ESKAY MINING CORP.
FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2017
(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eskay Mining Corp.

We have audited the accompanying financial statements of Eskay Mining Corp., which comprise the statements of financial position as at February 28, 2017 and February 29, 2016, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Eskay Mining Corp. as at February 28, 2017 and February 29, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Eskay Mining Corp. had continuing losses during the year ended February 28, 2017 and a working capital deficiency and cumulative deficit as at February 28, 2017. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about Eskay Mining Corp.'s ability to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

TORONTO, Canada
June 27, 2017

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

	February 28, 2017	February 29, 2016
ASSETS		
Current assets		
Cash	**$ 113,696**	$ 7,501
Amounts receivable (note 7)	**26,060**	25,828
Prepaid expenses	**5,724**	4,832
Total current assets	**145,480**	38,161
Non-current assets		
Deposits and exploration advances (note 3)	**132,870**	132,870
Total assets	**$ 278,350**	$ 171,031
SHAREHOLDERS' DEFICIENCY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (notes 9, 10 and 17)	**$ 61,465**	$ 332,271
Amounts due to related parties (note 17)	**610,849**	885,083
Promissory note (note 9)	**-**	79,752
Total current liabilities	**672,314**	1,297,106
Non-current liabilities		
Provision for reclamation (note 8)	**56,127**	54,182
Other liabilities (note 11)	**161,105**	-
Total liabilities	**889,546**	1,351,288
Shareholders' deficiency		
Share capital (note 12)	**65,275,269**	64,226,299
Reserves (note 13)	**964,150**	724,790
Accumulated deficit	**(66,850,615)**	(66,131,346)
Total shareholders' deficiency	**(611,196)**	(1,180,257)
Total shareholders' deficiency and liabilities	**$ 278,350**	$ 171,031

Nature of operations and going concern (note 1)
Commitments and contingencies (note 19)
Subsequent events (note 21)

Approved on behalf of the Board of Directors:

"Hugh M. (Mac) Balkam", Director

"J. Gordon McMehen", Director

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

	Year Ended February 28, 2017	Year Ended February 29, 2016
Operating expenses		
Exploration and evaluation expenditures (note 3)	**$ 77,222**	$ 18,322
General and administrative (note 16)	**678,496**	472,945
Total operating expenses	**(755,718)**	(491,267)
Other items		
Interest income	**489**	182
Site restoration costs	-	(18,800)
Net loss and comprehensive loss for the year	**$ (755,229)**	$ (509,885)
Net loss per share - Basic (note 14)	**$ (0.01)**	$ (0.01)
Net loss per share - Diluted (note 14)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding - Basic (note 14)	**102,635,468**	97,328,836
Weighted average number of common shares outstanding - Diluted (note 14)	**102,635,468**	97,328,836

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

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

	Year Ended February 28, 2017	Year Ended February 29, 2016
Operating activities		
Net loss for the year	**$ (755,229)**	$ (509,885)
Adjustments for:		
Share-based payments	**375,440**	239,685
Accretion (note 8)	**1,945**	1,878
Changes in non-cash working capital items:		
Amounts receivable	**(232)**	(21,404)
Prepaid expenses	**(892)**	-
Amounts payable and other liabilities	**(109,701)**	12,698
Amounts due to related parties	**227,448**	175,932
Net cash (used in) operating activities	**(261,221)**	(101,096)
Investing activities		
Repayment of promissory note	**(79,752)**	-
Redemption of deposits and exploration advances	**-**	18,800
Net cash (used in) provided by investing activities	**(79,752)**	18,800
Financing activities		
Proceeds from private placements (note 12(b)(iii)(iv))	**350,000**	-
Share issue costs	**(9,582)**	-
Proceeds from shares issued as a result of exercise of stock options (note 12(b)(vi))	**106,750**	60,000
Net cash provided by financing activities	**447,168**	60,000
Net change in cash	**106,195**	(22,296)
Cash, beginning of year	**7,501**	29,797
Cash, end of year	**$ 113,696**	$ 7,501

