# Ascot Resources Ltd.

# Consolidated Financial Statements

For the years ended December 31, 2022 and 2021
(Expressed in thousands of Canadian Dollars, except where indicated)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and all other financial information included in this report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management on a going concern basis. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not exact since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains systems of internal controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Audit Committee, which is comprised of three independent directors, meets with management to review the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial reporting standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

| | |
|---|---|
| “*Derek White*” | “*Carol Li*” |
| President & Chief Executive Officer | Chief Financial Officer |

March 23, 2023

# Independent auditor's report

To the Shareholders of Ascot Resources Ltd.

## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ascot Resources Ltd. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

**What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment test for mineral properties, plant and equipment (MPP&E) for the Premier Gold and Red Mountain Project (the Project) cash generating unit (CGU)**<br><br>*Refer to note 2(d) – Basis of presentation judgments and estimates, note 3(c) – Significant accounting policies and note 7 – Mineral properties, plant and equipment to the consolidated financial statements.*<br><br>As at December 31, 2022, the total net book value of MPP&E amounted to $359 million, which substantially all relates to the Project. At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to the Company's MPP&E. When impairment indicators of MPP&E exist, an impairment test is performed by management at the level of the CGU (a group of assets for which there are separately identifiable cash inflows). An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a CGU's fair value less costs of disposal (FVLCD) and value in use.<br><br>During the year ended December 31, 2022, management determined that the Company's market capitalization being below the value of the Company's net assets and the deceleration of various construction activities in order to secure alternative financing options constituted impairment indicators. As a result, management performed an impairment test for the Project CGU | Our approach to addressing the matter included the following procedures, among others:<br><br>• Tested how management determined the recoverable amount of the Project CGU as at September 30, 2022, which included the following:<br><br>– Tested the appropriateness of the method used by management.<br><br>– Tested the underlying data used in the discounted cash flow model.<br><br>– Evaluated the reasonableness of forecast gold and silver prices as well as foreign exchange rates by comparing them with external market and industry data.<br><br>– The work of management's experts was used in performing procedures to evaluate the reasonableness of the estimates of reserve and resource quantities, recovery rates, estimated gold grades, mining and processing costs and capital expenditures as well as reclamation and closure costs. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| based on FVLCD, using a discounted cash flow model. The determination of FVLCD of the Project CGU required management to apply significant judgment and use key assumptions related to forecast gold and silver prices, mining and processing costs, capital expenditures, reserve and resource quantities, reclamation and closure costs, discount and foreign exchange rates, recovery rates and estimated gold grades.<br><br>Management's assumptions of mineral reserve and resource quantities, recovery rates, estimated gold grades, mining and processing costs and capital expenditures as well as reclamation and closure costs were based on information compiled by management's experts.<br><br>As at September 30, 2022, the FVLCD exceeded the carrying amount of the Project CGU and, as a result, no impairment loss was recognized by management. Management did not identify impairment indicators as at December 31, 2022.<br><br>We considered this a key audit matter due to the high degree of audit effort and subjectivity in performing procedures to test key assumptions used by management in determining the recoverable amount of the Project CGU, which involved significant judgment by management. We were also assisted by professionals with specialized skill and knowledge in the field of valuation. | used by management's experts and an evaluation of their findings.<br><br>– Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the reasonableness of the discount rate used within the model.<br><br>• Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regard to the impairment test of the Project CGU. |

## Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Ranbir Gill.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia
March 23, 2023

(Canadian Dollars in Thousands)

| | Notes | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | 4 | $ 7,474 | $ 59,129 |
| Trade and other receivables | | 840 | 1,397 |
| Derivative asset | | - | 23 |
| Prepaid expenses and deposits | | 1,138 | 1,183 |
| **Total Current Assets** | | 9,452 | 61,732 |
| | | | |
| Reclamation deposits | 5 | 2,447 | 2,447 |
| Exploration and evaluation assets | 6 | 5,424 | 5,424 |
| Mineral properties, plant and equipment | 7 | 358,811 | 261,151 |
| Other assets | 8 | 2,962 | 8,292 |
| **Total Non-Current Assets** | | 369,644 | 277,314 |
| **Total Assets** | | $ 379,096 | $ 339,046 |
| | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current** | | | |
| Trade and other payables | | $ 6,504 | $ 14,045 |
| Reclamation provisions | 9 | 788 | 348 |
| Credit facilities | 10 | 22,523 | - |
| Lease liabilities | | 430 | 338 |
| Other liabilities | | 72 | - |
| **Total Current Liabilities** | | 30,317 | 14,731 |
| | | | |
| Reclamation provisions | 9 | 17,567 | 25,277 |
| Credit facilities | 10 | 21,937 | 41,323 |
| Lease liabilities | | 327 | 445 |
| Deferred income tax liabilities | | 9 | 65 |
| **Total Non-Current Liabilities** | | 39,840 | 67,110 |
| **Total Liabilities** | | 70,157 | 81,841 |
| | | | |
| **Shareholders' Equity** | | | |
| Share capital | 12 | 351,337 | 298,733 |
| Contributed surplus | 12 | 29,466 | 19,528 |
| Accumulated deficit | | (71,864) | (61,056) |
| **Total Shareholders' Equity** | | 308,939 | 257,205 |
| **Total Liabilities and Shareholders' Equity** | | $ 379,096 | $ 339,046 |

Commitments (Notes 7, 9 and 20), Contingencies (Note 7), Subsequent event (Note 22).
The accompanying notes are an integral part of these consolidated financial statements.

/s/ *"Rick Zimmer"* ______________________________
Director

/s/ *"Andrée St-Germain"* ______________________________
Director

(Canadian Dollars in Thousands Except Loss per Share)

| | Notes | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|---|
| General and administrative | 13 | $ 5,621 | $ 5,063 |
| Stock-based compensation | 12 | 5,490 | 1,723 |
| Amortization and depreciation | | 549 | 859 |
| Environmental compliance cost | | 583 | 216 |
| Financing costs | 10 | 5,969 | - |
| Finance expense | 14 | 1,182 | 745 |
| Other income | 15 | (7,077) | (2,444) |
| Change in fair value of derivatives | 10 | (4,304) | (3,515) |
| Loss on investment in marketable securities | | - | 285 |
| Foreign exchange loss | | 2,851 | 242 |
| **Loss before income taxes** | | $ 10,864 | $ 3,174 |
| Income tax recovery | 11 | (56) | (226) |
| **Net loss for the year** | | $ 10,808 | $ 2,948 |
| **Total comprehensive loss** | | $ 10,808 | $ 2,948 |
| **Loss per share** | | | |
| Basic and diluted | | $ 0.03 | $ 0.01 |
| Weighted average shares outstanding - basic and diluted | | 424,804,495 | 348,131,771 |

