



## **Ascot Resources Ltd.**

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

For the three and nine months ended September 30, 2023 and 2022  
(Expressed in thousands of Canadian Dollars, except where indicated)  
(Unaudited)

# Ascot Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian Dollars in Thousands)

(Unaudited)

	Notes	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	3	\$ 80,814	\$ 7,474
Trade and other receivables		2,307	840
Prepaid expenses and deposits		3,117	1,138
<b>Total Current Assets</b>		<b>86,238</b>	<b>9,452</b>
Reclamation deposits	4	2,447	2,447
Exploration and evaluation assets		5,424	5,424
Mineral properties, plant and equipment	5	496,568	358,811
Stream buyback option	6	10,910	-
Other assets	7	1,370	2,962
<b>Total Non-Current Assets</b>		<b>516,719</b>	<b>369,644</b>
<b>Total Assets</b>		<b>\$ 602,957</b>	<b>\$ 379,096</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables		\$ 29,945	\$ 6,504
Deferred revenue	6	8,118	-
Reclamation provisions	8	477	788
Credit facilities	9	-	22,523
Lease liabilities		1,547	430
Other liabilities	11	4,125	72
<b>Total Current Liabilities</b>		<b>44,212</b>	<b>30,317</b>
Deferred revenue	6	162,571	-
Reclamation provisions	8	31,381	17,567
Credit facilities and Convertible Facility	9,10	14,997	21,937
Lease liabilities		2,952	327
Deferred income tax liabilities		9	9
<b>Total Non-Current Liabilities</b>		<b>211,910</b>	<b>39,840</b>
<b>Total Liabilities</b>		<b>256,122</b>	<b>70,157</b>
<b>Shareholders' Equity</b>			
Share capital	11	400,731	351,337
Contributed surplus	11	30,103	29,466
Accumulated deficit		(83,999)	(71,864)
<b>Total Shareholders' Equity</b>		<b>346,835</b>	<b>308,939</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 602,957</b>	<b>\$ 379,096</b>

Commitments (Notes 5, 6, 8 and 18), Contingencies (Notes 5 and 6).

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

/s/ "Rick Zimmer"

Director

/s/ "Indi Gopinathan"

Director

## Ascot Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Canadian Dollars in Thousands Except Loss per Share)

(Unaudited)

	Notes	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
General and administrative	12	\$ 1,452	\$ 1,263	\$ 4,701	\$ 4,335
Stock-based compensation	11	322	472	1,189	2,029
Amortization and depreciation		160	108	415	438
Environmental compliance cost		484	163	1,172	285
Financing costs	6, 9	-	-	2,490	1,121
Finance expense	13	500	303	1,199	891
Other income	14	(1,765)	(2,058)	(2,298)	(3,480)
Loss on extinguishment of debt	9,10	-	-	5,120	-
Change in fair value of derivatives	6,9,10	200	(591)	(1,383)	(4,211)
Foreign exchange loss (gain)		120	2,736	(470)	3,412
<b>Net loss</b>		<b>\$ 1,473</b>	<b>\$ 2,396</b>	<b>\$ 12,135</b>	<b>\$ 4,820</b>
<b>Total comprehensive loss</b>		<b>\$ 1,473</b>	<b>\$ 2,396</b>	<b>\$ 12,135</b>	<b>\$ 4,820</b>
<b>Loss per share</b>					
- basic and diluted		\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.01
Weighted average shares outstanding					
- basic and diluted		555,919,118	435,641,564	543,701,587	421,090,024

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

## Ascot Resources Ltd.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian Dollars in Thousands except No. of Shares)

(Unaudited)

	Number of shares issued and outstanding	Share capital	Share- based payment - reserve	Deficit	Total share- holders' equity
<b>Balance, January 1, 2022</b>	<b>376,351,128</b>	<b>\$ 298,733</b>	<b>\$ 19,528</b>	<b>\$ (61,056)</b>	<b>\$ 257,205</b>
Shares issued for cash					
Bought deal financing, net of issue costs	59,271,000	56,110	4,235	-	60,345
Issued for other consideration					-
Exercise of share units	97,062	109	(109)	-	-
Premium on flow-through shares	-	(3,768)	-	-	(3,768)
Stock-based compensation expense	-	-	2,029	-	2,029
Stock-based compensation capitalized	-	-	244	-	244
Net loss for the period	-	-	-	(4,820)	(4,820)
<b>Balance, September 30, 2022</b>	<b>435,719,190</b>	<b>\$ 351,184</b>	<b>\$ 25,927</b>	<b>\$ (65,876)</b>	<b>\$ 311,235</b>
<b>Balance, January 1, 2023</b>	<b>435,861,146</b>	<b>\$ 351,337</b>	<b>\$ 29,466</b>	<b>\$ (71,864)</b>	<b>\$ 308,939</b>
Shares issued for cash					
Private placements, net of issue costs (Note 11)	113,500,000	51,574	-	-	51,574
Exercise of stock options	55,530	39	(14)	-	25
Issued for other consideration					-
Exercise of share units	1,073,603	748	(748)	-	-
Partner alignment shares (Note 6)	5,457,073	3,383	-	-	3,383
Premium on flow-through shares (Note 11)	-	(6,350)	-	-	(6,350)
Stock-based compensation expense (Note 11)	-	-	1,189	-	1,189
Stock-based compensation capitalized	-	-	210	-	210
Net loss for the period	-	-	-	(12,135)	(12,135)
<b>Balance, September 30, 2023</b>	<b>555,947,352</b>	<b>\$ 400,731</b>	<b>\$ 30,103</b>	<b>\$ (83,999)</b>	<b>\$ 346,835</b>