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, 2015	**$ 64,113,859**	**$ 745,195**	**$ (65,829,111)**	**$ (970,057)**
Share-based payments	-	239,685	-	239,685
Exercise of stock options (note 12(b)(i))	112,440	(52,440)	-	60,000
Expiry of stock options	-	(207,650)	207,650	-
Net loss for the year	-	-	(509,885)	(509,885)
Balance, February 29, 2016	**64,226,299**	**724,790**	**(66,131,346)**	**(1,180,257)**
Shares issued for settlement of debt (note 12(b)(ii)(v))	501,682	-	-	501,682
Private placements (note 12(b)(iii)(iv))	350,000	-	-	350,000
Share issue costs - cash	(9,582)	-	-	(9,582)
Exercise of stock options (note 12(b)(vi))	206,870	(100,120)	-	106,750
Share-based payments	-	375,440	-	375,440
Expiry of stock options	-	(35,960)	35,960	-
Net loss for the year	-	-	(755,229)	(755,229)
Balance, February 28, 2017	**$ 65,275,269**	**$ 964,150**	**$ (66,850,615)**	**$ (611,196)**

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 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 27, 2017.

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. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. The Company has incurred losses in the current and prior periods, with a current net loss of $755,229 during the year ended February 28, 2017 (year ended February 29, 2016 - $509,885) and has an accumulated deficit of $66,850,615 (February 29, 2016 - $66,131,346). As at February 28, 2017, the Company had a working capital deficiency of $526,834 (February 29, 2016 - $1,258,945).

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 (see note 21). 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

The 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 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) Financial instruments

The Company does not have any derivative financial instruments. Financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Loans and receivables are recognized on the date of origination. All other financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instrument.

Cash, amounts receivable and deposits are classified as loans and receivables and are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash equivalents are classified as FVTPL. A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Realized and unrealized gains and losses are reflected in the statement of loss. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership to another entity. The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Amounts payables and other liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Amounts payable and other liabilities, amounts due to related parties and promissory note are classified as other financial liabilities and are initially recognized at fair value. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. Significant accounting policies (continued)

(l) 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.

The Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. Upon renunciation of the flow-through expenditures for Canadian income tax purposes, the liability component is derecognized and a deferred income tax liability is recognized for the taxable temporary difference created at the Company's applicable tax rate which is expected to apply in the year the deferred income tax liability will be settled. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is 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.

(m) Change in accounting policies

(i) IFRS 11 - Joint Arrangements was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. At March 1, 2016, the Company adopted this pronouncement and there was no material effect on its financial statements.

(ii) IAS 1 – Presentation of Financial Statements was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At March 1, 2016, the Company adopted this pronouncement and there was no material effect on its financial statements.

(n) Recent accounting pronouncements

(i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is still in the process of assessing the impact of this pronouncement.

(Expressed in Canadian dollars)

3. Exploration and evaluation expenditures

	Year Ended February 28, 2017	Year Ended February 29, 2016
St. Andrew Goldfield (SIB) - Eskay Project		
Surveying, sampling and analysis	**$ 14,078**	$ 606
Geological and consulting	**41,921**	-
Accretion	**1,945**	1,878
Lease payment	**-**	15,838
Other	**(10,838)**	-
Transportation	**9,880**	-
	56,986	18,322
Corey Mineral Claims		
Camping procurement and expediting	**8,000**	-
Transportation	**9,507**	-
Claims	**2,729**	-
	20,236	-
Total exploration and evaluation expenditures	**$ 77,222**	$ 18,322

