



## **Ascot Resources Ltd.**

### **Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2022 and 2021  
(Expressed in thousands of Canadian Dollars, except where indicated)  
(Unaudited)

# Ascot Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian Dollars in Thousands)

(Unaudited)

	Notes	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	3	\$ 24,490	\$ 59,129
Trade and other receivables		1,607	1,397
Derivative asset		-	23
Prepaid expenses and deposits		2,799	1,183
<b>Total Current Assets</b>		<b>28,896</b>	<b>61,732</b>
Reclamation deposits	4	2,447	2,447
Exploration and evaluation assets		5,424	5,424
Mineral properties, plant and equipment	5	345,177	261,151
Other assets	6	7,459	8,292
<b>Total Non-Current Assets</b>		<b>360,507</b>	<b>277,314</b>
<b>Total Assets</b>		<b>\$ 389,403</b>	<b>\$ 339,046</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables		\$ 12,936	\$ 14,045
Reclamation Provisions	7	971	348
Lease liabilities		446	338
Other liabilities		779	-
<b>Total Current Liabilities</b>		<b>15,132</b>	<b>14,731</b>
Reclamation Provisions	7	18,094	25,277
Credit facilities	8	44,468	41,323
Lease liability		409	445
Deferred income tax liabilities		65	65
<b>Total Non-Current Liabilities</b>		<b>63,036</b>	<b>67,110</b>
<b>Total Liabilities</b>		<b>78,168</b>	<b>81,841</b>
<b>Shareholders' Equity</b>			
Share capital	9	351,184	298,733
Share-based payment reserve	9	25,927	19,528
Accumulated deficit		(65,876)	(61,056)
<b>Total Shareholders' Equity</b>		<b>311,235</b>	<b>257,205</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 389,403</b>	<b>\$ 339,046</b>

Nature of operations and going concern (Note 1), Commitments (Notes 5, 7 and 16), Contingencies (Note 5).

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

/s/ "Rick Zimmer"

Director

/s/ "Andrée St-Germain"

Director

## Ascot Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (INCOME)

(Canadian Dollars in Thousands Except Loss (Income) per Share)

(Unaudited)

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
General and administrative	10	\$ 1,261	\$ 1,183	\$ 4,225	\$ 3,838
Stock-based compensation	9	472	472	2,029	1,418
Amortization and depreciation		108	215	438	655
Property maintenance costs		165	38	395	223
Finance expense	11	303	194	891	571
Financing costs	8	-	-	1,121	-
Other income	12	(2,058)	(289)	(3,480)	(502)
Loss on investment in marketable securities		-	-	-	285
Change in fair value of derivatives	8	(591)	(1,079)	(4,211)	(4,129)
Foreign exchange loss		2,736	966	3,412	419
<b>Net loss for the period</b>		<b>\$ 2,396</b>	<b>\$ 1,700</b>	<b>\$ 4,820</b>	<b>\$ 2,778</b>
<b>Total comprehensive loss</b>		<b>\$ 2,396</b>	<b>\$ 1,700</b>	<b>\$ 4,820</b>	<b>\$ 2,778</b>
<b>Loss per share</b>					
Basic and diluted		\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01
Weighted average shares outstanding					
- basic and diluted		435,641,564	375,675,547	421,090,024	338,744,105

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

## Ascot Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian Dollars in Thousands except No. of Shares)

(Unaudited)

	Number of shares issued and outstanding	Share capital	Share- based payment - reserve	Deficit	Total share- holders' equity
<b>Balance, January 1, 2021</b>	<b>278,323,751</b>	<b>\$ 217,928</b>	<b>\$ 17,828</b>	<b>\$ (58,108)</b>	<b>\$ 177,648</b>
Shares issued for cash					
Bought deal financing, net of issue costs	70,700,000	57,248	-	-	57,248
Private placement (PP), net of issue costs	24,000,000	19,330	-	-	19,330
Flow-through PP, net of issue costs	2,651,796	3,716	-	-	3,716
Issued for other consideration					
Premium on flow-through shares	-	(315)	-	-	(315)
Stock-based compensation (Note 9)	-	-	1,418	-	1,418
Net loss for the period	-	-	-	(2,778)	(2,778)
<b>Balance, September 30, 2021</b>	<b>375,675,547</b>	<b>\$ 297,907</b>	<b>\$ 19,246</b>	<b>\$ (60,886)</b>	<b>\$ 256,267</b>
<b>Balance, January 1, 2022</b>	<b>376,351,128</b>	<b>\$ 298,733</b>	<b>\$ 19,528</b>	<b>\$ (61,056)</b>	<b>\$ 257,205</b>
Shares issued for cash					
Bought deal financing, net of issue costs (Note 9)	59,271,000	56,110	4,235	-	60,345
Issued for other consideration					
Exercise of DSUs	62,000	68	(68)	-	-
Exercise of RSUs	35,062	41	(41)	-	-
Premium on flow-through shares (Note 9)	-	(3,768)	-	-	(3,768)
Stock-based compensation expense (Note 9)	-	-	2,029	-	2,029
Stock-based compensation capitalized	-	-	244	-	244
Net loss for the period	-	-	-	(4,820)	(4,820)
<b>Balance, September 30, 2022</b>	<b>435,719,190</b>	<b>\$ 351,184</b>	<b>\$ 25,927</b>	<b>\$ (65,876)</b>	<b>\$ 311,235</b>

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

# Ascot Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian Dollars in Thousands)

(Unaudited)