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

(Canadian Dollars in Thousands except No. of Shares)

| | Number of shares issued and outstanding | Share capital | Share-based payment - reserve | Deficit | Total share-holders' equity |
|---|---|---|---|---|---|
| **Balance, January 1, 2021** | **278,323,751** | **$ 217,928** | **$ 17,828** | **$ (58,108)** | **$ 177,648** |
| 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 | 3,714 | - | - | 3,714 |
| Exercise of options | 66,667 | 78 | (23) | - | 55 |
| Issued for other consideration | | | | | - |
| Premium on flow-through shares | - | (315) | - | - | (315) |
| Construction management contractor deposit | 608,914 | 750 | - | - | 750 |
| Stock-based compensation (Note 12) | - | - | 1,723 | - | 1,723 |
| Net loss for the year | - | - | - | (2,948) | (2,948) |
| **Balance, December 31, 2021** | **376,351,128** | **$ 298,733** | **$ 19,528** | **$ (61,056)** | **$ 257,205** |
| **Balance, January 1, 2022** | **376,351,128** | **$ 298,733** | **$ 19,528** | **$ (61,056)** | **$ 257,205** |
| Shares issued for cash | | | | | |
| Bought deal financing, net of issue costs (Note 12) | 59,271,000 | 56,110 | 4,235 | - | 60,345 |
| Issued for other consideration | | | | | - |
| Exercise of DSUs | 62,000 | 68 | (68) | - | - |
| Exercise of RSUs | 177,018 | 194 | (194) | - | - |
| Premium on flow-through shares (Note 12) | - | (3,768) | - | - | (3,768) |
| Stock-based compensation expense (Note 12) | - | - | 5,490 | - | 5,490 |
| Stock-based compensation capitalized | - | - | 475 | - | 475 |
| Net loss for the year | - | - | - | (10,808) | (10,808) |
| **Balance, December 31, 2022** | **435,861,146** | **$ 351,337** | **$ 29,466** | **$ (71,864)** | **$ 308,939** |

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

(Canadian Dollars in Thousands)

| | Notes | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | $ (10,808) | $ (2,948) |
| Adjustment to reconcile loss to net cash used in operating activities: | | | |
| Stock-based compensation | 12 | 5,490 | 1,723 |
| Amortization and depreciation | | 549 | 859 |
| Financing costs | 10 | 5,969 | - |
| Gain on flow through share premium | | (3,696) | (399) |
| Finance expense | | 641 | 405 |
| Deferred income tax recovery | | (56) | (226) |
| Change in fair value of derivatives | 10 | (4,304) | (3,515) |
| Change in estimate of PPA liability | 10 | (2,876) | (1,799) |
| Unrealized foreign exchange loss (gain) | | 2,858 | (140) |
| Unrealized loss on marketable securities | | - | 285 |
| Changes in non-cash working capital balances: | | | |
| Decrease (increase) in receivables | | 557 | (1,032) |
| Decrease (increase) in prepaid expenses and deposits | | 45 | (81) |
| Increase (decrease) in trade and other payables | | 943 | (394) |
| Payment for reclamation provision | | (347) | (374) |
| **Total cash outflows from operating activities** | | **(5,035)** | **(7,636)** |
| **Cash flows from investing activities** | | | |
| Investment in mineral properties, plant and equipment | | (105,898) | (57,421) |
| 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) |
| **Total cash outflows from investing activities** | | **(105,948)** | **(55,086)** |
| **Cash flows from financing activities** | | | |
| Proceeds from share issuance | 12 | 64,241 | 85,207 |
| Share issue costs | 12 | (3,896) | (4,915) |
| Deferred financing costs | | (410) | (250) |
| Proceeds from exercise of stock options | | - | 55 |
| Payment for lease liabilities | | (607) | (326) |
| **Total cash inflows from financing activities** | | **59,328** | **79,771** |
| **Effect of exchange rate changes on cash and cash equivalents** | | - | - |
| **Total (decrease) increase in cash during the year** | | **(51,655)** | **17,049** |
| **Cash and cash equivalents, beginning of year** | | **59,129** | **42,080** |
| **Cash and cash equivalents, end of year** | | **$ 7,474** | **$ 59,129** |
| Supplemental cash flow information | 19 | | |

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

## 1. NATURE OF OPERATIONS

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 December 31, 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.

## 2. BASIS OF PRESENTATION

### a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). The consolidated financial statements have been prepared on a historical basis except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

These financial statements were approved for issue by Ascot's board of directors on March 23, 2023.

### b) Basis of measurement

These consolidated financial statements include the accounts of Ascot Resources Ltd. and its wholly-owned subsidiaries. All intercompany transactions and balances are eliminated on consolidation.

These consolidated 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 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.

The accounting policies have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

**c) New IFRS pronouncements**

***Amendments to IFRS 9 Financial Instruments: Classification and Measurement***

In May 2020, the International Accounting Standards Board ("IASB") issued amendments to IFRS 9 regarding fees included in the quantitative test used to determine whether an exchange of debt instruments or modification of terms is accounted for as an extinguishment or a modification. The amendments apply to annual reporting periods beginning on or after January 1, 2022. These amendments had no significant impact on the Company's financial statements.

***Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use***

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. These amendments have had no significant impact on the Company's financial statements.

New IFRS pronouncements that have been issued but are not yet effective at the date of these financial statements are listed below. We plan to apply these amendments in the annual period for which they are first required.

***Amendment to IAS 1 Presentation of Financial Statements***

In October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements (IAS 1). The amendments apply to annual reporting periods beginning on or after January 1, 2024. The amendments are aimed at improving the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments issued in January 2020, which clarified the criteria for classifying a liability as non-current if there is the right to defer settlement of the liability for at least 12 months after the reporting period. The Company's credit facilities may be affected by these amendments. Management will assess the impact of this amended standard.

***Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors***

In February 2021, the IASB issued "Definition of Accounting Estimates (Amendments to IAS 8)" to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. These amendments are not expected to have a significant impact on the Company's financial statements.

***Amendments to IAS 12 Income Taxes***

In May 2021, the IASB issued "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)" that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company's leases and asset retirement obligations may be affected by these amendments. These amendments are not expected to have a significant impact on the Company's financial statements.

**d) Judgments and estimates**

The preparation of financial statements in compliance with IFRS requires management to exercise judgment in applying the Company's accounting policies and make certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The areas involving critical judgments in applying accounting policies have the biggest impact on the assets and liabilities recognized in the financial statements are:

***Impairment of non-current assets***

At each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to the Company's mineral property development costs and exploration and evaluation assets. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include:

(i) forecast commodity prices for the Company's product decline significantly;
(ii) negative changes take place in technology, markets, economy or applicable laws;
(iii) market interest rates increase significantly;
(iv) the Company's market capitalization is reduced below its net assets' value;
(v) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future;
(vi) substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is neither budgeted nor planned;
(vii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable, and
(viii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Management performed an impairment test of the Company's non-current assets as at September 30, 2022, which resulted in no impairment being required (Note 7). No impairment indicators were noted as at December 31, 2022.

