# ESKAY MINING CORP.

# FINANCIAL STATEMENTS

# YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

# (EXPRESSED IN CANADIAN DOLLARS)

McGovern Hurley

Audit. Tax. Advisory.

**Independent Auditor's Report**

To the Shareholders of Eskay Mining Corp.

**Opinion**

We have audited the financial statements of Eskay Mining Corp. (the "Company"), which comprise the statements of financial position as at February 29, 2020 and February 28, 2019, and the statements of loss and comprehensive loss, statements of cash flows, and statements of changes in shareholders deficiency for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

**Basis for opinion**

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

**Material uncertainty related to going concern**

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss during the year ended February 29, 2020 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 25, 2020

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

| | | As at February 29, 2020 | | As at February 28, 2019 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | **$** | **177,307** | $ | 60,693 |
| Amounts receivable (note 7) | | **19,115** | | 10,370 |
| Prepaid expenses | | **9,274** | | 15,687 |
| **Total current assets** | | **205,696** | | 86,750 |
| **Non-current assets** | | | | |
| Deposits and exploration advances (note 3) | | **72,870** | | 72,870 |
| **Total assets** | **$** | **278,566** | $ | 159,620 |
| **SHAREHOLDERS' (DEFICIENCY) AND LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Amounts payable and other liabilities (notes 9 and 17) | **$** | **212,530** | $ | 72,027 |
| Amounts due to related parties (note 17) | | **490,187** | | 330,067 |
| Flow-through share liability (note 10) | | **-** | | 28,619 |
| **Total current liabilities** | | **702,717** | | 430,713 |
| **Non-current liabilities** | | | | |
| Provision for reclamation (note 8) | | **62,391** | | 60,229 |
| Other liabilities (note 11) | | **161,105** | | 161,105 |
| **Total liabilities** | | **926,213** | | 652,047 |
| **Shareholders' deficiency** | | | | |
| Share capital (note 12) | | **67,387,637** | | 66,677,037 |
| Reserves | | **1,468,836** | | 1,165,600 |
| Accumulated deficit | | **(69,504,120)** | | (68,335,064) |
| **Total shareholders' (deficiency)** | | **(647,647)** | | (492,427) |
| **Total shareholders' (deficiency) and liabilities** | **$** | **278,566** | $ | 159,620 |

Nature of operations and going concern (note 1)
Commitments and contingencies (note 18)
Subsequent events (note 21)

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

"Hugh M. (Mac) Balkam", Director

"J. Gordon McMehen", Director

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

## Eskay Mining Corp.

**Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian dollars)**

| | Year ended February 29, 2020 | Year ended February 28, 2019 |
|---|---|---|
| **Operating expenses** | | |
| Exploration and evaluation expenditures (note 3) | **$ 246,530** | $ 289,520 |
| General and administrative (note 16) | **1,087,022** | 414,737 |
| **Total operating expenses** | **(1,333,552)** | (704,257) |
| **Other items** | | |
| Interest income | **147** | 5 |
| Flow-through share liability recovery (note 10) | **28,619** | 10,581 |
| **Net loss and comprehensive loss for the year** | **$ (1,304,786)** | $ (693,671) |
| **Net loss per share - Basic and Diluted** (note 15) | **$ (0.01)** | $ (0.01) |
| **Weighted average number of common shares outstanding - Basic and diluted** (note 15) | **114,348,260** | 111,757,406 |

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

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

| | Year ended February 29, 2020 | Year ended February 28, 2019 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the year | **$ (1,304,786)** | $ (693,671) |
| Adjustments for: | | |
| Share-based payments | **524,566** | 41,961 |
| Accretion (note 8) | **2,162** | 2,087 |
| Flow-through share liability recovery | **(28,619)** | (10,581) |
| Changes in non-cash working capital items: | | |
| Amounts receivable | **(8,745)** | 1,312 |
| Prepaid expenses | **6,413** | (5,812) |
| Amounts payable and other liabilities | **230,503** | (13,078) |
| Amounts due to related parties | **160,120** | 39,813 |
| **Net cash (used in) operating activities** | **(418,386)** | (637,969) |
| **Investing activity** | | |
| Redemption of deposits and exploration advances | **-** | 60,000 |
| **Net cash provided by investing activity** | **-** | 60,000 |
| **Financing activities** | | |
| Proceeds from private placements | **442,000** | 457,700 |
| Share issue costs | **-** | (9,672) |
| Proceeds from exercise of stock options | **93,000** | 25,000 |
| **Net cash provided by financing activities** | **535,000** | 473,028 |
| **Net change in cash** | **116,614** | (104,941) |
| **Cash, beginning of year** | **60,693** | 165,634 |
| **Cash, end of year** | **$ 177,307** | $ 60,693 |
| **Supplemental information** | | |
| Common shares issued in settlement of debt | **$ 90,000** | $ - |