	Notes	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<b>Cash flows from operating activities</b>			
Loss for the period		\$ (4,820)	\$ (2,778)
Adjustment to reconcile loss to net cash used in operating activities:			
Stock-based compensation	9	2,029	1,418
Amortization and depreciation		438	655
Financing costs	8	1,121	-
Gain on flow through share premium		(2,989)	(323)
Finance expense		508	312
Change in fair value of derivative asset		23	730
Change in fair value of embedded derivatives	8	(4,234)	(4,859)
Change in estimate of PPA liability	8	(97)	-
Unrealized foreign exchange loss		3,422	52
Unrealized loss on marketable securities		-	285
Changes in non-cash working capital balances:			
Increase in receivables		(210)	(584)
Increase in prepaid expenses and deposits		(1,616)	(337)
Increase (decrease) in trade and other payables		507	(299)
Payment for reclamation provision		(260)	(280)
<b>Total cash outflows from operating activities</b>		<b>(6,178)</b>	<b>(6,008)</b>
<b>Cash flows from investing activities</b>			
Investment in mineral properties, plant and equipment		(88,024)	(28,427)
Payment for pre-production royalty		(50)	(50)
Return of deposits for environmental bonds		-	1,937
Proceeds from sale of marketable securities		-	1,266
Payment for derivative asset		-	(818)
<b>Total cash outflows from investing activities</b>		<b>(88,074)</b>	<b>(26,092)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issuance	9	64,241	85,207
Share issue costs	9	(3,896)	(4,913)
Deferred financing costs		(241)	(64)
Payment for lease liabilities		(491)	(174)
<b>Total cash inflows from financing activities</b>		<b>59,613</b>	<b>80,056</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>-</b>	<b>1</b>
<b>Total (decrease) increase in cash during the period</b>		<b>(34,639)</b>	<b>47,957</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>59,129</b>	<b>42,080</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 24,490</b>	<b>\$ 90,037</b>

Supplemental cash flow information

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

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Ascot Resources Ltd. (“Ascot” or the “Company”) is a development and exploration company focusing on re-starting the past producing historic Premier gold mine located in British Columbia’s Golden Triangle. The Company filed its feasibility study in May 2020 for its 100% owned Premier and Red Mountain Gold Projects which would supply gold and silver ores to the process plant. The Silver Coin, Big Missouri, and Premier deposits, collectively named the Premier Gold Project (“PGP”) are located near the processing facility on the historical Premier Mine site, and the Red Mountain Project (“RMP”) is located 23 km to the southeast in an adjacent valley. PGP together with RMP is defined as the “Project”. The Company also has two other properties: Swamp Point, an aggregate project located in British Columbia on the Portland Canal, and Mt. Margaret, a porphyry copper-molybdenum-gold-silver deposit located in Washington State, USA.

Ascot was incorporated under the Business Corporations Act of British Columbia in May 1986. The Company’s wholly-owned subsidiaries, as of September 30, 2022 were:

- IDM Mining Ltd. (BC, Canada);
- Ascot Power Ltd. (BC, Canada), and
- Ascot USA Inc. (Washington State, USA).

The Company is listed on the Toronto Stock Exchange (“TSX”) in Canada, having the trading symbol AOT. The Company is also trading on the OTCQX market in the U.S. (symbol: AOTVF).

The address of the Company’s corporate office and principal place of business is #1050 - 1095 West Pender Street, Vancouver, British Columbia, V6E 2M6, Canada.

**Going concern**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its basic operations without discretionary spending for at least twelve months from September 30, 2022. The Company has not generated revenue from operations to date. As at September 30, 2022, Ascot had a cash and cash equivalents balance of \$24,490 and working capital of \$13,764.

After drawing down the initial US\$20 million tranche under the Senior Debt (Note 8), the Company was unable to reach an agreement with its lender on the satisfaction of the drawdown conditions for the remaining US\$60 million of the Senior Debt, which has been cancelled. The Company has decided to pursue alternative funding to replace the Senior Debt facility in order to finish the construction of the Project and continue its operations (Note 17). Due to a slowdown of construction activities, the Company would not be able to achieve project completion by September 30, 2023 as required under the credit agreements, which would have resulted in a default on Ascot’s credit facilities (Note 8). However, the Company obtained waivers from its lenders providing for limited suspension of covenant compliance requirements until November 30, 2022. If Ascot is unable to obtain waivers after November 30, 2022, the outstanding amount under the Company’s credit facilities could become payable immediately. These considerations indicate material uncertainties which may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company will have to raise funds to continue construction and operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Realization values could be substantially different from carrying values as shown, which could result in material adjustments to these condensed interim consolidated financial statements.

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**2. BASIS OF PRESENTATION****a) Statement of compliance**

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 (the “Interim Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Auditing Standard (“IAS”) 34, Interim Financial Reporting. These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”).

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company’s audited financial statements for the year ended December 31, 2021, except as noted in Note 2c below.

These Interim Financial Statements were authorized for issue by the Board of Directors on November 10, 2022.

**b) Basis of measurement**

These Interim Financial Statements include the accounts of Ascot Resources Ltd. and its wholly-owned subsidiaries. All intercompany transactions and balances are eliminated on consolidation.

These Interim Financial Statements are presented in Canadian dollars, which is also the Company’s and its wholly-owned subsidiaries’ functional currency. At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the fiscal period end date, unsettled monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the period end date and the related translation differences are recognized in net income.

**c) New and amended IFRS pronouncements**

In May 2020, the IASB issued amendments to IAS 16, Property, Plant and Equipment (IAS 16). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss. The amendments apply to annual reporting periods beginning on or after January 1, 2022. The amendments are applied retrospectively only to items of property, plant and equipment that are available for use after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The Company adopted the amendments on January 1, 2022. On adoption of the amendments, there was no immediate effect on the Company’s financial statements.

In October 2022, the IASB issued *Non-current Liabilities with Covenants* (amendments to IAS 1, Presentation of Financial Statements) to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after January 1, 2024.

A number of new IFRS standards and amendments to IFRS standards are effective for annual periods beginning on or after January 1, 2023 and earlier application for some is permitted. The Company has not early adopted any of the new or amended standards and management is assessing the impact of these new and amended standards on the Company.