***Accounting for debt financing transactions***

Upon entering into a debt financing transaction, management applies judgment in assessing the appropriate accounting treatment by considering the specific terms of the debt financing transaction to identify any potential embedded derivatives, and to determine the appropriate valuation methodology. In assessing the project financing package (Note 10), management identified an interest rate floor embedded derivative within the senior debt and a conversion option embedded derivative within the convertible debt. Both embedded derivatives are required to be revalued at each period end with the movements recorded as gains or losses in the statement of comprehensive loss.

The key areas of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are:

***Decommissioning and rehabilitation provision***

Management's estimation of the Company's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required and its estimate of the probable costs and timing of such activities and measures.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Exploration and evaluation expenditures

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves. Exploration and evaluation expenditures include costs of conducting geological surveys, and exploratory drilling and sampling. Expenditures on mineral exploration or evaluation incurred in respect of a property before the acquisition of a license to explore are expensed as incurred.

Costs related to the acquisition of an exploration asset are capitalized. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration assets and are classified as an intangible asset. The Company capitalizes the cost of acquiring, maintaining its interest, exploring and developing mineral properties as exploration assets when future inflow of economic benefits from the properties is probable and until such time as the properties are placed into development, abandoned, sold or considered to be impaired in value. Borrowing costs that are directly attributable to acquisition, exploration or development of mineral properties are capitalized as a part of exploration and development assets.

Upon achieving technical feasibility and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to mineral properties, plant and equipment. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Exploration costs that do not relate to any specific property are expensed as incurred.

### b) Mineral properties, plant and equipment

Mineral properties, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

#### *i) Recognition and measurement*

Mineral property acquisition and development costs including exploration and evaluation assets transferred, mine construction costs, and overburden and waste removal costs, are capitalized until production is achieved, or the property is sold, abandoned or impaired. Development costs are net of proceeds from the sale of metal extracted during the development phase prior to the date mining assets are capable of operating in the way intended by management.

When the Company incurs debt directly related to the construction of a new operation or major expansion, the related financing costs are capitalized during the construction period.

Mineral property, plant and equipment costs include the fair value of the consideration given to acquire assets at the time of acquisition or construction and include expenditures that are directly attributable to bringing the asset to the location and condition necessary for their intended use. Also, these costs include an initial estimate of the costs of dismantling and removing the assets and restoring the site on which they are located, and for qualifying assets, borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately as major components.

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

Major spare parts and stand-by equipment with a significant initial cost, whose anticipated useful life is longer than one year, and meet the definition of an asset, are recognized as an item of property, plant and equipment.

***ii) Depreciation and depletion***

For mineral properties, once the mineral property is in commercial production, it will be depleted using the units-of-production method. Depletion is determined each period using gold equivalent ounces mined over the asset's estimated recoverable reserves.

The carrying values of property, plant and equipment are depreciated using the straight line method to their estimated residual values over their estimated useful lives.

| | |
|---|---|
| Office furniture and equipment | Straight line basis over 5 years |
| Leasehold improvements | Straight line basis over the term of the lease |
| Machinery and equipment | Straight line basis between 3 and 7 years |
| Building | Straight line basis over 10 years |
| Right-of-use assets | Straight line over the term of the lease |

Management conducts an annual assessment of the estimated residual values, useful lives, and depreciation methods used for property, plant and equipment. Any material changes in estimates are applied prospectively.

***iii) Construction in progress***

Costs recorded for assets under construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate categories of plant and equipment. Depreciation is not recorded until the assets are substantially complete and available for their intended use.

**c) Impairment of non-current assets**

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when required by IFRS upon transition from exploration and evaluation assets to property, plant and equipment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units, or "CGU's").

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimates of future cash flows have not been adjusted.

Fair value is the price that would be received from selling an asset in an orderly arm's length transaction between market participants at the measurement date. Costs to dispose are incremental costs directly attributable to the disposal of an asset or CGU. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources and operating and capital costs. All inputs used are those that an independent market participant would consider appropriate.

Impairment losses for other assets or CGU's recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If so, an impairment loss is reversed only to the extent that the related asset or CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held with banks, including monetary instruments that may be cashed or redeemed within three months of purchase.

**e) Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the related proceeds, net of applicable tax.

If the Company issues units as part of financing, where such units consist of both common shares and common share purchase warrants, the fair value of the warrants is determined using the Black-Scholes pricing model, and fair value of the common shares is determined using market price. The allocation of value is done proportionally, based on the relative fair values of the common shares and warrants.

**f) Flow-through shares**

Flow-through common shares are issued from time to time to finance a significant portion of the Company's exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures within a specific time frame as defined in the Income Tax Act (Canada). The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds.

**g) Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Basic earnings (loss) per share amounts are calculated by dividing the net income or loss for the period by the weighted average number of common shares outstanding during the period.

**h) Income taxes**

Tax is recognized in net income or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is the expected tax payable on the taxable income for the year plus any adjustment to tax payable in respect to previous years. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**i) Share-based compensation**

Share-based compensation arises when the Company issues equity instruments as consideration for services received from employees and non-employees. Its amount is calculated based on the fair value of shares or stock options awarded to employees, measured on their grant date. The fair value of shares or stock options awarded to non-employees is measured on the date that the goods or services are received. The fair value of the shares and stock options is recognized as an expense over their vesting period with a corresponding increase in equity.

The Company has an incentive Stock Option Plan (“the Plan”) under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to five years. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

Restricted share units (RSUs) and performance share units (PSUs) are granted to senior management of the Company and settled in Ascot common shares. RSUs normally vest on specific dates, while PSUs vest based on specific performance-based measures established by the Company’s executive management and/or the Board. The amount of compensation is calculated based on the fair value of RSUs or PSUs awarded to senior management, measured on their grant date. The fair value of RSUs or PSUs is based on the quoted market price of the Company’s common shares on the RSUs or PSUs grant date. The fair value of the RSUs or PSUs is recognized as an expense using graded attribution method over their anticipated vesting period with a corresponding increase in equity.

Deferred share units (DSUs) are granted to directors of the Company and are settled in cash or Ascot common shares, at the election of the Board, when the individual ceases to be a director of the Company. DSUs vest immediately on the date of grant. The fair value of DSUs is calculated based on the quoted market price of the Company’s common shares on the

DSUs grant date. The fair value of the DSUs is recognized as an expense on the date of the grant with a corresponding increase in equity.