St. Andrew Goldfield (SIB) - Eskay Project

Pursuant to an option agreement dated May 7, 2008 with St. Andrew Goldfields Ltd., the Company earned a 70% interest in the SIB Property at Eskay Creek, British Columbia (the "Property"). Pursuant to an amending option agreement with St. Andrew Goldfields Ltd. ("St. Andrew") dated January 17, 2013, Eskay can earn a further 10% undivided interest in the Property for a total 80% working interest. Eskay had expended an aggregate of $3.98 million on exploration of the Property and pursuant to the amending agreement between the parties, issued a further 265,000 common shares (issued on January 22, 2013) to St. Andrew to earn its 80% interest. The Company is required to assume and thereafter satisfy the bonding requirements imposed by the B.C. Ministry of Energy and Mines in respect of the Property, estimated to be a sum of approximately $60,000. Upon satisfaction of the $60,000 bond repayment obligation, title to 80% of the Property shall be transferred to the Company. The bond repayment obligation has been satisfied with a promissory note; however, the 80% earn-in is subject to the settlement of this promissory note. Upon transfer of the 80% interest in the Property to the Company, the parties will enter into a joint venture for the further exploration and development of the Property.

On November 20, 2013, the Company entered into a second amending option agreement with St. Andrew. Pursuant to the second amending option agreement, a lease payment obligation of $19,752 and the $60,000 bond repayment obligation were consolidated into a single fixed term loan due on April 1, 2015, bearing interest of 8% per annum calculated semi-annually from October 1, 2013 until payment. This fixed term loan is governed by a promissory note between Eskay and St. Andrew.

On June 2, 2015, the Company entered into a third amending option agreement with St. Andrew to extend the due date of the $79,752 promissory note to April 1, 2016 on the same terms.

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.

On May 9, 2016, the Company repaid the promissory note together with accrued interest in the amount of $97,421 and title to an 80% interest in the SIB Property has been transferred into the name of the Company (see note 9).

See note 21.

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 February 28, 2017, the Company had $132,870 (February 29, 2016 - $132,870) 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 equity which comprises share capital, reserves and accumulated deficit, which at February 28, 2017, totaled $(611,196) (February 29, 2016 - $(1,180,257)).

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

The Company's capital management objectives, policies and processes have remained unchanged during the year ended February 28, 2017. 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 Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of February 28, 2017, 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 28, 2017 and February 29, 2016.

(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 28, 2017, the Company had cash of $113,696 (February 29, 2016 - $7,501) to settle current liabilities of $672,314 (February 29, 2016 - $1,297,106). All of the Company's short-term financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in note 1, the Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(iii) Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

(c) Commodity and equity price risk

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

Based on management's knowledge and experience of the financial markets, the Company does not believe it was exposed to any material movements in the underlying market risk variables during the year ended February 28, 2017.

(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 28, 2017	February 29, 2016
Financial assets:		
Loans and receivables		
Cash	$ 113,696	$ 7,501
Amounts receivable	$ 26,060	$ 25,828
Deposits	$ 132,870	$ 132,870
Financial liabilities:		
Other financial liabilities		
Amounts payable and other liabilities	$ 61,465	$ 332,271
Amounts due to related parties	$ 610,849	$ 885,083
Promissory note	$ -	$ 79,752
Other liabilities	$ 161,105	$ -

As of February 28, 2017 and February 29, 2016, 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 28, 2017	February 29, 2016
Sales tax receivable - (Canada)	**$ 25,374**	$ 25,161
Interest receivable	**240**	221
Other receivable	**446**	446
	$ 26,060	$ 25,828

(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, 2015	**$**	**52,304**
Accretion		1,878
Balance at February 29, 2016		**54,182**
Accretion		1,945
Balance at February 28, 2017	**$**	**56,127**

The Company has estimated its total provision for reclamation to be $56,127 at February 28, 2017 (February 29, 2016 - $54,182) based on a total future liability of approximately $57,400 and an inflation rate of 2% (February 29, 2016 - 1.4%) and a discount rate of 1.69% (February 29, 2016 - 2.23%). Reclamation is expected to occur in the year 2021.