## Ascot Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021  
Expressed in Thousands of Canadian Dollars Except Price per Share/Unit  
(Unaudited)

### 3. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021
Cash	\$ 754	\$ 12,846
Guaranteed Investment Certificates ("GICs") and term deposits	23,736	46,283
Cash and cash equivalents	\$ 24,490	\$ 59,129

Cash is held at Canadian chartered banks. GICs and term deposits are held at a Canadian chartered bank and at registered brokers. The Canadian dollar GICs and term deposits bear interest at fixed rates between 2.55% and 3.6% per annum (December 31, 2021: between 0.25% and 0.7%). The Company's GICs and term deposits may be redeemed on twenty-four-hour notice to the bank and are considered cash equivalents.

Included in cash and cash equivalents is \$4,478 (December 31, 2021: \$Nil), which is required to be spent on qualifying flow-through expenditures prior to December 31, 2022 (\$3,531) and 2023 (\$947).

### 4. RECLAMATION DEPOSITS

The Company is required to maintain reclamation deposits for its mineral properties in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

Based on a revised closure and reclamation plan in Mines Act Permit M-179 amendment ("MAPA") issued in December 2021, Ascot's environmental bonding requirement for its Premier property increased from \$14,950 to \$45,176. The additional amount of \$30,226 is being posted in stages over a three-year period beginning in January 2022. The Company posted the first tranche of \$10,226 in January 2022 through a surety bond. The second tranche of \$10,000 will be due on December 31, 2022 and the last tranche of \$10,000 will be due on December 31, 2023.

As of September 30, 2022, Ascot has posted an environmental bond of \$1,098 for its Red Mountain property (December 31, 2021: \$1,098).

The Company established a surety bonding arrangement with a Canadian insurance company (the "Surety") with respect to its environmental bonds. The surety arrangement required the Company to provide cash collateral and pay an annual bond fee equal to 2% of the respective bond amount. As of September 30, 2022, the cash collateral was \$2,000 (December 31, 2021: \$2,000). Except for the \$2,000 held as cash collateral with the surety bond trust account, the reclamation deposits are held in certificates of deposits with a Canadian chartered bank and the Ministry of Finance of British Columbia.

The following table summarizes the reclamation deposits by property:

	September 30, 2022	December 31, 2021
<b>Surety bond trust account:</b>		
Premier Gold Project	\$ 1,861	\$ 1,861
Red Mountain	139	139
<b>Cash security:</b>		
Premier Gold Project and Silver Coin	137	137
Swamp Point	310	310
	\$ 2,447	\$ 2,447



## Ascot Resources Ltd.

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All reclamation deposits are classified as long-term, regardless of their term, as the funds will remain on deposit until the reclamation obligations are extinguished.

### 5. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Mineral properties and project development costs	Cons- truction in progress	Land and buildings	Machi- nery and equip- ment	Office furniture and equip- ment	Right-of- use assets	Total
Cost	\$ 200,406	\$ 41,375	\$ 1,354	\$ 20,636	\$ 313	\$ 1,137	\$ 265,221
Accum. depreciation & amortization	(1,093)	-	(154)	(2,230)	(233)	(360)	(4,070)
<b>Net book value, December 31, 2021</b>	<b>199,313</b>	<b>41,375</b>	<b>1,200</b>	<b>18,406</b>	<b>80</b>	<b>777</b>	<b>261,151</b>
<b>Change in Cost</b>							
Additions	20,582	48,027	290	18,114	8	500	87,521
Capitalized borrowing costs	4,054	-	-	-	-	-	4,054
Decrease in asset retirement cost	(6,746)	-	-	-	-	-	(6,746)
Subtotal	17,890	48,027	290	18,114	8	500	84,829
<b>Change in Accumulated Amortization</b>							
Depreciation & amortization charge	(501)	-	(16)	(130)	(26)	(130)	(803)
Subtotal	(501)	-	(16)	(130)	(26)	(130)	(803)
Cost	218,296	89,402	1,644	38,750	321	1,637	350,050
Accum. depreciation & amortization	(1,594)	-	(170)	(2,360)	(259)	(490)	(4,873)
<b>Net book value, September 30, 2022</b>	<b>\$ 216,702</b>	<b>\$ 89,402</b>	<b>\$ 1,474</b>	<b>\$ 36,390</b>	<b>\$ 62</b>	<b>\$ 1,147</b>	<b>\$ 345,177</b>

The Company has agreements in place for the delivery of critical long lead time equipment. During the nine months ended September 30, 2022, the Company made progress payments totaling \$18,114 towards the engineering, fabrication and acquisition of such equipment, which has been capitalized in machinery and equipment. As at September 30, 2022, the Company has outstanding purchase commitments totaling \$3,845 for such equipment.

Mineral properties and project development cost additions of \$20,582 consist of \$14,779 spent on underground mining development, \$2,820 spent on permitting, studies and pre-construction activities, and \$2,983 spent on exploration.

Construction-in-progress cost additions of \$48,027 are expenditures on construction contracts such as site development and earthworks, mill installations, concrete and construction indirect costs.

In April 2022, the Company entered into an Option to Purchase ("OTP") Agreement, which gives the Company a right to purchase certain land and buildings in the town of Stewart for a total purchase price of \$1,928 until April 1, 2024. Under the OTP Agreement, the Company paid \$281 in April 2022 as a non-refundable option fee, which would be applied to the purchase price if the OTP is exercised. The \$281 OTP fee is recorded as a part of land and buildings cost additions. The Company is also required to pay certain non-refundable license fees and interest under the OTP Agreement until such time that the OTP is exercised or expires.

Right-of-use assets cost additions of \$500 represent vehicle leases initiated in the first half of 2022.