**j) Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: (1) the Company has a present legal or constructive obligation as a result of past events; (2) it is probable that an outflow of resources will be required to settle the obligation; and (3) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**k) Leases**

The Company initially recognizes a lease at its commencement date which is when an identified asset is made available for use. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct or estimated restoration costs. A right-of-use asset is then depreciated on a straight-line basis over the shorter of the asset’s useful life or the lease term.

Lease liabilities include the present value of future fixed payments, less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using the Company’s incremental borrowing rate. The term of each lease includes its non-cancellable period. The term may also include periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. After the commencement date, the lease liabilities are continuously measured to reflect changes in lease payments, discount rates or the leases’ remaining term with an offsetting adjustment to right-of-use assets.

**l) Contingent liabilities**

Contingent consideration payable is recognized when (i) the conditions associated with the contingency are met; (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

**m) Financial instruments**

The Company applies IFRS 9, Financial Instruments, which sets out the accounting standards for the classification and measurement of financial instruments.

***i) Classification and measurement***

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument-by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

*Financial assets at FVTPL*

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

*Financial assets at FVTOCI*

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

*Financial assets at amortized cost*

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

*Financial liabilities at FVTPL*

Financial liabilities at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial liability held at FVTPL are included in the income statement in the period in which they arise. Derivatives are categorized as FVTPL unless they are designated as hedges.

*Financial liabilities at amortized cost*

All financial liabilities that are not held for trading or designated as at FVTPL are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The classification of the Company's financial instruments under IFRS 9 is as follows:

| | |
|---|---|
| Cash and cash equivalents: | Amortized cost |
| Trade and other receivables: | Amortized cost |
| Marketable securities: | FVTPL |
| Foreign currency put option: | FVTPL |
| Reclamation deposits: | Amortized cost |
| Trade and other liabilities: | Amortized cost |
| Senior and convertible debt: | Amortized cost |
| Embedded derivatives: | FVTPL |
| Production payment agreement (PPA): | Amortized cost |

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

***ii) Impairment***

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables, the Company has no material loss allowance as at December 31, 2022.

## 4. CASH AND CASH EQUIVALENTS

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Cash | $ | 927 | $ | 12,846 |
| Guaranteed Investment Certificates ("GICs") and term deposits | | 6,547 | | 46,283 |
| Cash and cash equivalents | $ | 7,474 | $ | 59,129 |

Cash is held at a Canadian chartered bank. 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 rate at 3.75% per annum (December 31, 2021: between 0.25% and 0.70%). The 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 $329 (December 31, 2021: $Nil), which is required to be spent on flow-through expenditures.

## 5. 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 the 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. The Company posted the first tranche of $10,226 in January 2022 through a surety bond. The remaining tranches totaling $20,000 will be posted in 2023 and 2024.

As of December 31, 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 December 31, 2022, the cash collateral was $2,000 (December 31, 2021: $2,000) for the surety bonds which was held in a trust account. The Company also has $447 reclamation deposits held in certificates of deposits with a Canadian chartered bank and the Ministry of Finance of British Columbia for its exploration licenses and Swamp Point property.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

The following table summarizes the reclamation deposit by property:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Surety bond trust account:** | | |
| Premier Gold Project | $ 1,861 | $ 1,861 |
| Red Mountain | 139 | 139 |
| **Cash security:** | | |
| Premier Gold Project and Silver Coin | 137 | 137 |
| Swamp Point | 310 | 310 |
| | $ 2,447 | $ 2,447 |

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.

## 6. EXPLORATION AND EVALUATION ASSETS

### MT. MARGARET

In March 2010 the Company signed an Option agreement, whereby it acquired a 100% interest in General Moly Inc.'s 50% interest in the Mt. Margaret property in Washington, USA. The government of the United States owns the other 50% interest. As of December 31, 2022, the property's carrying value is $5,424 (December 31, 2021: $5,424).

Ascot has the right to earn a 100% interest in Mt. Margaret property subject to a 1.5% NSR and a negotiated federal royalty. The Company may purchase one-half of the NSR upon completion of a preliminary economic assessment. The purchase price shall be negotiable but shall not be less than 50% of the net present value of the NSR.

### SWAMP POINT

The Company holds a 100% interest in a lease and foreshore tenure, expiring May 15, 2028, for the purpose of quarrying, digging and removal of sand and gravel at Swamp Point in British Columbia. Operations were suspended in 2008 due to unfavourable aggregate markets. The property was subsequently written off in 2010.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

## 7. 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** | | | | | | | |
| At January 1, 2021 | $ 185,554 | $ - | $ 1,354 | $ 2,561 | $ 310 | $ 865 | $ 190,644 |
| Additions | 9,976 | 41,375 | - | 18,075 | 3 | 272 | 69,701 |
| Capitalized borrowing costs | 4,520 | - | - | - | - | - | 4,520 |
| Increase in asset retirement cost | 356 | - | - | - | - | - | 356 |
| At December 31, 2021 | 200,406 | 41,375 | 1,354 | 20,636 | 313 | 1,137 | 265,221 |
| Additions | 26,384 | 51,457 | 290 | 20,086 | 8 | 500 | 98,725 |
| Capitalized borrowing costs | 7,482 | - | - | - | - | - | 7,482 |
| Decrease in asset retirement cost | (7,519) | - | - | - | - | - | (7,519) |
| **At December 31, 2022** | **226,753** | **92,832** | **1,644** | **40,722** | **321** | **1,637** | **363,909** |
| **Accumulated Amortization** | | | | | | | |
| At January 1, 2021 | 556 | - | 132 | 1,798 | 174 | 187 | 2,847 |
| Depreciation & amortization | 537 | - | 22 | 432 | 59 | 173 | 1,223 |
| At December 31, 2021 | 1,093 | - | 154 | 2,230 | 233 | 360 | 4,070 |
| Depreciation & amortization | 655 | - | 21 | 146 | 33 | 173 | 1,028 |
| **At December 31, 2022** | **1,748** | **-** | **175** | **2,376** | **266** | **533** | **5,098** |
| **Net book value** | | | | | | | |
| At December 31, 2021 | 199,313 | 41,375 | 1,200 | 18,406 | 80 | 777 | 261,151 |
| **At December 31, 2022** | **$ 225,005** | **$ 92,832** | **$ 1,469** | **$ 38,346** | **$ 55** | **$ 1,104** | **$ 358,811** |

The Company has agreements in place for the delivery of equipment. During the year ended December 31, 2022, the Company made progress payments totaling $20,086 towards the engineering, fabrication and acquisition of such equipment, which has been capitalized in machinery and equipment. As at December 31, 2022, the Company has outstanding purchase commitments totaling $2,130 for such equipment.

Mineral properties and project development cost additions of $26,384 consist of $19,797 spent on underground mining development, $3,044 spent on permitting, studies and pre-construction activities, and $3,543 spent on exploration.