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

# Ascot Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian Dollars in Thousands)

(Unaudited)

	Notes	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Cash flows from operating activities</b>			
Loss for the period		\$ (12,135)	\$ (4,820)
Adjustment to reconcile loss to net cash used in operating activities:			
Stock-based compensation	11	1,189	2,029
Amortization and depreciation		415	438
Financing costs	6	1,668	1,121
Gain on flow through share premium		(2,297)	(2,989)
Finance expense		773	508
Change in fair value of derivatives	6	(1,383)	(4,308)
Loss on extinguishment of debt	9,10	5,120	-
Unrealized foreign exchange (gain) loss		(1,096)	3,422
Changes in non-cash working capital balances:			
Increase in receivables		(1,467)	(210)
Increase in prepaid expenses and deposits		(1,979)	(1,616)
Increase in trade and other payables		(182)	507
Payment for reclamation provision		(116)	(260)
<b>Total cash outflows from operating activities</b>		<b>(11,490)</b>	<b>(6,178)</b>
<b>Cash flows from investing activities</b>			
Investment in mineral properties, plant and equipment		(78,712)	(88,024)
Payment for pre-production royalty		(50)	(50)
<b>Total cash outflows from investing activities</b>		<b>(78,762)</b>	<b>(88,074)</b>
<b>Cash flows from financing activities</b>			
Proceeds from stream deposit	6	113,006	-
Payment for convertible facility	10	(565)	-
Proceeds from share issuance	11	53,935	64,241
Share issue costs	11	(2,361)	(3,896)
Deferred financing costs		-	(241)
Proceeds from exercise of stock options		25	-
Payment for lease liabilities		(433)	(491)
<b>Total cash inflows from financing activities</b>		<b>163,607</b>	<b>59,613</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(15)</b>	<b>-</b>
<b>Total increase (decrease) in cash during the period</b>		<b>73,340</b>	<b>(34,639)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>7,474</b>	<b>59,129</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 80,814</b>	<b>\$ 24,490</b>

Supplemental cash flow information

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

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**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 ore to the process plant. The Silver Coin, Big Missouri, and Premier deposits, collectively named the Premier Gold Project (“PGP”) are located near the processing facility on the historical Premier Mine site, and the Red Mountain Project (“RMP”) is located 23 km to the southeast in an adjacent valley. PGP together with RMP is defined as the “Project”. The Company also has two other properties: Swamp Point, an aggregate project located in British Columbia on the Portland Canal, and Mt. Margaret, a porphyry copper-molybdenum-gold-silver deposit located in Washington State, USA.

Ascot was incorporated under the Business Corporations Act of British Columbia in May 1986. The Company’s wholly-owned subsidiaries, as of September 30, 2023 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 unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 (the “Interim Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Auditing Standard (“IAS”) 34, Interim Financial Reporting. These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”).

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company’s audited financial statements for the year ended December 31, 2022, except for the adopted amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 12 *Income Taxes*, which did not have a significant impact on the Company’s financial statements. The initial deposit received under the Stream (Note 6) has been accounted for as a contract liability (deferred revenue) within the scope of IFRS 15. Under the terms of the Stream, settlement will be executed via the delivery of gold and silver. The products to be delivered are directly linked to the metals produced at the Project. The contracts are therefore not financial instruments as the contracts will not be settled in cash or another financial instrument.

These Interim Financial Statements were authorized for issue by the Board of Directors on November 9, 2023.

**b) Basis of measurement**

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

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

**c) New and amended IFRS pronouncements*****Amendment to IAS 1 Presentation of Financial Statements***

On October 31, 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. We are in the process of assessing the impact, but these amendments could impact the classification of our credit facilities in the future.

***Amendments to IFRS 16 Leases***

On September 22, 2022, the IASB issued amendments to IFRS 16 Leases. The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments are not expected to impact the Company's financial statements.