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

# Eskay Mining Corp.

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

**Equity attributable to shareholders**

| | Share capital | Reserves | Accumulated deficit | Total shareholders' deficiency |
|---|---|---|---|---|
| **Balance, February 28, 2018** | **$ 66,220,609** | **$ 1,251,254** | **$ (67,746,408)** | **$ (274,545)** |
| Private placement (note 12(i)(ii)) | 457,700 | - | - | 457,700 |
| Share issue costs - cash | (9,672) | - | - | (9,672) |
| Flow-through share premium (note 10) | (39,200) | - | - | (39,200) |
| Exercise of stock options (note 12(b)(iii)) | 47,600 | (22,600) | - | 25,000 |
| Share-based payments | - | 41,961 | - | 41,961 |
| Expiry of stock options | - | (105,015) | 105,015 | - |
| Net loss for the year | - | - | (693,671) | (693,671) |
| **Balance, February 28, 2019** | **66,677,037** | **1,165,600** | **(68,335,064)** | **(492,427)** |
| Common shares issued for debt settlement (note 12(b)(v)) | 90,000 | - | - | 90,000 |
| Private placement | 442,000 | - | - | 442,000 |
| Exercise of stock options (note 12(b)(iv)) | 178,600 | (85,600) | - | 93,000 |
| Share-based payments | - | 524,566 | - | 524,566 |
| Expiry of stock options | - | (135,730) | 135,730 | - |
| Net loss for the year | - | - | (1,304,786) | (1,304,786) |
| **Balance, February 29, 2020** | **$ 67,387,637** | **$ 1,468,836** | **$ (69,504,120)** | **$ (647,647)** |

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

## 1. Nature of operations and going concern

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

These financial statements were approved by the board of directors on June 25, 2020.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company has incurred losses in prior periods, with a current net loss of $1,304,786 during the year ended February 29, 2020 (year ended February 28, 2019 - loss of $693,671) and has an accumulated deficit of $69,504,120 (February 28, 2019 - $68,335,064). As at February 29, 2020, the Company had a working capital deficiency of $497,021 (February 28, 2019 - $343,963). These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

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

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

## 2. Significant accounting policies

*(a) Statement of compliance*

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

*(b) Exploration and evaluation expenditures*

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

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

## 2. Significant accounting policies (continued)

### *(c) Mining tax credits*

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

### *(d) Decommissioning, restoration and similar liabilities*

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

### *(e) Significant accounting judgments and estimates*

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

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

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

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

**2. Significant accounting policies (continued)**

*(e) Significant accounting judgments and estimates (continued)*

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

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

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

*(f) Share-based payments*

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

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

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

## 2. Significant accounting policies (continued)

*(g) Loss per share*

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

*(h) Income taxes*

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*(i) Impairment of non-financial assets*

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

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

**2. Significant accounting policies (continued)**

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

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

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

*(k) Flow-through shares*

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

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

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

*(l) Financial Instruments*

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

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

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

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

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

## 2. Significant accounting policies (continued)

*(l) Financial Instruments (continued)*

### Financial assets

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

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

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

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

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

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

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

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

**2. Significant accounting policies (continued)**

*(l) Financial Instruments (continued)*

**Financial liabilities**

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

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

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

*(m) New accounting policies*

*Leases ("IFRS 16")*

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

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

**(Expressed in Canadian Dollars)**

## 3. Exploration and evaluation expenditures

| | Year ended February 29, 2020 | Year ended February 28, 2019 |
|---|---|---|
| **St. Andrew Goldfield (SIB) - Eskay Project** | | |
| Surveying, sampling and analysis | $ **3,271** | $ 4,291 |
| Geological and consulting | **39,024** | 1,563 |
| Accretion | **2,162** | 2,087 |
| Other | **71,100** | 5,448 |
| Transportation | **4,267** | 8,114 |
| | **119,824** | 21,503 |
| **Corey Mineral Claims** | | |
| Surveying, sampling and analysis | **3,271** | 244,778 |
| Geological and consulting | **22,315** | 30,750 |
| Camping procurement and expediting | **-** | 33,000 |
| Transportation | **5,783** | 8,550 |
| Other | **95,337** | 525 |
| | **126,706** | 317,603 |
| Recovery from option partner | **-** | (49,586) |
| **Total exploration and evaluation expenditures** | $ **246,530** | $ 289,520 |