Construction-in-progress cost additions of $51,457 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 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 (this gold metal stream was terminated on January 19, 2023 and replaced by a new gold and silver stream (Note 22a));
- 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 next milestone payment of $500 is expected to be made at the commencement of full-scale construction. 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.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

- 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.

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.

Management's assumptions of mineral reserve and resource quantities, recovery rates, estimated gold grades, mining and processing costs, capital expenditures as well as reclamation and closure costs were based on information compiled by management's experts.

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 20), 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 valuation of the recoverable amount is most sensitive to changes in gold price, exchange rates and discount rate. 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 discounted 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 was $290,000. As at December 31, 2022, no impairment indicators were noted. 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.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

## 8. OTHER ASSETS

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Deferred financing cost (Note 10) | $ | 1,662 | $ | 7,042 |
| Pre-production royalty (Note 7) | | 1,300 | | 1,250 |
| | $ | 2,962 | $ | 8,292 |

## 9. RECLAMATION PROVISIONS

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

| | | |
|---|---|---|
| **Balance, December 31, 2021** | **$** | **25,625** |
| Additions | | - |
| Change in estimate | | (7,519) |
| Accretion of reclamation liability | | 596 |
| Reclamation work done to reduce liability | | (347) |
| **Balance, December 31, 2022** | **$** | **18,355** |
| Current | | 788 |
| Non Current | | 17,567 |

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

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Premier Gold including Silver Coin | $ | 15,287 | $ | 21,938 |
| Swamp Point | | 576 | | 576 |
| Red Mountain | | 2,492 | | 3,111 |
| | $ | 18,355 | $ | 25,625 |

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 December 31, 2022, the estimated future cash flows have been discounted using a risk-free rate between 3.28% and 3.30% and a long-term 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 December 31, 2022, the estimated future cash flows have been discounted using a risk-free rate of 3.30% and a long-term inflation rate of 2.25% 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:

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Premier Gold | $ | 36,475 | $ | 36,398 |
| Swamp Point | | 576 | | 576 |
| Red Mountain | | 2,827 | | 2,827 |
| | $ | 39,878 | $ | 39,801 |

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

## 10. 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 consisted 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 "Convertible Debt"). The Senior Debt and the PPA were negotiated concurrently, and accordingly were 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 will not be able 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 the earlier of the refinancing of the Senior Debt or January 30, 2023. Upon repayment of the Senior Debt on January 19, 2023 (Note 22), the Company obtained a waiver for limited suspension of covenant compliance requirements under the Convertible Debt agreement until June 30, 2023.

### a) Senior Debt

| | Senior Debt - Liability component | Senior Debt - Derivative component | Senior Debt - PPA | Total |
|---|---|---|---|---|
| Balance, January 1, 2021 | $ 21,911 | $ 1,146 | $ 5,318 | $ 28,375 |
| Transaction costs and fees | (55) | - | - | (55) |
| Interest and accretion | 2,855 | - | 597 | 3,452 |
| Change in fair value of derivative | - | (654) | - | (654) |
| Change in estimate of PPA liability | - | - | (1,799) | (1,799) |
| Foreign exchange gain | (77) | - | (46) | (123) |
| Balance, December 31, 2021 | 24,634 | 492 | 4,070 | 29,196 |
| Interest and accretion | 3,791 | - | 477 | 4,268 |
| Change in fair value of derivative | - | (492) | - | (492) |
| Change in estimate of PPA liability | - | - | (2,876) | (2,876) |
| Foreign exchange loss | 1,839 | - | 298 | 2,137 |
| **Balance, December 31, 2022** | **$ 30,264** | **$ -** | **$ 1,969** | **$ 32,233** |
| Current | 10,296 | - | - | 10,296 |
| Non-current | 19,968 | - | 1,969 | 21,937 |

Concurrent with closing of the Senior Debt, the Company made an initial draw of US$20 million. The remainder of the 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 $5,075 attributed to the remaining amount were recorded in financing costs. Sprott waived the 5% cancellation fee. The Senior Debt bears a floating interest rate equal to a base rate of:

- 7.00% per annum during the period commencing on December 10, 2020 and ending upon completion as defined in the Senior Debt agreement, which will occur when construction is complete and PGP has successfully completed an agreed completion test ("Completion Date"), but no later than September 30, 2023, and
- 5.75% per annum after the Completion Date

plus the greater of the London Inter-bank Offered Rate ("LIBOR") and 1.50% per annum.

As of December 31, 2022, the Company had accrued interest of $5,159 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 December 31, 2022 was US$20 million (December 31, 2021: US$20 million). Principal and accrued interest are payable quarterly from September 30, 2023 to December 31, 2025, with quarterly repayments equal to 10% of the total amount outstanding at the end of December 31, 2022. Based on the repayment schedule in effect on December 31, 2022, $10,296 (including part of the principal and accrued interest) was repayable by December 31, 2023, with the remaining balance of the principal and accrued interest repayable in instalments by December 10, 2025.

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 December 31, 2022, the fair value of the derivative was $Nil (December 31, 2021: $492), resulting in a gain on change in fair value of the derivative of $492.

The Company may elect to prepay the outstanding principal balance in whole or in part anytime between December 31, 2022 and one year thereafter, in which case Ascot shall pay to Sprott an additional amount equal to 2% of the amount of such prepayment. Any prepayment after December 31, 2023 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 December 31, 2022, this derivative had a fair value of $Nil (December 31, 2021: $Nil).

On January 19, 2023, the Company repaid in full the outstanding principal and accrued interest of the Senior Debt and paid a 2% prepayment fee to Sprott (Note 22).

**b) Production purchase 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, 2022, the Company revised the value of the PPA based on Ascot's updated anticipated production schedule and a reduced amount of payable gold (112,500 ounces), as agreed to with Sprott. As a result of this change of estimate, a modification adjustment to the PPA was identified, which resulted in a gain of $2,876 (year ended December 31, 2021: $1,799) recorded in other income.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

On January 19, 2023, the PPA was terminated and the Company paid a $1,968 termination fee to Sprott (Note 22).

**c) Convertible Debt**

| | Convertible Debt - Liability component | Convertible Debt - Derivative component | Total |
|---|---|---|---|
| Balance, January 1, 2021 | $ 6,715 | $ 8,000 | $ 14,715 |
| Transaction costs and fees | (31) | - | (31) |
| Interest expense | 1,115 | - | 1,115 |
| Change in fair value of derivative | - | (3,656) | (3,656) |
| Foreign exchange loss | (16) | - | (16) |
| Balance, December 31, 2021 | 7,783 | 4,344 | 12,127 |
| Interest expense | 3,214 | - | 3,214 |
| Change in fair value of derivative | - | (3,835) | (3,835) |
| Foreign exchange loss | 721 | - | 721 |
| **Balance, December 31, 2022** | **$ 11,718** | **$ 509** | **$ 12,227** |
| Current | 11,718 | 509 | 12,227 |
| Non-current | - | - | - |

Pursuant to the terms of the Convertible Debt, the Company may borrow up to US$25 million, of which US$10 million was drawn on December 10, 2020. 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 upon the Company's request and approval by the lenders 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. The Company may cancel the undrawn amount by submitting a cancellation notice on or after December 9, 2022. On December 9, the Company submitted a cancellation notice and on December 12, 2022, the undrawn portion of the Convertible Debt of US$15 million was cancelled, and the transaction costs and fees of $670 attributed to the remaining amount were recorded in financing costs.