***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures***

On May 25, 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, which add disclosure requirements, and "signposts" within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for reporting periods beginning on or after January 1, 2024. These amendments are not expected to have a significant impact on the Company's financial statements.

***Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates***

On August 15, 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates. The amendments provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for reporting periods beginning on or after January 1, 2025. These amendments are not expected to have a significant impact on the Company's financial statements.

**d) Judgments and estimates**

In addition to the judgments and estimates noted in the Company's audited financial statements for the year ended December 31, 2022, management identified the following new areas involving critical judgments in applying accounting

policies and areas of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Upon initiation of the Stream (Note 6) and at each reporting period, management applies judgment in assessing the appropriate accounting treatment of the Stream. One of the areas of significant judgment is the Company's potential obligation to settle a portion of the Stream in cash. Management noted that the lender has limited ability to cancel the Stream or seek cash reimbursement except under certain circumstances of breach and default of covenants (i.e., a contingent settlement provision). Management determined that the Company is expected to be able to settle the Stream through delivery of the commodities based on Ascot's most recent mine plan. Based on these considerations, management concluded that the Stream does not meet the definition of a financial liability and has been accounted for as a contract liability for the future delivery of an unknown quantity of gold and silver ounces, with each ounce representing a separate performance obligation (Note 6).

A market-based discount rate is utilized at the inception of the Stream to determine a discount rate for computing the interest charges for the significant financing component of the deferred revenue balance. As gold and silver are delivered, the deferred revenue amount including accreted interest will be drawn down. The drawdown rate requires the use of proven and probable reserves and certain resources in the calculation that are beyond indicated and inferred resources, which management is reasonably confident are transferable to proven and probable reserves. Key estimates used in determining the significant financing component include the discount rate and the reserve and resources assumed for conversion.

When the Stream includes an embedded derivative component, its fair value is estimated using a financial pricing model. The Company estimates the fair value of its buyback option derivative using the Monte Carlo Simulation Method. The key assumptions used in the model are risk-free rates, the Company's forecast mineral production, forecast gold and silver prices and volatility and credit spread (Note 6).

In assessing the Convertible Facility (Note 10), management identified a conversion option embedded derivative within the convertible debt. The derivative is required to be revalued at each period end with the movements recorded as gains or losses in the statement of comprehensive loss.

**3. CASH AND CASH EQUIVALENTS**

	September 30, 2023	December 31, 2022
Cash	\$ 65,650	\$ 927
Guaranteed Investment Certificates ("GICs") and term deposits	15,164	6,547
Cash and cash equivalents	\$ 80,814	\$ 7,474

Canadian and US dollar cash is held in treasury accounts at a Canadian chartered bank. GICs and term deposits are held at a Canadian chartered bank and at registered brokers. Cash in treasury accounts, GICs and term deposits bear interest at rates between 5.15% and 5.40% per annum (December 31, 2022: 3.75%). The GICs and term deposits may be redeemed on twenty-four-hour notice to the bank or broker and are considered cash equivalents.

Included in cash and cash equivalents is \$22,264 (December 31, 2022: \$329), which is required to be spent on flow-through expenditures prior to June 30, 2024 (\$20,108) and April 30, 2025 (\$2,156).



**4. RECLAMATION DEPOSITS**

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

Based on a revised closure and reclamation plan in 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 September 30, 2023, Ascot has posted an environmental bond of \$1,098 for its Red Mountain property (December 31, 2022: \$1,098).

The Company established a surety bonding arrangement with a Canadian insurance company (the “Surety”) with respect to its environmental bonds. The surety arrangement required the Company to provide cash collateral and pay an annual bond fee equal to 2% of the respective bond amount. As of September 30, 2023, the cash collateral was \$2,000 (December 31, 2022: \$2,000) for the surety bonds which was held in a trust account. The Company also has \$447 in 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.

The following table summarizes the reclamation deposit by property:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
<b>Surety bond trust account:</b>		
Premier Gold Project	\$ 1,861	\$ 1,861
Red Mountain	139	139
<b>Cash security:</b>		
Premier Gold Project and Silver Coin	137	137
Swamp Point	310	310
	<b>\$ 2,447</b>	<b>\$ 2,447</b>

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.