### 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.

### 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.

## 3. Exploration and evaluation expenditures (continued)

### Deposits and Exploration Advances

As at February 29, 2020, the Company had $72,870 (February 28, 2019 - $72,870) of deposits and exploration advances held by the provincial government of British Columbia. Such deposits were required by the B.C Ministry of Energy and Mines in order to permit the Company to conduct exploration and evaluation activities in that province.

## 4. Capital risk management

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be shareholders' deficiency which comprises share capital, reserves and accumulated deficit, which at February 29, 2020, totaled $(647,647) (February 28, 2019 - $(492,427)).

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

The Company's capital management objectives, policies and processes have remained unchanged during the year ended February 29, 2020. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of February 29, 2020, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

## 5. Financial risk management

*Financial risk*

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors. There have been no changes in the risks, objectives, policies and procedures of the Company during the years ended February 29, 2020 and February 28, 2019.

(i) Credit risk

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

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at February 29, 2020, the Company had cash of $177,307 (February 28, 2019 - $60,693) to settle current liabilities of $702,717 (February 28, 2019 - $430,713). All of the Company's short-term financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in note 1, the Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(iii) Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

(c) Commodity and equity price risk

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

Based on management's knowledge and experience of the financial markets, the Company does not believe it was exposed to any material movements in the underlying market risk variables during the year ended February 29, 2020.

**(Expressed in Canadian Dollars)**

### 5. Financial risk management (continued)

Sensitivity analysis

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

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

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

### 6. Categories of financial instruments

| | February 29, 2020 | February 28, 2019 |
|---|---|---|
| **Financial assets:** | | |
| Amortized cost | | |
| Cash | $ 177,307 | $ 60,693 |
| Amounts receivable | $ 19,115 | $ 10,370 |
| **Financial liabilities:** | | |
| Amortized cost | | |
| Amounts payable and other liabilities | $ 212,530 | $ 72,027 |
| Amounts due to related parties | $ 490,187 | $ 330,067 |
| Other liabilities | $ 161,105 | $ 161,105 |

As of February 29, 2020 and February 28, 2019, the fair value of all of the Company's current financial instruments approximates the carrying value, due to their short-term nature.

### 7. Amounts receivable

| | February 29, 2020 | February 28, 2019 |
|---|---|---|
| Sales tax receivable - (Canada) | **$ 18,669** | $ 9,826 |
| Interest receivable | **-** | 98 |
| Other receivable | **446** | 446 |
| | **$ 19,115** | $ 10,370 |

**(Expressed in Canadian Dollars)**

## 8. Provision for reclamation

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

| | | |
|---|---|---|
| **Balance at February 28, 2018** | **$** | **58,142** |
| Accretion | | 2,087 |
| **Balance at February 28, 2019** | | **60,229** |
| Accretion | | 2,162 |
| **Balance at February 29, 2020** | **$** | **62,391** |

The Company has estimated its total provision for reclamation to be $62,391 at February 29, 2020 (February 28, 2019 - $60,229) based on a total future liability of approximately $60,800 and an inflation rate of 2.2% (February 28, 2019 - 2%) and a discount rate of 1.07% (February 28, 2019 - 1.69%). Reclamation is expected to occur in the year 2022.

## 9. Amounts payable and other liabilities

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

| | | **February 29, 2020** | | **February 28, 2019** |
|---|---|---|---|---|
| Accounts payable | **$** | **204,530** | $ | 58,908 |
| Accruals and others | | **8,000** | | 13,119 |
| **Total amounts payable and other liabilities** | **$** | **212,530** | $ | 72,027 |

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

| | | **February 29, 2020** | | **February 28, 2019** |
|---|---|---|---|---|
| Less than 1 month | **$** | **120,213** | $ | 20,641 |
| 1 to 3 months | | **15,285** | | 6,935 |
| Greater than 3 months | | **77,032** | | 44,451 |
| **Total amounts payable and other liabilities** | **$** | **212,530** | $ | 72,027 |