As of December 31, 2022, the Company accrued interest of $2,371 since inception (December 31, 2021: $1,120) on the Convertible Debt, which was added to the principal loan amount. As of December 31, 2022, the Company also accrued standby fee and other fees of $1,375 (December 31, 2021: $599). The outstanding principal amount of the Convertible Debt at December 31, 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 December 31, 2022, the fair value of the derivative was $509 (December 31, 2021: $4,344), resulting in a gain on change in fair value of the derivative of $3,835.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

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

| | |
|---|---|
| Maturity date: | December 10, 2023 |
| Risk-free rate: | 4.24%- 5.40% and 1.14%, respectively |
| Foreign exchange rate: | 1.3544 and 1.2678, respectively |
| Share price: | US$0.38 and US$0.96 per share, respectively |
| Expected volatility (rounded): | 85% 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.

### d) Financing costs

During the year ended December 31, 2022, the Company recorded a total of $5,969 (year ended December 31, 2021: $Nil) in financing costs, which consisted of $5,075 in deferred original issue discount, transaction costs and fees attributed to the Senior debt, $670 in deferred transaction costs and fees attributed to the Convertible debt and $224 in other costs and fees attributed to project financing.

## 11. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the income or loss for the year. These differences result from the following items:

| | | Year ended December 31, 2022 | | Year ended December 31, 2021 |
|---|---|---|---|---|
| Loss before income taxes | $ | (10,864) | $ | (3,174) |
| Income tax rate | | 27.00% | | 27.00% |
| Income tax recovery calculated using statutory rate | | (2,933) | | (857) |
| Increase (decrease) in income taxes resulting from: | | | | |
| Non-deductible expenses | | 1,572 | | 393 |
| Flow-through shares | | 4,846 | | 994 |
| Financing costs | | (1,055) | | (1,327) |
| Change in fair value of derivatives | | (491) | | (987) |
| Impact of change in provision from the prior year | | 58 | | 260 |
| Change in unrecognized deferred tax assets | | (2,044) | | 1,292 |
| Other, net | | (9) | | 6 |
| **Income tax recovery** | $ | (56) | $ | (226) |

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at December 31, 2022 and 2021, are summarized as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **Deferred tax assets** | | |
| Non-capital loss carry-forwards | 43,799 | 32,906 |
| Financing costs | 2,324 | 2,012 |
| Marketable securities | 50 | 50 |
| Reclamation provision | 841 | 645 |
| Other, net | 204 | 426 |
| | 47,218 | 36,039 |
| Unrecognized deferred tax assets | (1,072) | (3,115) |
| | 46,146 | 32,924 |
| **Deferred tax liabilities** | | |
| Exploration and evaluation assets | (841) | (761) |
| Mineral properties, plant and equipment | (44,648) | (30,125) |
| Prepaid royalties | (351) | (338) |
| Senior and convertible debt | (315) | (1,765) |
| | (46,155) | (32,989) |
| Net deferred tax liabilities recognized | (9) | (65) |

As at December 31, 2022, the Company has estimated non-capital losses for Canadian and US income tax purposes of $155,741 and US$3,378 respectively (December 31, 2021: $116,625 and US $3,285, respectively), which may be carried forward to reduce taxable income derived in the future.

Non-capital Canadian tax losses expire as follows:

| Year of expiry | Taxable losses |
|---|---|
| 2029 | $ 512 |
| 2030 | 2,210 |
| 2031 | 24,038 |
| 2032 | 4,399 |
| 2033 | 3,498 |
| 2034 | 3,680 |
| 2035 | 2,548 |
| 2036 | 5,276 |
| 2037 | 9,569 |
| 2038 | 11,003 |
| 2039 | 20,015 |
| 2040 | 18,106 |
| 2041 | 22,841 |
| 2042 | 28,046 |
| **Total** | $ 155,741 |

Non-capital US tax losses expire between 2032 and 2042.

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences in excess of those which offset recognized deferred tax liabilities have not been recognized in these financial statements as there is no certainty that sufficient future taxable profit will allow the deferred tax asset to be recovered.

## 12. CAPITAL AND RESERVES

### a) Share capital

The Company is authorized to issue an unlimited number of common shares with no par value. As at December 31, 2022, the number of total issued and outstanding common shares is 435,861,146 (December 31, 2021: 376,351,128).

***Activities during the year ended December 31, 2022***

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.

Throughout 2022, the Company issued 62,000 common shares for exercised DSUs and 177,018 common shares for exercised RSUs.

***Activities during the year ended December 31, 2021***

On April 9, 2021, the Company closed a bought deal financing. A total of 70,700,000 common shares of the Company were sold at a price of $0.86 per common share for gross proceeds of $60,802. In connection with the financing, the Company paid underwriters' fees and other fees and expenses in the amount of $3,554. This bought deal financing met the minimum equity raise requirement in the credit agreement of the Credit Facilities (Note 10).

On April 20, 2021, the Company closed a bought deal private placement. A total of 24,000,000 common shares of the Company were sold at a price of $0.86 per common share for gross proceeds of $20,640. In connection with the bought deal private placement, the Company paid underwriters' fees and other fees and expenses in the amount of $1,310.

On June 7, 2021, the Company closed a non-brokered private placement of 2,651,796 flow-through shares (the "Flow-Through Shares") at an average price of $1.43 per Flow-Through Share for gross proceeds of $3,765. The gross proceeds from the issuance of Flow-Through Shares were used for "Canadian exploration expenses", and qualify as "flow-through mining expenditures" as those terms are defined in the Income Tax Act (Canada), which have been renounced to the initial purchasers of the Flow-Through Shares with an effective date of December 31, 2021 in an aggregate amount not less than the gross proceeds raised from the issue of the Flow-Through Shares. In connection with the non-brokered private placement, the Company paid legal and share issuance fees in the amount of $51.

On October 7, 2021, the Company issued 66,667 common shares for exercised stock options.

On November 23, 2021, the Company issued 608,914 common shares as a service fee deposit to a subcontractor that manages the Company's project construction activities.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

### b) Stock options

Total compensation expense related to stock options for the year ended December 31, 2022 was $2,447 (year ended December 31, 2021: $1,031). The unrecognized compensation cost for non-vested stock options at December 31, 2022 was $1,815 (December 31, 2021: $269).