**MINERAL PROPERTIES**

Mineral properties include PGP and RMP (together defined as the “Project”). The Project is a single cash generating unit (“CGU”). PGP comprises the previously separate Premier, Dilworth and Silver Coin Properties. Ascot’s properties are subject to a number of royalties and product purchase rights:

- A 1% Net Smelter Return royalty (“NSR”) and a 5% Net Profit Interest royalty on production from certain areas of the Premier Property granted to Boliden Limited (“Boliden”);
- A 5% NSR royalty on production from certain areas of the Premier Property granted to Boliden, which could be purchased by the Company for \$9,550 at any time;
- A 1% NSR royalty and the first right to purchase all base metal concentrates produced from the Premier Property granted to Boliden;
- A 5% NSR royalty on production from the Dilworth Property granted to Boliden and one of Ascot’s former directors, which could be purchased by the Company for \$4,150 at any time;
- A 1% NSR royalty on three crown grants (Old Timer, Butte and Yellowstone) which are located near the Dilworth Property;
- A 2% NSR royalty on the Silver Coin property granted to Nanika Resources Inc.;
- A gold metal stream granted to Sprott Private Resource Streaming and Royalty (B) Corp. (“SRSR”), which allows it to acquire 10% of the annual gold production from the Red Mountain Property at a cost of the lower of US\$1,000/oz and spot price up to a maximum of 500,000 ounces produced (50,000 ounces to SRSR), and SRSR may elect to receive a one-time cash payment of 4 million U.S. dollars at the commencement of production in exchange for the buyback of the gold metal stream;
- A 2.5% NSR royalty on the Red Mountain Property and a \$50 minimum annual pre-production royalty (which is deductible against future production royalty) on the Red Mountain Property granted to Wotan Resources Corp.;
- A 1% NSR royalty on the Red Mountain Property granted to Franco-Nevada Corp.

In May 2019, the Company entered into a Funding Agreement with Nisga’a Nation for PGP. Under the terms of the Funding Agreement, the Company was required to make cash payments totaling \$400 to Nisga’a Nation. By October 2021, the Funding Agreement was increased to a total funding amount of \$600. The Company made its final payment under the Funding Agreement in March 2022 thus satisfying its total obligation of \$600.

In July 2021, the Company entered into an updated Benefits Agreement with Nisga’a Nation, which encompasses both PGP and RMP. Under the terms of the Benefits Agreement, the Company is required to make cash payments to Nisga’a Nation tied to permitting, project development and production milestones, totaling up to \$3,425. The Company made its first payment of \$250 in July 2021. The Company made its second milestone payment of \$500 in February 2022. The Company is also required to make annual payments as a percentage of Provincial Mineral Tax during production.

*Impairment of mineral properties*

At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to mineral property development costs. If any such indicator exists, then an impairment test is performed by management. As of September 30, 2022, at least two potential indicators of impairment were noted for the Project:

- As of September 30, 2022, the Company’s market capitalization was \$170 million, which was below the value of the Company’s net assets of \$311 million.

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- During the quarter ended September 30, 2022, the Company decelerated various construction activities and placed certain work packages on hold due to efforts to secure alternative financing options to replace the remainder of the senior credit facility. Completion of project construction has been delayed to early 2024.

Given the presence of the above-noted impairment indicators, the Company completed an impairment test for its mineral properties as of September 30, 2022. The impairment test compared the carrying amount of the Project as a CGU to its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal (FVLCD). The Project's FVLCD was determined by using a discounted cash flow projections model based on life-of-mine financial forecasts. The key assumptions used in the cash flow projections model are forecast gold and silver prices, mining and processing costs, capital expenditures, reserve and resource quantities, reclamation and closure costs, discount rates, recovery rates, foreign exchange rates and estimated gold grades. Metal prices and foreign exchange rates used in the cash flow projections are based on a number of factors including forward curves in the near term and are benchmarked with external sources of information, where possible, to ensure they are within the range of values used by market participants.

The valuation of the recoverable amount is most sensitive to changes in gold price, exchange rates and discount rate. Mining and processing costs and capital expenditures included in the cash flow projections are based on current operating plans. Inputs utilized in the valuation model were based on level 3 fair value measurements (see Note 16), for which no observable market data was available. The reserve and resource quantities were based on the Company's most recent reserve and resource model prepared in October 2022.

The FVLCD of the Project was measured using discounted cash flow projections under the following assumptions:

Period of management's cash flow projections:	October 1, 2022 to December 31, 2040
Discount rate applied to cash flow projections:	5%

The impairment test resulted in a FVLCD of the Project exceeding the carrying value of the Project. No impairment was recorded as a result of the impairment test.

Sensitivity analysis was performed on the cash flow model for the Project. Adverse changes in key inputs would result in the following changes to the Project's FVLCD:

Gold price decreasing by 5%:	FVLCD reduced by \$62,000
US dollar weakening by 5% against the Canadian dollar:	FVLCD reduced by \$62,000
Discount rate increasing by 1%:	FVLCD reduced by \$28,000

The carrying value of the Project at September 30, 2022 is \$290,000. Impairment of mineral properties is a key area of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months. The estimates and associated assumptions are based on the Company's mine plan and other factors that are considered to be relevant. Actual results may differ from these estimates.

## 6. OTHER ASSETS

	September 30, 2022	December 31, 2021
Deferred financing cost (Note 8)	\$ 6,159	\$ 7,042
Pre-production royalty (Note 5)	1,300	1,250
	\$ 7,459	\$ 8,292

## 7. RECLAMATION PROVISIONS

Discounted site closure and reclamation provisions for the Company's properties are as follows:

<b>Balance, December 31, 2021</b>	<b>\$</b>	<b>25,625</b>
Additions		-
Change in estimate		(6,745)
Accretion of reclamation liability		445
Reclamation work done to reduce liability		(260)
<b>Balance, September 30, 2022</b>		<b>19,065</b>
Current		971
<b>Non Current</b>	<b>\$</b>	<b>18,094</b>

Discounted site closure and reclamation provisions by mineral property are as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Premier Gold including Silver Coin	15,966	21,938
Swamp Point	576	576
Red Mountain	2,523	3,111
	<b>19,065</b>	<b>25,625</b>

The Company's provision for environmental obligations at the Premier Gold mine is based on project plans prepared by management with the input of an independent engineering firm. As at September 30, 2022, the estimated future cash flows have been discounted using a risk-free rate between 3.09% and 3.16% and an inflation rate between 2% and 2.25% was used to determine future expected costs (as at December 31, 2021: 1.68% and 2%, respectively).