## Ascot Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022  
Expressed in Thousands of Canadian Dollars Except Price per Share/Unit  
(Unaudited)

### 5. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Mineral properties and project development costs	Cons- truction in progress	Land and buildings	Machi- nery and equip- ment	Office furniture and equip- ment	Right-of- use assets	Total
<b>Cost</b>							
At January 1, 2023	226,753	92,832	1,644	40,722	321	1,637	363,909
Additions	15,728	84,036	2,064	5,274	64	4,524	111,690
Capitalized borrowing costs	14,074	-	-	-	-	-	14,074
Increase in asset retirement cost	12,868	-	-	-	-	-	12,868
<b>At September 30, 2023</b>	<b>269,423</b>	<b>176,868</b>	<b>3,708</b>	<b>45,996</b>	<b>385</b>	<b>6,161</b>	<b>502,541</b>
<b>Accumulated Amortization</b>							
At January 1, 2023	1,748	-	175	2,376	266	533	5,098
Depreciation & amortization	408	-	16	44	27	380	875
<b>At September 30, 2023</b>	<b>2,156</b>	<b>-</b>	<b>191</b>	<b>2,420</b>	<b>293</b>	<b>913</b>	<b>5,973</b>
<b>Net book value</b>							
At January 1, 2023	225,005	92,832	1,469	38,346	55	1,104	358,811
<b>At September 30, 2023</b>	<b>\$ 267,267</b>	<b>\$ 176,868</b>	<b>\$ 3,517</b>	<b>\$ 43,576</b>	<b>\$ 92</b>	<b>\$ 5,248</b>	<b>\$ 496,568</b>

The Company has agreements in place for the delivery of equipment. During the nine months ended September 30, 2023, the Company made progress payments totaling \$5,274 towards the engineering, fabrication and acquisition of such equipment, which has been capitalized in machinery and equipment. As of September 30, 2023, the Company has outstanding purchase commitments totaling \$240 for such equipment.

Mineral properties and project development cost additions of \$15,728 consist of \$11,029 spent on mine development and pre-operating costs, \$2,415 spent on permitting, studies and pre-construction activities, and \$2,284 spent on exploration.

Construction-in-progress cost additions of \$94,308 are expenditures on construction contracts such as site development and earthworks, equipment installation, piping and indirect construction costs.

In July 2023, the Company entered into a master lease agreement for an equipment lease facility up to US\$15 million on an uncommitted basis for surface mining equipment and construction equipment. The lease terms of the equipment are 4 to 5 years at an interest rate of the Canadian Dollar Offered Rate plus 4.25%. Right-of-use asset cost additions of \$4,524 include \$3,727 for surface mining equipment and construction equipment delivered as of September 30, 2023 under the master lease agreement. As of September 30, 2023, the Company has outstanding lease commitments totaling \$12,264 for the surface mining equipment.

#### 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 gold and silver metal stream granted to Sprott Private Resource Streaming and Royalty (B) Corp. ("SRSR") (Note 6);
- 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 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 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. As of September 30, 2023, the Company has made milestone payments totaling \$1,250 under the Benefits Agreement. The Company is also required to make annual payments as a percentage of Provincial Mineral Tax during production.

## 6. DEFERRED REVENUE

On January 19, 2023, the Company closed two Purchase and Sale Agreements (the "Stream") with SRSR whereby the Company received an upfront payment of US\$110 million (the "Deposit") against 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, continuing 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. The existing 10% gold stream arrangement that SRSR had on RMP production was terminated. A deemed payment of US\$18 million on the 10% gold stream on RMP production was transferred to the Stream and will be a part of the calculation of transaction price allocated to each gold ounce delivery in the future. A portion of the Deposit was used to extinguish the Senior Debt, and the remainder is being used for development and construction of the Project and general working capital purposes.

From January 1, 2025 until December 31, 2026, Ascot has the right to buy back 50% of the stream for US\$80 million in cash (the "Buyback option"). 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 option is exercised, then the remaining Delivery Threshold at that time will be reduced by the buyback percentage, and once the Delivery Threshold is met the stream deliveries for gold and silver shall be reduced by a further 50% to 2.1875% and 25%, respectively. 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 of the Buyback option 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 (Note 19).

Per the Stream agreement, the Company was required to pay SRSR a partner alignment fee of \$3,383, which was paid on May 2, 2023 by issuing 5,457,073 common shares of the Company. The fee was treated as a cost to obtain a contract under IFRS 15 that is amortized upon commencement of production over the expected life of the mine consistent with the expected timing of the transfer of gold and silver ounces. The resulting net proceeds to the Company from the Deposit were \$144,809 recorded as deferred revenue. Other costs incurred associated with the Stream of \$1,127 (including \$324 previously deferred) were recorded in financing costs in the statement of comprehensive loss.

## Ascot Resources Ltd.

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022  
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(Unaudited)

The Company has determined that the Stream qualifies as an “own use contract” and is therefore a contract liability that falls under the scope of IFRS 15 where the Deposit is accounted for as a contract liability for the future delivery of an unknown quantity of gold and silver ounces, with each ounce representing a separate performance obligation. The Deposit represents variable consideration to be allocated to the number of ounces estimated to be in the Project that will need to be delivered under the Stream. The Deposit also includes a significant financing component, which will result in the recognition of interest expense which increases the contract liability until delivery occurs and a corresponding increase in the revenue recognized upon delivery. The Company has estimated the nominal pre-tax interest rate at 12%.