As of December 31, 2022, the Company had outstanding and exercisable stock options as follows:

| | Options outstanding | | | Options exercisable | | |
|---|---|---|---|---|---|---|
| Range of price | 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 | 13,942,275 | 4.00 | 0.58 | 8,165,305 | 3.34 | 0.67 |
| $1.00 to $1.29 | 6,217,303 | 3.67 | 1.16 | 3,911,477 | 3.38 | 1.20 |
| $1.30 to $1.50 | 3,625,250 | 1.25 | 0.84 | 3,598,584 | 1.24 | 0.84 |
| | 23,784,828 | 3.49 | 0.77 | 15,675,366 | 2.87 | 0.84 |

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 | 13,106,226 | 0.62 |
| Cancelled | (56,447) | 1.11 |
| Expired | (7,881,125) | 1.62 |
| Outstanding at December 31, 2022 | 23,784,828 | 0.77 |

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 year ended December 31, 2022, the Company granted 13,106,226 stock options at a weighted average exercise price of $0.62 to its directors, employees 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 year ended December 31, 2022 were as follows:

| | |
|---|---|
| Risk-free rate: | 1.72% - 3.04% |
| Expected life: | 5 years |
| Expected volatility: | 59.27% - 65.27% |
| Expected dividends: | Nil |
| Weighted average fair value per option: | $ 0.34 |

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

Subsequent to December 31, 2022, 500,000 stock options expired, 400,000 stock options were granted and 55,530 stock options were exercised.

During the year ended December 31, 2021, the Company granted 603,190 stock options at a weighted average exercise price of $1.26 to its directors, employees 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 year ended December 31, 2021 were as follows:

| | |
|---|---|
| Risk-free rate: | 0.20% - 0.91% |
| Expected life: | 2 - 5 years |
| Expected volatility: | 58.64% - 64.99% |
| Expected dividends: | Nil |
| Weighted average fair value per option: | $ 0.58 |

**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 on specific dates, as determined by the Board. 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. In December 2022, the Board approved the immediate vesting of all outstanding RSUs including RSUs granted in 2022. For the year ended December 31, 2022, $2,310 (year ended December 31, 2021: $647) 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 year ended December 31, 2022, $733 (year ended December 31, 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 years ended December 31, 2022 and 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 | 3,741,750 | 1,447,298 |
| Exercised | (177,018) | (62,000) |
| Expired | - | (37) |
| Outstanding at December 31, 2022 | 4,588,436 | 1,876,412 |

The weighted average remaining contractual life of RSUs outstanding at December 31, 2022 is 4.37 years. The DSUs outstanding at December 31, 2022 expire one year after the individual ceases to be a director of the Company.

Subsequent to December 31, 2022, 653,398 RSUs were exercised and 7,517 DSUs were granted.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

**d) Warrants**

On March 8, 2022, as a part of the Offering (Note 12), 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 December 31, 2022 | 13,710,500 | 1.25 |

The weighted average remaining contractual life of the warrants outstanding at December 31, 2022 was 1.19 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 |

## 13. GENERAL AND ADMINISTRATIVE COSTS

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Wages, benefits and management fees | $ 3,490 | $ 3,378 |
| Legal and professional services | 766 | 728 |
| Office and administration expenses | 606 | 449 |
| Travel | 141 | 43 |
| Investor relations and shareholders costs | 474 | 372 |
| Land and property taxes | 144 | 93 |
| | $ 5,621 | $ 5,063 |

## 14. FINANCE EXPENSE

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Accretion | $ 596 | $ 346 |
| Reclamation bond fee | 541 | 340 |
| Interest on office lease liability | 45 | 59 |
| | $ 1,182 | $ 745 |

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

## 15. OTHER INCOME

| | | Year ended December 31, 2022 | | Year ended December 31, 2021 |
|---|---|---|---|---|
| Interest income | | 505 | $ | 221 |
| Flow through share premium | | 3,696 | | 399 |
| Change in estimate of PPA liability | | 2,876 | | 1,799 |
| Other | | - | | 25 |
| | $ | 7,077 | $ | 2,444 |

## 16. 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:

| | | Year ended December 31, 2022 | | Year ended December 31, 2021 |
|---|---|---|---|---|
| Salaries, short-term benefits and management fees | $ | 1,425 | $ | 1,147 |
| Project development costs | | 107 | | 106 |
| Share-based payment transactions | | 3,624 | | 858 |
| | $ | 5,156 | $ | 2,111 |

### b) Other Related Party Transactions

Included in accounts payable and accruals at December 31, 2022 is $630 (December 31, 2021: $369) due to related parties.

During the year ended December 31, 2022, key management personnel were granted 7,907,647 stock options at a weighted average exercise price of $0.64. Using the Black-Scholes model, the fair value of the options granted to key management personnel was determined at $2,732.

During the year ended December 31, 2022, key management personnel were granted 1,617,281 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 $973.

During the year ended December 31, 2022, the Company's directors were granted 1,447,298 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 $733.

During the year ended December 31, 2022, 6,567,500 stock options held by the Company's key management personnel expired unexercised.

Subsequent to December 31, 2022, 500,000 stock options held by the Company's directors expired unexercised.

## 17. SEGMENT REPORTING

The Company has two operating segments: the development of the Project (Note 7) and exploration and evaluation of Mt. Margaret (Note 6). The Company has two geographic areas, Canada and the US.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

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 (Note 6).

## 18. LOSS PER SHARE

| | | Year ended December 31, 2022 | | Year ended December 31, 2021 |
|---|---|---|---|---|
| Loss (earnings) attributable to ordinary shareholders | $ | 10,808 | $ | 2,948 |
| Weighted average number of shares outstanding - basic | | 424,804,495 | | 348,131,771 |
| Stock options | | - | | |
| Units | | - | | |
| Weighted average number of shares outstanding - diluted | | 424,804,495 | | 348,131,771 |
| **Basic loss (earnings) per share** | **$** | **0.03** | **$** | **0.01** |
| **Diluted loss (earnings) per share** | **$** | **0.03** | **$** | **0.01** |

For the years ended December 31, 2022 and 2021 none of the Company's issued and outstanding stock options, RSUs or DSUs were included in the calculation of diluted loss per share as they were anti-dilutive.