The Company's provision for environmental obligations at the Red Mountain property is based on the reclamation cost estimate prepared by management. As at September 30, 2022, the estimated future cash flows have been discounted using a risk-free rate of 3.16% and an inflation rate of 2% was used to determine future expected costs (as at December 31, 2021: 1.42% and 2%, respectively).

Undiscounted site closure and reclamation cost estimates required to satisfy the obligations by mineral property are as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Premier Gold	36,138	36,398
Swamp Point	576	576
Red Mountain	2,827	2,827
	<b>39,541</b>	<b>39,801</b>

## 8. CREDIT FACILITIES

On December 10, 2020, the Company closed a project financing package with Sprott Resource Lending Corp. ("Sprott") and Beedie Investments Ltd. ("Beedie") for the development of the Project. The financing package consists of a) a US\$80 million senior secured non-revolving credit facility with Sprott (the "Senior Debt"); b) the Production Payment Agreement ("PPA"), and c) a US\$25 million subordinated convertible non-revolving credit facility with Beedie and Sprott (the

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“Convertible Debt”). The Senior Debt and the PPA were negotiated concurrently, and accordingly have been considered together in determining their initial fair values.

Upon closing of the project financing package, transaction costs and fees attributable to the Senior and Convertible Debt have been included in the respective effective interest rate calculations for these liabilities measured at amortized cost.

Under the terms of the credit agreements, if an event of default shall occur and be continuing, Sprott and Beedie may, by notice to the Company, declare their commitment to advance the facilities be terminated and the outstanding principal and accrued interest and fees be due and payable. Events of default include but are not limited to failing to make principal interest and fee payments, defaulting on certain covenants and failing to achieve project completion by September 30, 2023. Due to a revised construction schedule implemented in late June 2022, the Company would not have the ability to achieve project completion by September 30, 2023, which would have resulted in a default. However, the Company obtained waivers from both Sprott and Beedie providing for limited suspension of covenant compliance requirements until November 30, 2022.

### a) Senior Debt

	Senior Debt - Liability component	Senior Debt - Derivative component	Senior Debt - PPA	Total
<b>Balance, December 31, 2021</b>	<b>\$ 24,634</b>	<b>\$ 492</b>	<b>\$ 4,070</b>	<b>\$ 29,196</b>
Interest and accretion	2,583	-	349	2,932
Change in fair value of derivative	-	(451)	-	(451)
Change in estimate of PPA liability	-	-	(97)	(97)
Foreign exchange loss (gain)	2,203	-	355	2,558
<b>Balance, September 30, 2022</b>	<b>29,420</b>	<b>41</b>	<b>4,677</b>	<b>34,138</b>

Concurrent with closing of the Senior debt, the Company made an initial draw of US\$20 million. The remainder of US\$60 million facility was available until June 30, 2022. The Company had not drawn the remainder of the facility as of June 30, 2022. Therefore, the remaining amount was canceled and the transaction costs and fees of \$1,121 attributed to the remaining amount were expensed in the second quarter. Sprott waived the 5% cancellation fee.

As of September 30, 2022, the Company had accrued interest of \$4,287 since inception (December 31, 2021: \$2,376) on the Senior Debt, which was added to the principal loan amount. The outstanding principal amount of the Senior Debt at September 30, 2022 was US\$20 million (December 31, 2021: US\$20 million).

The Senior Debt is accounted for as a financial liability subsequently measured at amortized cost under IFRS 9.

The floating interest rate floor of 1.50% over the base rate has been determined to be an embedded derivative that is not closely related to the Senior Debt, and is bifurcated and accounted for separately. At each reporting period, the derivative is fair valued with changes in fair value recorded as a gain or loss in the statement of profit or loss. As at September 30, 2022, the fair value of the derivative was \$41 (December 31, 2021: \$492), resulting in a gain on change in fair value of the derivative of \$451.

The Company may elect to prepay the outstanding principal balance in whole or in part provided that the Company makes such prepayment during the period commencing December 31, 2022. The Company shall pay to Sprott an additional amount equal to 2% of the amount of such prepayment if it is repaid anytime between December 31, 2022 and one year thereafter. Any prepayment after this date shall not carry any penalty. The prepayment option has been determined to be an embedded derivative that is not closely related to the Senior Debt, and therefore it must be bifurcated and accounted

for separately. At each reporting period, the derivative is fair valued with changes in fair value recorded as an expense in profit or loss. As at September 30, 2022, this derivative had a fair value of \$Nil (December 31, 2021: \$Nil).

**b) Production payment agreement (PPA)**

The Company has entered into a PPA with Sprott, whereby on December 10, 2020 the Company received an advance payment of \$6,381 (US\$5.0 million) from Sprott. To repay this advance, the Company has agreed to pay Sprott monthly production payments equal to US\$13 multiplied by the number of ounces of gold from which the Company receives payment beginning on December 10, 2020 until 450,000 ounces of gold has been produced.

At inception, the fair value of the PPA was \$5,283 (US\$4.1 million). The Company recorded the PPA at fair value on inception and subsequently measured it at amortized cost. The effective interest rate was determined to be approximately 11% per annum.

As of December 31, 2021, the Company revised the value of the PPA based on Ascot's updated anticipated production schedule. As a result of this change of estimate, a modification adjustment to the PPA was identified, which resulted in a gain of \$1,799 recorded in other income. As of September 30, 2022, the Company further revised the value of the PPA based on Ascot's updated anticipated production schedule. This revision resulted in a gain of \$97 recorded in other income (Note 12).