9. Promissory note

On November 20, 2013, Eskay entered into a promissory note with St. Andrew for the principal sum of $79,752 bearing interest of 8% per annum, calculated semi-annually (interest accruing from October 1, 2013) and due on April 1, 2015. On June 2, 2015, the due date of the promissory note was extended to April 1, 2016 on the same terms. As at February 28, 2017, there was $nil (February 29, 2016 - $15,400) of interest accrued on this promissory note which was included in amounts payable and other liabilities.

On May 9, 2016, the Company repaid the promissory note together with accrued interest in the amount of $97,421 and title to an 80% interest in the SIB Property has been transferred into the name of the Company.

10. Amounts payable and other liabilities

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

		February 28, 2017		**February 29, 2016**
Accounts payable	**$**	**46,519**	$	293,041
Accruals and others		**14,946**		39,230
Total amounts payable and other liabilities	**$**	**61,465**	$	332,271

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

		February 28, 2017		**February 29, 2016**
Less than 1 month	**$**	**2,257**	$	43,520
1 to 3 months		**9,280**		11,067
Greater than 3 months		**49,928**		277,684
Total amounts payable and other liabilities	**$**	**61,465**	$	332,271

(Expressed in Canadian dollars)

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.

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 28, 2017, the issued share capital amounted to $65,275,269. Changes in issued share capital are as follows:

	Number of common shares	**Amount**
Balance, February 28, 2015	**97,159,555**	**$ 64,113,859**
Exercise of stock options (i)	814,284	60,000
Value transferred to share capital from exercise of stock options	-	52,440
Balance, February 29, 2016	**97,973,839**	**64,226,299**
Shares issued for settlement of debt (ii)(v)	3,482,131	501,682
Exercise of stock options (vi)	1,328,572	106,750
Value transferred to share capital from exercise of stock options	-	100,120
Private placement (iii)(iv)	2,600,000	350,000
Share issue costs - cash	-	(9,582)
Balance, February 28, 2017	**105,384,542**	**$ 65,275,269**

(i) On July 7, 2015, a total of 142,856 stock options were exercised by directors of the Company for common shares of the Company at $0.14 per share. On July 27, 2015, a total of 71,428 stock options were exercised for common shares of the Company at $0.14 per share. On February 8, 2016, a total of 600,000 stock options were exercised by directors of the Company for common shares of the Company at $0.05 per share. A total value of $52,440 was transferred to share capital as a result of the exercise of these stock options.

(ii) During the year ended February 28, 2017, the Company settled an aggregate of $160,000 of debt, owed to a company controlled by the President and CEO of the Company, by the issuance of 1,855,072 common shares of the Company.

(Expressed in Canadian dollars)

12. Share capital (continued)

(iii) On May 5, 2016, the Company closed a non-brokered offering of $200,000 with the sale of 2,000,000 units. Each unit comprises one common share of the Company priced at $0.10 and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.15 until the earlier of (i) May 4, 2018; and (ii) in the event that the closing price of the common shares on the TSXV is at least $0.30 for twenty (20) consecutive trading days, and the 20th trading day (the “Final Trading Day”) is at least four months from May 4, 2016, the date which is thirty (30) days from the Final Trading Day. Certain directors and officers subscribed for 1,000,000 units for $100,000, being Gordon McMehen, director $50,000; and Mac Balkam, director and officer $50,000.

(iv) On August 8, 2016, the Company closed a non-brokered offering of $150,000 with the sale of 600,000 flow-through units ("FT Unit"). Each FT Unit comprises one common share of the Company priced at $0.25 and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.35 until the earlier of (i) August 5, 2018; and (ii) in the event that the closing price of the common shares on the TSXV is at least $0.40 for twenty (20) consecutive trading days, and the 20th trading day (the “20th Trading Day”) is at least four months from August 5, 2016, the date which is thirty (30) days from the 20th Trading Day.