	<b>Deferred revenue</b>
Fair value on initial recognition on January 19, 2023 - liability	\$ 144,809
Fair value on initial recognition on January 19, 2023 - derivative	13,108
Interest expense	12,772
<b>Balance, September 30, 2023</b>	<b>\$ 170,689</b>
Current	8,118
Non-current	162,571

The Buyback option represents an embedded derivative asset requiring bifurcation from the balance recorded as deferred revenue. A corresponding increase in the deferred revenue was recorded as a result of the initial recognition of the derivative asset is accounted for at fair value through profit or loss. The fair value of the derivative at the inception date and at each reporting period was calculated using the Monte Carlo Simulation Method. At inception of the Stream on January 19, 2023, the fair value of the Buyback option was \$13,108. As of September 30, 2023, the fair value of the Buyback option was \$10,910 resulting in a loss of \$2,198. The assumptions used in this valuation model, and the resulting fair value of the embedded derivative at September 30, 2023 and at January 19, 2023 were as follows:

Production forecast period:	January 1, 2025 to December 31, 2035
Designated gold percentage:	8.75%
Designated silver percentage:	100%
Gold volatility:	14.6% and 15.2%, respectively
Silver volatility:	26.6% and 28.8%, respectively
Correlation:	0.7939 and 0.7853, respectively
Buyback exercise date:	January 1, 2025
Buyback purchase price:	US\$80 million
Discount rate:	14.79% and 15.00%, respectively
Fair value of the derivative:	\$10,910 and \$13,108, respectively

### 7. OTHER ASSETS

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Deferred financing cost	\$ 20	\$ 1,662
Pre-production royalty (Note 5)	1,350	1,300
	<b>\$ 1,370</b>	<b>\$ 2,962</b>

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**8. RECLAMATION PROVISIONS**

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

<b>Balance, December 31, 2022</b>	<b>\$</b>	<b>18,355</b>
Additions		5,184
Change in estimate		7,683
Accretion of reclamation liability		752
Reclamation work done to reduce liability		(116)
<b>Balance, September 30, 2023</b>	<b>\$</b>	<b>31,858</b>
Current		477
Non Current		31,381

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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Premier Gold including Silver Coin	\$ 27,811	\$ 15,287
Swamp Point	576	576
Red Mountain	3,471	2,492
	<b>\$ 31,858</b>	<b>\$ 18,355</b>

The Company's provision for environmental obligations at the Premier Gold mine is based on project plans prepared by management. As at September 30, 2023, the estimated future cash flows have been discounted using a risk-free of 3.81% and a long-term inflation rate of 2% was used to determine future expected costs (as at December 31, 2022: 3.28%-3.30% and 2%-2.25%, respectively).

The Company's provision for environmental obligations at the Red Mountain property is based on the reclamation cost estimate prepared by management. As at September 30, 2023, the estimated future cash flows have been discounted using a risk-free rate of 4.03% and a long-term inflation rate of 2.25% was used to determine future expected costs (as at December 31, 2022: 3.30% and 2.25%, respectively).

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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Premier Gold	\$ 56,114	\$ 36,475
Swamp Point	576	576
Red Mountain	4,334	2,827
	<b>\$ 61,024</b>	<b>\$ 39,878</b>

**9. 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 Purchase Agreement

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(“PPA”), and c) a US\$25 million subordinated convertible non-revolving credit facility with Beedie and Sprott (the “Convertible Debt”).

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

### a) Senior Debt

The Company made an initial draw of US\$20 million on December 10, 2020. The remainder of the US\$60 million facility was canceled on June 30, 2022. On January 19, 2023, the Company repaid in full the outstanding principal of US\$20 million and accrued interest of \$5,360 of the Senior Debt and paid a 2% prepayment fee to Sprott. A loss of \$2,858 was recorded in loss on extinguishment of debt. A previously deferred partner alignment fee of \$1,344 was recorded in financing costs.

	Senior Debt - Liability	Senior Debt - PPA	Total
Balance, January 1, 2023	30,264	1,969	32,233
Interest and accretion	257	-	257
Foreign exchange gain	(162)	-	(162)
Extinguishment	(33,217)	(1,969)	(35,186)
Loss on extinguishment	2,858	-	2,858
<b>Balance, September 30, 2023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### b) Production purchase agreement (PPA)

The Company 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 agreed to pay Sprott monthly production payments based on the number of ounces of gold produced. On January 19, 2023, the PPA was terminated and the Company paid a \$1,969 termination fee to Sprott using a portion of the proceeds from the Stream.