**c) Convertible Debt**

	<b>Convertible Debt - Liability component</b>	<b>Convertible Debt - Derivative component</b>	<b>Total</b>
<b>Balance, December 31, 2021</b>	<b>\$ 7,783</b>	<b>\$ 4,344</b>	<b>\$ 12,127</b>
Interest expense	1,122	-	1,122
Change in fair value of derivative	-	(3,783)	(3,783)
Foreign exchange loss	864	-	864
<b>Balance, September 30, 2022</b>	<b>9,769</b>	<b>561</b>	<b>10,330</b>

Pursuant to the terms of the Convertible Debt, the Company may borrow up to US\$25 million. Interest will accrue on the outstanding principal amount of the Convertible Debt at 8.00% per annum. The interest is compounded quarterly and is added to the principal loan amount prior to the Completion Date. All interest incurred after the Completion Date shall be payable in cash quarterly. Principal and capitalized interest are payable on December 10, 2023 (the maturity date, which may be extended by one year if all material permits, contracts and authorizations for PGP are in place). Any undrawn balance of the Convertible Debt incurs a standby fee of 3% beginning on December 10, 2020.

As of September 30, 2022, the Company accrued interest of \$2,019 since inception (December 31, 2021: \$1,120) on the Convertible Debt, which was added to the principal loan amount. As of September 30, 2022, the Company also accrued standby fee of \$1,031 (December 31, 2021: \$599). The outstanding principal amount of the Convertible Debt at September 30, 2022 was US\$10 million (December 31, 2021: US\$10 million).

The liability component of the Convertible Debt is accounted for as a financial liability subsequently measured at amortized cost under IFRS 9.

The conversion feature within the Convertible Debt agreement has been determined to be an embedded derivative that is not closely related to the Convertible Debt, and is bifurcated and accounted for separately, by first valuing the derivative component. At each reporting period, the derivative is fair valued with changes in fair value recorded as a gain or loss in

the statement of profit or loss. The fair value of the derivative at the inception date and at each reporting period was calculated using the Finite Difference Method. The expected volatility assumption in the valuation model is based on the historical volatility of the Company's stock commensurate with the remaining term of the conversion option. As at September 30, 2022, the fair value of the derivative was \$561 (December 31, 2021: \$4,344), resulting in a gain on change in fair value of the derivative of \$3,783.

The assumptions used in this valuation model, and the resulting fair value of the embedded derivative at September 30, 2022 and at December 31, 2021 were as follows:

Maturity date:	December 10, 2024
Risk-free rate:	2.99%-4.42% and 1.14%, respectively
Foreign exchange rate:	1.3752 and 1.2678, respectively
Share price:	US\$0.28 and US\$0.96 per share, respectively
Expected volatility (rounded):	65% and 60%, respectively
Dividend yield:	\$Nil
Interest rate:	8.0%
Conversion price:	\$1.32672 per share
Conversion price cap:	\$1.92374 per share

The Company may elect to prepay the outstanding principal and accrued interest balance in whole or in part at any time. The Company shall pay to Beedie an amount equal to 24 months' interest on outstanding amount if prepayment is made prior to December 10, 2022. The Company shall pay to Beedie an amount equal to 1% of the outstanding amount if prepayment is made after December 10, 2022.

## 9. CAPITAL AND RESERVES

### a) Share capital

The Company is authorized to issue an unlimited number of common shares with no par value. As at September 30, 2022, the number of total issued and outstanding common shares is 435,719,190 (December 31, 2021: 376,351,128).

On March 8, 2022, the Company closed a bought deal financing (the "Offering"). The Offering consisted of (i) 28,610,000 common shares of the Company (the "Offered Shares") sold at a price of \$1.02 per Offered Share for aggregate gross proceeds of \$29,182; (ii) 12,831,000 hard dollar units of the Company (the "HD Units") at a price of \$1.02 per HD Unit for gross proceeds of \$13,088; (iii) 14,590,000 units of the Company that qualify as "flow through shares", as defined in the *Income Tax Act* (Canada) (the "CDE FT Units") at a price of \$1.255 per CDE FT Unit for gross proceeds of \$18,310; and (iv) 3,240,000 common shares of the Company that qualify as "flow-through shares" (the "CEE FT Shares", and together with the Offered Shares, HD Units and CDE FT Units, the "Offered Securities") as defined in the *Income Tax Act* (Canada) at a price of \$1.13 per CEE FT Share for gross proceeds of \$3,661. Each HD Unit and CDE FT Unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant") with each Warrant entitling the holder to purchase one common share of the Company at a price of \$1.25 for a period of 24 months subject to acceleration. In aggregate, a total of 59,271,000 shares and 13,710,500 warrants were issued for the gross proceeds of \$64,241 to the Company. In connection with the Offering, the Company paid underwriters' fees and other fees and expenses in the amount of \$3,896. A premium of \$3,768 on the issuance of CDE FT Units and CEE FT Shares was recorded in other liabilities.

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### b) Stock options

Total compensation expense related to stock options for the nine months ended September 30, 2022 was \$1,340 (nine months ended September 30, 2021: \$879). The unrecognized compensation cost for non-vested stock options at September 30, 2022 was \$734 (December 31, 2021: \$269).

As of September 30, 2022, the Company had outstanding and exercisable stock options as follows:

Range of price	Options outstanding			Options exercisable		
	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price C\$
\$0.38 to \$0.99	7,673,406	2.24	0.77	7,348,359	2.13	0.78
\$1.00 to \$1.29	4,555,651	3.97	1.11	2,352,243	3.59	1.11
\$1.30 to \$1.50	3,228,276	2.01	1.34	2,996,458	1.92	1.34
\$1.51 to \$2.00	6,100,000	0.02	1.61	6,100,000	0.02	1.61
\$2.01 to \$2.34	84,375	0.05	2.08	84,375	0.05	2.08
	21,641,708	1.93	1.17	18,881,435	1.59	1.18

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Options	Weighted average exercise price (C\$)
Outstanding at January 1, 2021	19,985,209	1.26
Granted	603,190	1.26
Exercised	(66,667)	0.82
Expired	(1,400,000)	1.70
Forfeited	(505,558)	1.20
Outstanding at December 31, 2021	18,616,174	1.23
Granted	3,932,284	1.05
Expired	(906,750)	1.93
Outstanding at September 30, 2022	21,641,708	1.17

The Company uses the Black-Scholes option pricing model to estimate the fair value for all stock-based compensation. The expected volatility assumption inherent in the pricing model is based on the historical volatility of the Company's stock over a term equal to the expected term of the option granted.