## 19. SUPPLEMENTAL CASH FLOW INFORMATION

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

| | | Year ended December 31, 2022 | | Year ended December 31, 2021 |
|---|---|---|---|---|
| **Net changes in non-cash working capital items included in prepaid expenses and deposits** | | | | |
| Shares issued for construction management contractor deposit | $ | - | $ | 750 |
| | $ | - | $ | 750 |
| **Net changes in non-cash working capital items included in mineral properties** | | | | |
| Depreciation and amortization | $ | (304) | $ | (364) |
| Capitalized borrowing cost | | 7,482 | | 4,520 |
| Stock-based compensation | | 475 | | - |
| Accounts payable and accrued liabilities | | (8,663) | | 11,594 |
| | $ | (1,010) | $ | 15,750 |

## 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Fair value*

The Company's financial instruments include cash and cash equivalents, 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.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

- 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.

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

The recorded amounts of cash and cash equivalents, 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 component of the Senior Debt approximate their fair values since these liabilities were settled on January 19, 2023 at an amount approximately equal to their combined carrying value. The carrying value of liability component of the Convertible Debt approximates its fair values since the increase in the market interest rates between the date of the debt inception (December 10, 2020) and December 31, 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 December 31, 2022** | **Fair value** | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| **Financial liabilities** | | | |
| Senior debt - derivative portion | $ - | $ - | $ - |
| Convertible debt - derivative portion | - | - | 509 |
| | $ - | $ - | $ 509 |

| **As at December 31, 2021** | **Fair value** | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | |
| Marketable securities | $ - | $ 23 | $ - |
| | $ - | $ 23 | $ - |
| | | | |
| **Financial liabilities** | | | |
| 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.

Expressed in Thousands of Canadian Dollars Except Price per Share/Unit

*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 10). A 10% decrease (increase) of the value of the Canadian dollar relative to the U.S. dollar as at December 31, 2022 would result in an additional $4,197 foreign exchange loss (gain) reported in the Company's statement of comprehensive loss for the year ended December 31, 2022 (year ended December 31, 2021: $3,288).

*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 10). 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 $470 for the year ended December 31, 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. As at December 31, 2022, Ascot had a cash and cash equivalents balance of $7,474 and a working capital deficiency of $20,865, which included the $22,523 current portion of the credit facilities. On January 19, 2023, the Company received gross proceeds of US$110 million from a gold and silver stream and $50 million from an equity financing package to replace the Senior Debt facility, provide funding to finish the construction of the Project and continue its operations (Note 22). US$26 million of the above proceeds was used to repay the Senior Debt facility and the PPA.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2022 were as follows:

| | Less than 1 year | 1-3 years | 4-5 years | After 5 years | TOTAL |
|---|---|---|---|---|---|
| Trade and other payables | $ 6,504 | $ - | $ - | $ - | $ 6,504 |
| Lease liabilities | 430 | 415 | - | - | 845 |
| Production payment agreement (Note 10) | - | 1,981 | - | - | 1,981 |
| Senior and convertible debt (Note 10) | 29,270 | 29,507 | - | - | 58,777 |
| | $ 36,204 | $ 31,903 | $ - | $ - | $ 68,107 |

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 10). 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.

## 21. 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 10), 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 (working capital ratio is defined as current assets divided by current liabilities excluding the current portion of the Credit Facilities and any premium portion of flow through shares). As of December 31, 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 10). However, the Company was 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 remained outstanding, the remaining US$60 million was cancelled on June 30, 2022 and Ascot pursued alternative financing options to replace the remainder of the Senior Debt. On January 19, 2023, the Company repaid the Senior Debt in full (Note 22).

There has been no significant change to the Company's capital management policies during the year ended December 31, 2022.

## 22. SUBSEQUENT EVENT

On January 19, 2023, the Company closed a financing package for construction of the Project. The financing package consists of:

### a) Gold and silver stream

An upfront payment of US$110 million from SRSR as a deposit (the "Deposit") in respect of gold and silver streaming agreements (the "Stream"). The Company terminated the existing 10% streaming agreement it had on RMP (Note 7) in return for the delivery of 8.75% and 100% of gold and silver production, respectively, from PGP and RMP in exchange for the reduction of the Deposit and ongoing payments from SRSR equal to 10% of prevailing gold and silver prices, including after the Deposit is reduced to nil. Silver production from the Silver Hill Target at the northeastern part of the PGP property has been excluded from the Stream.

From January 1, 2025 until December 31, 2026, Ascot has the right to buyback 50% of the stream for US$80 million in cash (the "Buyback"). Once 150,000 ounces of gold have been delivered ("Delivery Threshold"), the stream deliveries for gold and silver shall be reduced by 50% to 4.375% and 50%, respectively. In the case that the Buyback is exercised, then the remaining Delivery Threshold at that time will be reduced by the Buyback percentage, and once the threshold is met the stream deliveries for gold and silver shall be reduced by a further 50% to 2.1875% and 25%, respectively. The Delivery Threshold and the Buyback shall apply to both PGP and RMP. SRSR has been granted first-ranking security to secure the obligations under the Stream, which security will be subordinated to any operating loan on the earlier the Buyback being exercised or the Deposit being reduced to zero. The Stream also contains certain customary covenants including minimum cash balance of US$5 million and positive working capital.

From the gross proceeds, US$26 million has been used to repay the existing Senior Debt and terminate the PPA (Note 10).

**b) Strategic equity investment**

A strategic equity investment (the "Strategic Investment") of $45 million, a portion of which is structured as Canadian Development Expenditures flow through shares ("CDE flow through"), such that the total gross proceeds to the Company is $50 million. The strategic investor's ownership of Ascot is 19.9% upon closing and it received participation rights to maintain its pro rata ownership in subsequent equity issuances. The strategic investor has the right to nominate up to two people to Ascot's Board of Directors as long as its ownership remains above 10% of Ascot common shares outstanding. If the strategic investor's ownership falls below 10%, it will have the right to nominate one person to Ascot's Board of Directors, and if its ownership falls below 5% then it will not have the right to nominate anyone to Ascot's Board of Directors.

The Strategic Investment consisted of 48,500,000 Common Shares of the Company at a price of C$0.41 per Common Share for gross proceeds of $19,885 and 60,000,000 Common Shares of the Company that qualify as "flow through shares", as defined in the Income Tax Act (Canada) (the "CDE Common Shares"), at a price of C$0.50 per CDE Common Share for gross proceeds of $30,000. The Common Shares and CDE Common Shares were offered by way of private placement pursuant to applicable prospectus exemptions and will be subject to hold periods in accordance with applicable securities laws.

The net proceeds from the sale of the Common Shares will be used for capital costs at the Project and for general corporate purposes.

An amount equal to the gross proceeds from the issuance of the CDE Common Shares will be used to incur "Canadian development expenses" as defined in the Income Tax Act (Canada) ("Qualifying Expenditures"). The Qualifying Expenditures will be incurred on or before June 30, 2024 and will be renounced by the Company to the subscribers with an effective date no later than June 30, 2024 to the initial purchasers of the CDE Common Shares in an aggregate amount not less than the gross proceeds raised from the issue of the CDE Common Shares.