### c) Convertible Debt

	Convertible Debt - Liability component	Convertible Debt - Derivative component	Total
Balance, January 1, 2023	11,718	509	12,227
Interest expense	4,859	-	4,859
Change in fair value of derivative	-	168	168
Foreign exchange gain	(1,199)	-	(1,199)
Extinguishment on June 27, 2023	(17,640)	(677)	(18,317)
Loss on extinguishment	2,262	-	2,262
<b>Balance, September 30, 2023</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Pursuant to the terms of the Convertible Debt, the Company could borrow up to US\$25 million, of which US\$10 million was drawn on December 10, 2020. Interest accrued on the outstanding principal amount of the Convertible Debt at 8% per annum. The interest was compounded quarterly and added to the principal loan amount. Principal and capitalized interest were payable on December 10, 2023. Any undrawn balance of the Convertible Debt incurred a standby fee of 3% beginning on December 10, 2020. On December 9, 2022, 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 in 2022.

As of June 27, 2023, the Company had accrued interest of \$3,080 since inception (December 31, 2022: \$2,371) on the Convertible Debt, which was added to the principal loan amount. As of June 27, 2023, the Company had also accrued standby fees and other fees of \$1,984 (December 31, 2022: \$1,375). The outstanding principal amount of the Convertible Debt as at June 27, 2023 was US\$10 million (December 31, 2022: US\$10 million). On June 27, 2023, the Company repaid the Convertible Debt in full, including the accrued interest and fees, with the proceeds from its new Convertible Facility (Note 10).

## 10. CONVERTIBLE FACILITY

On June 27, 2023, the Company entered into a credit agreement with Nebari Gold Fund 1, LP (“Nebari”) for a US\$14 million subordinated convertible non-revolving credit facility (the “Convertible Facility”). The Company incurred \$663 of legal and due diligence expenses in relation to obtaining the Convertible Facility. Upon closing of the project financing package, transaction costs and fees attributable to the Convertible Facility have been included in the effective interest rate calculations for the liability component of the Convertible Facility measured at amortized cost.

Under the terms of the Credit Facility, if an event of default shall occur and be continuing, Nebari may, by notice to the Company, declare the outstanding principal and accrued interest and fees be due and payable. Mandatory repayment in an event of default is subject to a prepayment penalty (24 months interest if prior to June 27, 2025 or 1% of outstanding amount if after June 27, 2025). Events of default include but are not limited to failing to make principal interest and fee payments; defaulting on certain covenants and occurrence of certain material adverse events. The Convertible Facility is also subject to certain conditions and covenants, including the maintenance of minimum cash and working capital balances. As of September 30, 2023 the Company was in compliance with the covenants.

	Convertible Facility - Liability component	Convertible Facility - Derivative component	Total
Fair value on initial recognition on June 27, 2023	\$ 9,633	\$ 8,812	\$ 18,445
Transaction costs and fees	(693)	-	(693)
Interest expense	744	-	744
Change in fair value of derivative	-	(3,749)	(3,749)
Foreign exchange loss	250	-	250
<b>Balance, September 30, 2023</b>	<b>\$ 9,934</b>	<b>\$ 5,063</b>	<b>\$ 14,997</b>
Current	-	-	-
Non-current	9,934	5,063	14,997

Pursuant to the terms of the Convertible Facility, interest will accrue at a floating rate equal to the base rate of 5.00% plus the greater of the secured overnight financing rate (“SOFR”) and 3.00% per annum. The interest is compounded quarterly and is added to the principal loan amount prior to commercial production as defined in the Convertible Facility agreement. All interest incurred after the declaration of commercial production shall be payable in cash quarterly. Principal and capitalized interest are payable on June 27, 2027. The floating interest rate floor of 3.00% over the base rate has been

determined to be an embedded derivative that is closely related to the Convertible Facility, and is not required to be bifurcated and accounted for separately.

As of September 30, 2023, the Company accrued interest of \$488 on the Convertible Facility, which was added to the principal loan amount.

Nebari has the option to convert all or a portion of the Convertible Facility's outstanding principal into common shares of Ascot at a conversion price of C\$0.72 per share (the "Conversion Price"). The Company has the one-time right to convert up to 50% of the Convertible Facility's outstanding principal into common shares of Ascot in the event that for over 20 consecutive trading days, Ascot's shares' 30-day volume weighted average price ("VWAP") exceeds 145% of the Conversion Price (the "Conversion Trigger"). The Company may not force conversion if at any time after the Conversion Trigger the 30-day VWAP is less than 105% of the Conversion Price.

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

The proceeds from the Convertible Facility were measured at fair value of \$18,445 (US\$14 million) on inception. The related legal and due diligence costs of \$663 have been included in the determination of the amortized cost of the Convertible Facility, and will be amortized using the effective interest rate method. The effective interest rate is approximately 31.2% per annum.