**(Expressed in Canadian Dollars)**

## 10. Flow-through share liability

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

| | | |
|---|---|---|
| **Balance at February 28, 2018** | **$** | **-** |
| Liability incurred on flow-through shares issued | | 39,200 |
| Settlement of flow-through share liability on incurring expenditure | | (10,581) |
| **Balance at February 28, 2019** | **$** | **28,619** |
| Settlement of flow-through share liability on incurring expenditure | | (28,619) |
| **Balance at February 29, 2020** | **$** | **-** |

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

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

## 11. 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.

(Expressed in Canadian Dollars)

## 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 February 29, 2020, the issued share capital amounted to $67,387,637. Changes in issued share capital are as follows:

| | Number of common shares | Amount |
|---|---|---|
| **Balance, February 28, 2018** | **110,274,864** | **$ 66,220,609** |
| Private placement (i)(ii) | 1,674,000 | 457,700 |
| Flow-through share premium (note 10) | - | (39,200) |
| Share issue costs - cash | - | (9,672) |
| Exercise of stock options (iii) | 300,000 | 25,000 |
| Value transferred to share capital from exercise of stock options | - | 22,600 |
| **Balance, February 28, 2019** | **112,248,864** | **66,677,037** |
| Exercise of stock options (iv) | 1,200,000 | 93,000 |
| Value transferred to share capital from exercise of stock options | - | 85,600 |
| Common shares issued for debt settlement (v) | 1,263,157 | 90,000 |
| Private placement (vi) | 3,600,000 | 442,000 |
| **Balance, February 29, 2020** | **118,312,021** | **$ 67,387,637** |

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

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

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

(iii) During the year ended February 28, 2019, 300,000 stock options were exercised by a consultant for common shares of the Company for gross proceeds of $25,000. The options were exercised for the following prices: (1) 100,000 common shares of the Company at $0.10 per share; and (2) 200,000 common shares of the Company at $0.075 per share. A total value of $22,600 was transferred to share capital from reserves as a result of the exercise of these stock options.

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

**(Expressed in Canadian Dollars)**

## 12. Share capital (continued)

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

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

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

Each FLT Unit comprises one common share of the Company and one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of $0.22 until December 5, 2020.

## 13. Stock options

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

| | **Number of stock options** | **Weighted average exercise price ($)** |
|---|---|---|
| **Balance, February 28, 2018** | **9,907,144** | **0.14** |
| Exercised | (300,000) | 0.08 |
| Granted (i) | 200,000 | 0.215 |
| Expired | (1,950,000) | 0.35 |
| **Balance, February 28, 2019** | **7,857,144** | **0.16** |
| Exercised | (1,200,000) | 0.08 |
| Granted (ii)(iii)(iv)(v) | 6,000,000 | 0.10 |
| Expired | (1,557,144) | 0.09 |
| **Balance, February 29, 2020** | **11,100,000** | **0.15** |

(i) On July 4, 2018, the Company granted 200,000 stock options to a consultant at $0.215 per share for five years expiring July 4, 2023. These options vested immediately. These options have a grant date fair value of $39,000, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 147% based on the Company's historical volatility; share price of $0.215; risk-free interest rate of 2.06% and an expected life of five years. During the year ended February 28, 2019, $39,000 was recorded as share-based payments.

(ii) On March 6, 2019, the Company granted 2,500,000 stock options to officers, directors and consultants at $0.08 per share for five years expiring March 6, 2024. These options vested immediately. These options have a grant date fair value of $177,500, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 139% based on the Company's historical volatility; share price of $0.08; risk-free interest rate of 1.69% and an expected life of five years. During the year ended February 29, 2020, $177,500, was recorded as share-based payments.

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

**(Expressed in Canadian Dollars)**

## 13. Stock options (continued)

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

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

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

The following table reflects the actual stock options issued and outstanding as of February 29, 2020:

| Expiry date | Exercise price ($) | Weighted average remaining contractual life (years) | Number of options outstanding | Fair value ($) | Number of options vested (exercisable) |
|---|---|---|---|---|---|
| December 15, 2020 | 0.075 | 0.06 | 850,000 | 60,350 | 850,000 |
| December 23, 2020 | 0.08 | 0.02 | 250,000 | 18,750 | 250,000 |
| February 5, 2021 | 0.105 | 0.03 | 400,000 | 47,200 | 400,000 |
| November 16, 2021 | 0.22 | 0.29 | 1,900,000 | 375,440 | 1,900,000 |
| January 8, 2023 | 0.22 | 0.08 | 300,000 | 7,891 | 52,086 |
| January 30, 2023 | 0.235 | 0.46 | 1,750,000 | 383,250 | 1,750,000 |
| February 5, 2023 | 0.24 | 0.07 | 250,000 | 55,780 | 250,000 |
| July 4, 2023 | 0.215 | 0.06 | 200,000 | 39,000 | 200,000 |
| March 6, 2024 | 0.08 | 0.72 | 2,000,000 | 142,000 | 2,000,000 |
| September 5, 2024 | 0.095 | 0.53 | 1,300,000 | 109,200 | 1,300,000 |
| September 11, 2024 | 0.10 | 0.14 | 350,000 | 30,800 | 350,000 |
| December 9, 2024 | 0.135 | 0.67 | 1,550,000 | 199,175 | 1,550,000 |
| | | **3.13** | **11,100,000** | **1,468,836** | **10,852,086** |

The weighted average exercise price of the vested options at February 29, 2020 is $0.15.

**(Expressed in Canadian Dollars)**

## 14. Warrants

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

| | Number of warrants | Weighted average exercise price ($) |
|---|---|---|
| **Balance, February 28, 2018** | **600,000** | **0.35** |
| Issued (note 12 (b)(i)(ii)) | 1,282,000 | 0.40 |
| Expired | (600,000) | 0.35 |
| **Balance, February 28, 2019** | **1,282,000** | **0.40** |
| Issued (note 12(vi)) | 3,600,000 | 0.20 |
| **Balance, February 29, 2020** | **4,882,000** | **0.25** |

The following table reflects the warrants issued and outstanding as of February 29, 2020:

| Expiry date | Number of warrants outstanding | Exercise price |
|---|---|---|
| June 1, 2020 | 1,082,000 | $ 0.40 (1) |
| June 7, 2020 | 200,000 | $ 0.40 (2) |
| December 5, 2020 | 3,350,000 | $ 0.20 (3) |
| December 5, 2020 | 250,000 | $ 0.22 (4) |
| | 4,882,000 | $ 0.25 |

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

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

(3) Each warrant entitles the holder to acquire one common share at a price of $0.20 until December 5, 2020.

(4) Each warrant entitles the holder to acquire one common share at a price of $0.22 until December 5, 2020.

## 15. Net loss per common share

The calculation of basic and diluted loss per share for the year ended February 29, 2020 was based on the loss of $1,304,786 (year ended February 28, 2019 - loss of $693,671) and the weighted average number of common shares outstanding of 114,348,260 for the year ended February 29, 2020 (year ended February 28, 2019 - 111,757,406). The diluted loss per share for the year ended February 29, 2020 excluded 11,100,000 (2019 - 7,857,144) options and 4,882,000 (2019 - 1,282,000) warrants that were anti-dilutive.

**(Expressed in Canadian Dollars)**

## 16. General and administrative

| | February 29, 2020 | February 28, 2019 |
|---|---|---|
| Professional fees (note 17(ii) and (v)) | **$ 108,706** | $ 113,079 |
| Reporting issuer costs | **25,257** | 26,937 |
| Office and general | **167,858** | 46,840 |
| Advertising and promotion | **-** | 18,671 |
| Management and consulting fees (note 17(i)) | **256,440** | 166,440 |
| Interest and bank charges | **4,195** | 809 |
| Share-based payments | **524,566** | 41,961 |
| | **$ 1,087,022** | $ 414,737 |

## 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 year ended February 29, 2020, the Company paid or accrued $256,440 in management and consulting fees to companies controlled by current officers (year ended February 28, 2019 - $166,440).

(ii) For the year ended February 29, 2020, the Company paid or accrued $29,072 in professional fees (year ended February 28, 2019 - $27,141) to companies controlled by an officer of the Company.

(iii) During the year ended February 29, 2020, the Company received an advance of $125,000 from an officer of the Company to assist with short-term cash flow needs. During the year ended February 29, 2020, the Company repaid the advance of $125,000 to this officer. As at February 29, 2020, the Company owed this officer $31,782 (February 28, 2019 - $31,782) which pertained to interest accrued on a loan advanced to the Company during the year ended February 29, 2012, which is included in the amounts due to related parties. These balances are unsecured, non-interest bearing, and due on demand.