(v) The Company received approval from shareholders at the November 2, 2016 Annual and Special Meeting and has received final approval from the TSXV to settle an aggregate of $341,682 of management fees owed to a company controlled by the President and CEO of the Company in consideration for the issuance of 1,627,059 common shares of the Company at a price of $0.21 per share. The shares have been issued and the debt has been settled. The securities issued are subject to a hold period expiring on March 18, 2017.

(vi) On November 16, 2016, a total of 1,328,572 stock options were exercised by directors of the Company for common shares of the Company for gross proceeds of $106,750. The options were exercised for the following prices: (i) 550,000 common shares of the Company at $0.05 per share; (ii) 228,572 common shares of the Company at $0.14 per share; (iii) 350,000 common shares of the Company at $0.075 per share; and (iv) 200,000 common shares of the Company at $0.105 per share. A total value of $100,120 was transferred to share capital as a result of the exercise of these stock options.

13. 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, 2015	**9,500,000**	**0.12**
Granted (i)(ii)(iii)	2,850,000	0.08
Expired	(1,800,000)	0.21
Exercised	(814,284)	0.07
Balance, February 29, 2016	**9,735,716**	**0.10**
Granted (iv)	1,900,000	0.22
Expired	(400,000)	0.20
Exercised	(1,328,572)	0.08
Balance, February 28, 2017	**9,907,144**	**0.12**

(i) On December 15, 2015, the Company granted stock options to directors and a consultant of the Company to purchase up to a total of 2,000,000 common shares of the Company at $0.075 per share for five years expiring December 15, 2020. These options vest immediately upon grant and have a grant date fair value of $142,000, estimated using the Black- Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 167% based on the Company's historical volatility; share price of $0.075; risk-free interest rate of 0.80% and an expected life of five years. During the year ended February 29, 2016, the full amount of $142,000 was recorded as share-based payments.

(Expressed in Canadian dollars)

13. Stock options (continued)

(ii) On December 23, 2015, the Company granted stock options to an officer of the Company to purchase up to a total of 250,000 common shares of the Company at $0.08 per share for five years expiring December 23, 2020. These options vest immediately upon grant and have a grant date fair value of $18,750, estimated using the Black- Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 168% based on the Company's historical volatility; share price of $0.08; risk-free interest rate of 0.74% and an expected life of five years. During the year ended February 29, 2016, the full amount of $18,750 was recorded as share-based payments.

(iii) On February 5, 2016, the Company granted stock options to directors and an officer of the Company to purchase up to a total of 600,000 common shares of the Company at $0.105 per share for five years expiring February 5, 2021. These options vest immediately upon grant and have a grant date fair value of $70,800, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 168% based on the Company's historical volatility; share price of $0.105; risk-free interest rate of 0.58% and an expected life of five years. During the year ended February 29, 2016, the full amount of $70,800 was recorded as share-based payments.

(iv) On November 17, 2016, the Company granted stock options to a director, an officer and two consultants of Eskay to purchase up to a total of 1,900,000 common shares of the Company at $0.22 per share for five years expiring November 16, 2021. These options vest immediately upon grant and have a grant date fair value of $375,440, estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 169% based on the Company's historical volatility; share price of $0.21; risk-free interest rate of 0.94% and an expected life of five years. During the year ended February 28, 2017, the full amount of $375,440 was recorded as share-based payments.