During the nine months ended September 30, 2022, the Company granted 3,932,284 stock options at a weighted average exercise price of \$1.05 to its employees, directors and consultants. The weighted average assumptions used in the stock



option pricing model and the resulting weighted average fair values per option for the options granted during the nine months ended September 30, 2022 were as follows:

Risk-free rate:	1.72% - 3.04%
Expected life:	5 years
Expected volatility:	59.27% - 62.11%
Expected dividends:	Nil
Weighted average fair value per option:	\$ 0.54

Subsequent to September 30, 2022, 6,974,375 stock options expired unexercised and 56,447 stock options were cancelled.

**c) Share units**

The Company uses Ascot’s closing stock price on the day prior to the grant date to estimate the fair value for restricted share units (“RSU”) and performance share units (“PSU”). The RSUs vest over a three-year period. The PSUs vest based on specific performance-based measures established by the Company’s executive management and/or the Board. The RSUs and PSUs are settled in Ascot common shares. For the nine months ended September 30, 2022, \$500 (nine months ended September 30, 2021: \$495) was expensed in the statement of comprehensive loss as stock-based compensation expense for RSUs and PSUs.

The Company uses Ascot’s closing stock price on the day prior to the grant date to estimate the fair value for deferred share units (“DSU”). The Company’s DSUs vest immediately and may be redeemed when the individual ceases to be a director of the Company, following which the DSUs will be settled in cash or common shares of the Company at the election of the Board at the time of grant. During the nine months ended September 30, 2022, \$190 (nine months ended September 30, 2021: \$44) was expensed in the statement of comprehensive loss as stock-based compensation expense for DSUs.

Movements in the number of RSUs and DSUs outstanding during the nine months ended September 30, 2022 and during the year ended December 31, 2021 are as follows:

	Number of RSUs/PSUs	Number of DSUs
Outstanding at January 1, 2021	1,052,871	450,370
Granted	-	40,781
Forfeited	(29,167)	-
Outstanding at December 31, 2021	1,023,704	491,151
Granted	883,594	235,513
Exercised	(35,062)	(62,000)
Outstanding at September 30, 2022	1,872,236	664,664

The weighted average remaining contractual life of RSUs and PSUs outstanding at September 30, 2022 was 3.63 years. The DSUs outstanding at September 30, 2022 expire on December 15 of the year following the year when the individual ceases to be a director of the Company.

Subsequent to September 30, 2022, 30,673 RSUs were granted and 87,902 RSUs and 54,054 PSUs were exercised.

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### d) Warrants

On March 8, 2022, as a part of the Offering (Note 9a), the Company issued 13,710,500 share purchase warrants exercisable for two years at an exercise price of \$1.25 per warrant. Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	Warrants	Weighted average exercise price (C\$)
Outstanding at January 1, 2021	-	-
Outstanding at December 31, 2021	-	-
Issued	13,710,500	1.25
Outstanding at September 30, 2022	13,710,500	1.25

The weighted average remaining contractual life of the warrants outstanding at September 30, 2022 was 1.44 years.

The Company used the relative fair value method to allocate consideration received for the Offering between common shares and share purchase warrants. The Company used the Black-Scholes option pricing model to estimate the fair value of the warrants and it used Ascot's closing stock price on the day prior to the Offering closing date to value the common shares. The expected volatility assumption inherent in the Black-Scholes pricing model was based on the historical volatility of the Company's stock over a term equal to the expected term of the warrants granted. The weighted average assumptions used in this pricing model, and the resulting fair value per warrant for the warrants issued on March 8, 2022 were as follows:

Risk-free rate:	1.46%
Expected life:	2 years
Expected volatility:	61.86%
Expected dividends:	Nil
Fair value per warrant:	\$ 0.35

### 10. GENERAL AND ADMINISTRATIVE COSTS

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Wages, benefits and management fees	\$ 808	\$ 791	\$ 2,630	\$ 2,596
Legal and professional services	156	139	713	577
Office and administration expenses	152	119	389	306
Travel	50	27	92	31
Investor relations and shareholders costs	95	107	401	328
	\$ 1,261	\$ 1,183	\$ 4,225	\$ 3,838

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### 11. FINANCE EXPENSE

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Accretion	\$ 141	\$ 95	\$ 446	\$ 266
Reclamation bond fee	151	84	410	259
Interest on office lease liability	11	15	35	46
	\$ 303	\$ 194	\$ 891	\$ 571

### 12. OTHER INCOME

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest income	\$ 149	\$ 80	\$ 394	\$ 158
Flow through share premium	1,813	188	2,989	323
Change in estimate of PPA liability	97	-	97	-
Other	(1)	21	-	21
	\$ 2,058	\$ 289	\$ 3,480	\$ 502

### 13. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions during the period:

#### a) Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive management and non-executive directors. Key management personnel compensation comprised:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries, short-term benefits and management fees	\$ 335	\$ 291	\$ 1,004	\$ 883
Project development costs	27	31	80	86
Share-based payment transactions	223	294	1,238	707
	\$ 585	\$ 616	\$ 2,322	\$ 1,676

#### b) Other related party transactions

Included in accounts payable and accruals at September 30, 2022 is \$423 (December 31, 2021: \$369) due to related parties.

During the nine months ended September 30, 2022, key management personnel were granted 2,304,036 stock options at a weighted average exercise price of \$1.11. Using the Black-Scholes model, the fair value of the options granted to key management personnel was determined at \$1,315.

