,533	\$ 14,354	\$ 96,373	\$ 33,910
Reporting issuer costs	21,841	3,626	22,989	4,571
Office and general	55,960	(238)	48,251	2,218
Management and consulting fees (note 14(i))	49,110	116,610	98,220	158,220
Interest and bank charges	2,764	120	3,757	95
Share-based payments (note 10)	453,575	-	453,575	177,500
	\$ 638,783	\$ 134,472	\$ 723,165	\$ 376,514

14. 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, 2020, the Company paid or accrued \$49,110 and \$98,220, respectively in management and consulting fees to companies controlled by current officers (three and six months ended August 31, 2019 - \$116,610 and \$158,220, respectively).

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Notes to Condensed Interim Financial Statements
Three and Six Months Ended August 31, 2020
(Expressed in Canadian Dollars)
(Unaudited)

14. Related party balances and transactions (continued)

(ii) For the three and six months ended August 31, 2020, the Company paid or accrued \$6,375 and \$12,605, respectively, in professional fees (three and six months ended August 31, 2019 - \$6,537 and \$12,955, respectively) to companies controlled by an officer of the Company. As at August 31, 2020, Marrelli is owed \$4,530 (February 29, 2020 - \$24,915).

(iii) As at August 31, 2020, 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 August 31, 2020, the Company owed certain officers, directors and parties related to officers and directors \$68,116 (February 29, 2020 - \$458,407), excluding legal services disclosed in (iii) below, in relation to the transactions described above. These balances are unsecured, non-interest bearing and due on demand.

(v) During the three and six months ended August 31, 2020, the Company paid professional fees and disbursements of \$58,658 and \$76,078, respectively (three and six months ended August 31, 2019 - \$5,818 and \$6,982, 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, 2020, Gardiner is owed \$48,779 (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 9(b)(iii)(vi)(vii).

(vii) See note 10(ii).

As at August 31, 2020, Hugh Balkman, a director of the Company owns 16,683,345 common shares of the Company carrying approximately 14.10% of the voting rights attached to all common shares of the Company. As at August 31, 2020, directors and officers of the Company control an aggregate of 30,308,431 common shares of the Company or approximately 25.62% of the shares outstanding.

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

15. Commitments and contingencies

Environmental contingencies

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

Management contract

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

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Notes to Condensed Interim Financial Statements

Three and Six Months Ended August 31, 2020

(Expressed in Canadian Dollars)

(Unaudited)

15. Commitments and contingencies (continued)

Flow-through commitment

The Company is obligated to spend \$4,539,750 by December 31, 2022. As at August 31, 2020, the Company had spent \$2,051,000 of funding as part of the flow-through funding agreement for shares issued in June to August 2020. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

16. Segmented information

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