The following table reflects the actual stock options issued and outstanding as of February 28, 2017:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Grant date fair value ($)	Number of options vested (exercisable)
January 25, 2018	0.15	0.91	1,600,000	133,440	1,600,000
April 26, 2018	0.15	1.16	250,000	9,250	250,000
February 12, 2019	0.05	1.96	1,850,000	87,690	1,850,000
April 10, 2019	0.10	2.11	450,000	42,480	450,000
November 19, 2019	0.08	2.72	1,050,000	78,750	1,050,000
January 9, 2020	0.10	2.86	100,000	8,400	100,000
February 3, 2020	0.14	2.93	407,144	45,600	407,144
December 15, 2020	0.075	3.80	1,650,000	117,150	1,650,000
December 23, 2020	0.08	3.82	250,000	18,750	250,000
February 5, 2021	0.105	3.94	400,000	47,200	400,000
November 16, 2021	0.22	4.72	1,900,000	375,440	1,900,000
		2.87	**9,907,144**	**964,150**	**9,907,144**

The weighted average exercise price of the vested options at February 28, 2017 is $0.12.

14. Net loss per common share

The calculation of basic and diluted loss per share for the year ended February 28, 2017 was based on the loss attributable to common shareholders of $755,229 (year ended February 29, 2016 - $509,885) and the weighted average number of common shares outstanding of 102,635,468 for the year ended February 28, 2017 (year ended February 29, 2016 - 97,328,836). The diluted loss per share for the year ended February 28, 2017 excluded 9,907,144 (2016 - 9,735,716) options and 2,600,000 (2016 - nil) warrants that were anti-dilutive.

(Expressed in Canadian dollars)

15. Warrants

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

	Number of warrants	Weighted average exercise price ($)
Balance, February 28, 2015 and February 29, 2016	**-**	**-**
Issued	2,600,000	0.20
Balance, February 28, 2017	**2,600,000**	**0.20**

The following table reflects the actual warrants issued and outstanding as of February 28, 2017:

Number of warrants outstanding	Exercise price ($)	Expiry date
2,000,000	0.15(1)	May 4, 2018
600,000	0.35(2)	August 5, 2018
2,600,000	**0.20**	

(1) Each warrant entitles the holder to acquire one common share at a price of $0.15 until the earlier of (i) May 4, 2018; and (ii) in the event that the closing price of the common shares on the TSXV is at least $0.30 for twenty (20) consecutive trading days, and the Final Trading Day is at least four months from May 4, 2016, the date which is thirty (30) days from the Final Trading Day. (see note 21(i))

(2) Each warrant entitles the holder to acquire one common share at a price of $0.35 until the earlier of (i) August 5, 2018; and (ii) in the event that the closing price of the common shares on the TSXV is at least $0.40 for twenty (20) consecutive trading days, and the 20th Trading Day is at least four months from August 5, 2016, the date which is thirty (30) days from the 20th Trading Day.

16. General and administrative

	Year Ended February 28, 2017	Year Ended February 29, 2016
Professional fees (note 17(ii))	**$ 96,429**	$ 46,975
Reporting issuer costs	**30,473**	22,558
Office and general	**17,222**	5,549
Advertising and promotion	**3,908**	165
Management and consulting fees (note 17(i))	**144,688**	142,326
Interest and bank charges	**10,336**	15,687
Share-based payments	**375,440**	239,685
	$ 678,496	$ 472,945

17. Related party balances and transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Eskay entered into the following transactions with related parties:

(i) For the year ended February 28, 2017, the Company paid or accrued $142,406 in management and consulting fees to companies controlled by current officers (year ended February 29, 2016 - $142,326).

(ii) For the year ended February 28, 2017, the Company paid or accrued $26,146 in professional fees (year ended February 29, 2016 - $25,050) to companies controlled by an officer of the Company.

(iii) As at February 28, 2017, the Company owed an officer $121,500 (February 29, 2016 - $112,500) with respect to a loan advanced to the Company during the year ended February 29, 2012. This balance is unsecured, bears interest at 12% per annum and is due on demand.

(iv) As at February 28, 2017, the Company owed certain officers, directors and parties related to officers and directors $489,349 (February 29, 2016 - $772,583) in relation to the transactions described above and in (vi) below. These balances are unsecured, non interest bearing and due on demand.

(v) See note 12(b)(i)(iii)(v)(vi).