During the nine months ended September 30, 2022, key management personnel were granted 381,327 RSUs. Based on the Company's share price on the day prior to the grant date, the fair value of the RSUs granted to key management personnel was \$423.

During the nine months ended September 30, 2022, the Company's directors were granted 235,513 DSUs. Based on the Company's share price on the day prior to the grant dates, the fair value of the DSUs granted to directors was \$190.

Subsequent to September 30, 2022, 6,467,500 stock options held by key management personnel expired unexercised.

**14. SEGMENT REPORTING**

The Company has two operating segments: the development of the Project (Note 5) and exploration and evaluation of Mt. Margaret. The Company has two geographic areas, Canada and the US.

All of the Company's assets are in Canada except for the Mt. Margaret property which is located in the US. Costs for Mt. Margaret are included in exploration and evaluation assets.

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

The net changes in non-cash working capital items were as follows:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<b>Net changes in non-cash working capital items included in mineral properties</b>		
Depreciation and amortization	\$ (235)	\$ (275)
Capitalized borrowing cost	4,054	3,276
Stock-based compensation	244	-
Accounts payable and accrued liabilities	(1,613)	9,331
	\$ 2,450	\$ 12,332

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Fair value*

The Company's financial instruments include cash and cash equivalents, interest, trade and other receivables, derivative asset, reclamation deposits, trade and other payables, credit facilities and other liabilities. IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7") establishes a fair value hierarchy for financial instruments measured at fair value. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

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- Level 3 - applies to assets or liabilities for which there are unobservable market data.

The recorded amounts of cash and cash equivalents, interest, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to their short-term nature. The carrying value of the reclamation deposit approximates its fair value, as it is cash-based. The carrying values of PPA and liability components of senior and convertible debt approximate their fair values since the increase in the market interest rates between the date of the debt inception (December 10, 2020) and September 30, 2022 is being offset by a decrease in the Company's overall risk profile, as Ascot now has all necessary permits for construction of the Project.

The following tables present the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy. They do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

As at September 30, 2022	Fair value		
	Level 1	Level 2	Level 3
<b>Financial liabilities</b>			
Senior debt - derivative portion	\$ -	\$ -	\$ 41
Convertible debt - derivative portion	-	-	561
	\$ -	\$ -	\$ 602

As at December 31, 2021	Fair value		
	Level 1	Level 2	Level 3
<b>Financial assets</b>			
Marketable securities	\$ -	\$ 23	\$ -
	\$ -	\$ 23	\$ -
<b>Financial liabilities</b>			
Senior debt - derivative portion	-	-	492
Convertible debt - derivative portion	\$ -	\$ -	\$ 4,344
	\$ -	\$ -	\$ 4,836

### *Risk Management*

The Company's activities expose it to a variety of financial risks: credit risk, currency risk, interest rate risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks in cooperation with the Company's departments. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives.

### *Credit Risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents and reclamation deposits. The Company limits its exposure to credit loss by placing its cash, cash equivalents and reclamation deposits with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

*Currency Risk*

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company's significant financial instruments denominated in a foreign currency (U.S. dollar) are the credit facilities (Note 8). A 10% decrease (increase) of the value of the Canadian dollar relative to the U.S. dollar as at September 30, 2022 would result in an additional \$4,076 foreign exchange loss (gain) reported in the Company's statement of comprehensive loss for the nine months ended September 30, 2022 (nine months ended September 30, 2021: \$2,950).

*Interest Risk*

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash in savings accounts and GIC's carried at fixed interest rates. The Company's significant financial instruments valued using fluctuating risk-free interest rates are the derivative components of the senior and convertible debt (Note 8). The Company's senior debt is carried at a floating interest rate. The Company has estimated that a one percentage point increase in the interest rate on its senior debt would have an annual impact on net earnings of approximately \$279 for the nine months ended September 30, 2022. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to maintain sufficient cash to meet obligations when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company is in the process of pursuing additional funding to replace the Senior Debt facility in order to finish the construction of the Project and continue its operations (Note 1).

Contractual undiscounted cash flow requirements for financial liabilities as at September 30, 2022 were as follows:

	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>	<b>TOTAL</b>
Trade and other payables	\$ 12,936	\$ -	\$ -	\$ -	\$ 12,936
Lease liabilities	446	486	25	-	957
Production payment agreement (Note 8)	-	3,130	4,675	214	8,019
Senior and convertible debt (Note 8)	6,113	49,658	3,265	-	59,036
	<b>\$ 19,495</b>	<b>\$ 53,274</b>	<b>\$ 7,965</b>	<b>\$ 214</b>	<b>\$ 80,948</b>

The Company endeavors to ensure that it has sufficient cash on demand to meet its obligations as they become due by preparing annual capital and administrative expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable as well as the Senior and Convertible Debt (Note 8). Except for the Senior and Convertible debt, most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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**17. CAPITAL MANAGEMENT**

The Company monitors its cash and cash equivalents, common shares, stock options and share units, and senior and convertible debt as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business. According to the Senior Debt agreement (Note 8), the Company is required to maintain a minimum of US\$5 million (or Canadian dollar equivalent) in unrestricted cash and cash equivalents, and a working capital ratio of at least 1:1. As of September 30, 2022, the Company was in compliance with these requirements.

After drawing down the initial US\$20 million tranche under the Senior Debt, Ascot was required to satisfy various conditions before drawing down the remaining US\$60 million (Note 8). However, the Company has been unable to reach an agreement with Sprott on the satisfaction of the drawdown conditions for the remaining US\$60 million of the Senior Facility. Therefore, the initial US\$20 million drawdown will remain outstanding, the remaining US\$60 million was cancelled on June 30, 2022 and Ascot is pursuing alternative financing options to replace the remainder of the Senior Debt.

There has been no significant change to the Company's capital management policies during the nine months ended September 30, 2022.