The conversion feature within the Convertible Facility agreement has been determined to be an embedded derivative that is not closely related to the Convertible Facility, and is bifurcated and accounted for separately from the liability component. At each reporting period, the derivative will be fair valued with changes in fair value recorded as a gain or loss in the statement of profit or loss. The fair value of 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. On initial recognition and as at September 30, 2023, the fair value of the derivative was \$8,812 and \$5,063, respectively, resulting in a gain on change in fair value of the derivative of \$3,749.

The assumptions used in this valuation model, and the resulting fair value of the embedded derivative at September 30 and June 27, 2023 were as follows:

Maturity date:	June 27, 2027
Risk-free rate:	4.77%-5.24% and 4.24%-4.99%, respectively
Share price:	US\$0.2762 and US\$0.42 per share, respectively
Foreign exchange rate:	1.3520 and 1.3175, respectively
Expected volatility (rounded):	70%
Dividend yield:	\$Nil
Interest rate:	5.00% + 3-month SOFR, based on SOFR forward curve
Conversion price:	C\$0.72 per share
Conversion price cap:	C\$1.044 per share

The Company may elect to prepay the outstanding principal and accrued interest balance in whole or in part at any time. As part of this prepayment condition, Ascot issued to Nebari 25,767,777 unvested share warrants (the "Prepayment Warrants"). Voluntary prepayment is subject to the conditions of the Stream as well as vesting of a number of Prepayment Warrants that is equal to the quotient of the principal being prepaid divided by the initial US\$14 million advance, with each



Prepayment Warrant entitling the holder to purchase one Ascot common share at an exercise price equal to the Conversion Price.

The prepayment option has been determined to be an embedded derivative that is not closely related to the Convertible Facility, and therefore it must be bifurcated and accounted for separately. At each reporting period, the derivative will be fair valued with changes in fair value recorded as an expense in profit or loss. On inception and as at September 30, 2023 this derivative had an estimated fair value of \$Nil.

## **11. CAPITAL AND RESERVES**

### **a) Share capital**

The Company is authorized to issue an unlimited number of common shares with no par value. As at September 30, 2023, the number of total issued and outstanding common shares is 555,947,352 (December 31, 2022: 435,861,146).

On January 19, 2023, the Company closed a financing package, which included 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 was \$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.

In connection with the Strategic Investment, the Company paid advisor's fees and other share issuance fees in the amount of \$2,093. The net proceeds from the sale of the Common Shares are being 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. A premium of \$5,400 on the issuance of CDE Common Shares was recorded in other liabilities.

On April 20, 2023, the Company closed a non-brokered private placement consisting of 5,000,000 common shares of the Company that qualify as "flow-through shares," as defined in the Income Tax Act (Canada) (the "CEE FT Shares") at a price of \$0.81 per CEE FT Share for gross proceeds of \$4,050. In connection with the private placement, the Company paid fees and expenses in the amount of \$268. A premium of \$950 on the issuance of CEE FT Shares was recorded in other liabilities.

On May 2, 2023, the Company issued 5,457,073 common shares to SRSR for the partner alignment fee required under the Stream agreement (Note 6).

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During the nine months ended September 30, 2023, the Company issued 55,530 common shares for exercised stock options, 352,006 common shares for exercised deferred share units (“DSU”) and 721,597 shares for exercised restricted share units (“RSU”) and performance share units (“PSU”).

### b) Stock options

Total compensation expense related to stock options for the nine months ended September 30, 2023 was \$1,162 (nine months ended September 30, 2022: \$1,340). The unrecognized compensation cost for non-vested stock options at September 30, 2023 was \$684 (December 31, 2022: \$1,815).

As of September 30, 2023, the Company had outstanding and exercisable stock options as follows:

Range of price	Options outstanding			Options exercisable		
	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise price C\$
\$0.38 to \$0.49	9,218,412	4.18	0.44	3,541,442	4.18	0.44
\$0.50 to \$0.99	8,218,406	1.47	0.76	7,671,718	1.26	0.77
\$1.00 to \$1.35	6,417,230	2.75	1.18	5,548,098	2.65	1.19
	23,854,048	2.86	0.75	16,761,258	2.34	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, 2022	18,616,174	1.23
Granted	13,106,226	0.62
Cancelled	(56,447)	1.11
Expired	(7,881,125)	1.62
Outstanding at January 1, 2023	23,784,828	0.77
Granted	678,334	0.63
Exercised	(55,530)	0.45
Expired	(520,250)	1.34
Forfeited	(33,334)	0.69
Outstanding at September 30, 2023	23,854,048	0.75

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

During the nine months ended September 30, 2023, the Company granted 678,334 stock options at a weighted average exercise price of \$0.63 to its directors and employees. The weighted average assumptions used in the stock option pricing

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model and the resulting weighted average fair values per option for the options granted during the nine months ended September 30, 2023 were as follows:

Risk-free rate:	3.10%-4.08%
Expected life:	5 years
Expected volatility:	65.26%-66.24%
Expected dividends:	Nil
Weighted average fair value per option:	\$ 0.36

### 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 granted in 2022 and earlier. For the nine months ended September 30, 2023, no expense was recorded in the statement of comprehensive loss as stock-based compensation expense for RSUs and PSUs (nine months ended September 30, 2022: \$500).