(iv) As at February 29, 2020, the Company owed certain officers, directors and parties related to officers and directors $458,407 (February 28, 2019 - $289,670), excluding legal services disclosed in (v) below, in relation to the transactions described above. These balances are unsecured, non-interest bearing and due on demand.

(v) During the year ended February 29, 2020, the Company paid professional fees and disbursements of $62,186 (year ended February 28, 2019 - $33,248) to Gardiner Roberts LLP ("Gardiner"), a law firm of which William R. Johnstone, Corporate Secretary of the Company, is a partner. These services were incurred in the normal course of operations for general corporate matters. As at February 29, 2020, Gardiner is owed $13,257 (February 28, 2019 - $8,615) 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 12(b)(iv)(v).

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

As at February 29, 2020, Hugh Balkman, a director of the Company owns 14,053,216 common shares of the Company carrying approximately 11.9% of the voting rights attached to all common shares of the Company. As at February 29, 2020, directors and officers of the Company control an aggregate of 21,910,920 common shares of the Company or approximately 18.52% 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.

## 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 $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.

## 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.

**(Expressed in Canadian Dollars)**

## 20. Income taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2019 - 26.5%) were as follows:

| Years Ended February 28, | 2020 | 2019 |
|---|---|---|
| Loss before income taxes | **$ (1,304,786)** | $ (693,671) |
| Expected income tax recovery based at statutory rate | **(345,768)** | (184,000) |
| Expenses not deductible for tax purposes | **-** | 11,000 |
| Other | **-** | 17,000 |
| Change in benefit of tax assets not recognized | **345,768** | 156,000 |
| Deferred income tax provision (recovery) | **$ -** | $ - |

b) Deferred Income Tax

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

| | February 29, 2020 | February 28, 2019 |
|---|---|---|
| Deductible Temporary Differences | | |
| Non-capital losses carry-forward | **$ 11,040,800** | $ 11,034,000 |
| Mineral exploration properties | **17,721,000** | 17,221,000 |
| Share issue costs | **12,000** | 16,000 |
| Equipment | **1,254,000** | 1,254,000 |
| Other temporary differences | **148,000** | 148,000 |
| Temporary differences | **$ 30,175,800** | $ 29,673,000 |

At February 29, 2020, the Company has approximately $11,040,000 of non-capital losses in Canada which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire in the following periods:

| | |
|---|---|
| 2026 | $ 1,130,000 |
| 2027 | 1,713,000 |
| 2028 | 2,540,000 |
| 2029 | 2,485,000 |
| 2030 | 2,788,000 |
| 2032 | 185,000 |
| 2034 | 80,000 |
| 2035 | 80,000 |
| 2036 | 12,000 |
| 2037 | 8,000 |
| 2038 | 8,000 |
| 2039 | 5,000 |
| 2040 | 6,000 |
| | $ 11,040,000 |

## 21. Subsequent events

(i) Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

(ii) On May 15, 2020, the Company announced the extension 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 further year until June 1, 2021 and June 7, 2021 respectively. There has been no change to the warrant event that the closed price of the common shares of the Company on the TSX Venture Exchange is at least $0.60 for ten (10) consecutive trading days, the warrants will expire if unexercised by the date which is thirty (30) days from the final trading day. The extension is subject to TSXV approval.

(iii) On June 4, 2020, the Company closed the first tranche of a non-brokered private placement with the sale of 1,000,000 FT Units of the Company at a price of $0.255 per units for $255,000 and 550,000 WC Unit at a price of $0.17 per WC Unit for $93,500. A finder was paid a cash fee of $1,275.

(v) On June 22, 2020, the Company closed the final tranche of its non-brokered private placement with the sale of 7,950,000 Flow through Units of the Company at a price of $0.255 per unit for $2,027,250 and 2,452,941 working capital units at a price of $0.17 per unit for $417,000.

(vi) On June 23, 2020, the Company entered into an agreement to settle a debt of $80,400 owed to Balkam Partners Ltd., a company controlled by the President and CEO of the Company, Hugh (Mac) Balkam, for management fees, and a debt of $281,782 owed to Mac Balkam for management fees, as to $250,000, and accrued interest on funds loaned to the Company by Mac Balkam, as to $31,782, for an aggregate of $362,122 of debt to be settled in consideration for the issuance of 2,130,129 common shares of the Company at a price of $0.17 per share.

(vii) On June 24, 2020, the Company announced the grant of an aggregate of 1,500,000 stock options to directors and consultants of the Company. The stock options are exercisable at $0.24 per share for five years.