(vi) During the year ended February 28, 2017, the Company paid or accrued professional fees and disbursements of $61,108 (year ended February 29, 2016 - $nil) 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. All services were made on terms equivalent to those that prevail with arm's length transactions. As at February 28, 2017, Gardiner is owed $140,524 (February 29, 2016 - $98,507) and this amount is included in amounts due to related parties.

To the knowledge of the directors and senior officers of the Company, as at February 28, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company. As at February 28, 2017, directors and officers of the Company control an aggregate of 19,834,204 common shares of the Company or approximately 18.61% 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.

(Expressed in Canadian dollars)

18. 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% (2016 - 26.5%) were as follows:

	Year Ended February 28, 2017	Year Ended February 29, 2016
Loss before income taxes	**$ (755,229)**	$ (509,885)
Expected income tax recovery based at statutory rate	**(200,000)**	(135,000)
Expenses not deductible for tax purposes	**99,000**	64,000
Other	**34,000**	-
Change in benefit of tax assets not recognized	**67,000**	71,000
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 28, 2017	February 29, 2016
Deductible Temporary Differences		
Non-capital losses	**$ 11,348,000**	$ 11,340,000
Other	**148,000**	148,000
Mineral exploration properties	**16,162,000**	15,922,000
Share issue costs	**14,000**	13,000
Equipment	**1,254,000**	1,254,000
Temporary differences	**$ 28,926,000**	$ 28,677,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

At February 28, 2017, the Company has approximately $11,348,000 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:

2025	$ 327,000
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
	$ 11,348,000

19. Commitments and contingencies

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

Management contract
The Company is party to a management contract that requires an additional payment of up to $108,000 to be made upon the occurrence of certain events such as a change of control. As the triggering event has not occurred, the contingent payments have not been reflected in these financial statements.

Flow-through commitment
The Company is obligated to spend $150,000 by December 31, 2017 of which $73,576 was incurred during the year ended February 28, 2017 as part of the flow-through funding agreement for shares issued in August 2016. 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.

20. Segmented information

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

21. Subsequent events

(i) On March 13, 2017, the Company announced the acceleration of the expiry date of the warrants with an original expiry date of May 4, 2018 issued pursuant to the private placement which closed on May 4, 2016 to expire on April 13, 2017, due to the fact that the Company's common shares have closed at a price of at least $0.30 for twenty (20) consecutive trading days. All 2,000,000 warrants were exercised for gross proceeds of $300,000.

(ii) On April 26, 2017, the Company announced that it has signed an option agreement (the "Agreement") with Silver Standard Resources Inc. ("Silver Standard") pursuant to which Silver Standard may acquire up to a 60% undivided interest in part of Eskay's SIB Property, located in northwest British Columbia, Canada.

The SIB Property forms a small part of Eskay's property, which is jointly controlled by Eskay and St Andrew, who hold an 80% and 20% undivided interest, respectively. Under the terms of the Agreement, Silver Standard will explore the SIB Property during a three-year option period. To earn a 51% undivided interest in the SIB Property from Eskay, Silver Standard is required to complete a $300,000 private placement (the "Private Placement") in the Company, and spend an aggregate of $11.7 million in exploration expenditures over the three years, including $3.7 million in the first year and $4 million in each of the following two years of the option period, subject to certain gold price thresholds in each option year. Once a 51% undivided interest is earned, Silver Standard can either proceed to form a joint venture with Eskay and St Andrew to advance the SIB Property, or exercise a second option to earn a further 9% undivided interest for an aggregate of 60% undivided interest by either delivering a preliminary economic assessment or completing 23,000 meters of diamond drilling (including any drilling completed in order to exercise the first option) on the SIB Property.

The Private Placement has been completed with the issuance of 1,290,322 common shares of the Company at a price of $0.2325 per share. The securities issued are subject to a hold period expiring on August 26, 2017.