The Company uses Ascot's closing stock price on the day prior to the grant date to estimate the fair value for deferred share units ("DSU"). The Company's DSUs vest immediately and may be redeemed when the individual ceases to be a director of the Company, following which the DSUs will be settled in cash or common shares of the Company at the election of the Board at the time of grant. During the nine months ended September 30, 2023, \$27 was expensed in the statement of comprehensive loss as stock-based compensation expense for DSUs (nine months ended September 30, 2022: \$190).

Movements in the number of RSUs and DSUs outstanding are as follows:

	Number of RSUs/PSUs	Number of DSUs
Outstanding at January 1, 2023	4,588,436	1,876,412
Granted	-	51,496
Exercised	(721,597)	(352,006)
Outstanding at September 30, 2023	3,866,839	1,575,902

The weighted average remaining contractual life of RSUs outstanding at September 30, 2023 is 3.6 years. The DSUs outstanding at September 30, 2023 expire one year after the individual ceases to be a director of the Company.

### d) Warrants

In March 2022, the Company issued 13,710,500 share purchase warrants exercisable for two years at an exercise price of \$1.25 per warrant. 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, 2023	13,710,500	1.25
Outstanding at September 30, 2023	13,710,500	1.25

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The weighted average remaining contractual life of the warrants outstanding at September 30, 2023 was 0.44 years.

Also, 25,767,777 unvested Prepayment Warrants were issued to Nebari (Note 10).

**12. GENERAL AND ADMINISTRATIVE COSTS**

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Wages, benefits and management fees	\$ 879	\$ 808	\$ 2,796	\$ 2,630
Legal and professional services	321	156	827	713
Office and administration expenses	184	152	537	389
Travel	39	50	88	92
Investor relations and shareholders costs	29	95	342	401
Land and property taxes	-	2	111	110
	\$ 1,452	\$ 1,263	\$ 4,701	\$ 4,335

**13. FINANCE EXPENSE**

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Accretion	\$ 356	\$ 141	\$ 751	\$ 446
Reclamation bond fee	137	151	426	410
Interest on office lease liability	7	11	22	35
	\$ 500	\$ 303	\$ 1,199	\$ 891

**14. OTHER INCOME**

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Interest income	\$ -	\$ 149	-	\$ 394
Flow through share premium	1,765	1,813	2,297	2,989
Other	-	96	1	97
	\$ 1,765	\$ 2,058	\$ 2,298	\$ 3,480

**15. RELATED PARTY TRANSACTIONS**

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

**a) Key Management Compensation**

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Salaries, short-term benefits and management fees	\$ 395	\$ 335	\$ 1,178	\$ 1,004
Project development costs	21	27	62	80
Share-based payment transactions	223	223	871	1,238
	\$ 639	\$ 585	\$ 2,111	\$ 2,322

**b) Other Related Party Transactions**

Included in accounts payable and accruals at September 30, 2023 is \$524 (December 31, 2022: \$630) due to related parties.

During the nine months ended September 30, 2023, key management personnel were granted 400,000 stock options at a weighted average exercise price of \$0.66. Using the Black-Scholes model, the fair value of the options granted to key management personnel was determined at \$153.

During the nine months ended September 30, 2023, two of the Company’s directors were granted a total of 51,496 DSUs in lieu of cash fees. 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 \$27.

**16. SEGMENT REPORTING**

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

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

**17. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>Nine months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2023</b>		<b>September 30, 2022</b>	
<b>Net changes in non-cash items included in mineral properties</b>				
Depreciation and amortization	\$	(209)	\$	(235)
Capitalized borrowing cost		18,632		4,054
Stock-based compensation		210		244
Change in estimate of reclamation provisions		12,868		(6,745)
Right-of-use assets		4,153		500
Accounts payable and accrued liabilities		23,597		(1,613)
	\$	59,251	\$	(3,795)
<b>Net changes in non-cash items included in financing activities</b>				
Portion of proceeds from Streaming agreement used to extinguish the Senior Debt	\$	35,186	\$	-
Payment of Senior debt with proceeds from Streaming agreement		(35,186)		-
Portion of proceeds from Convertible Facility used to extinguish the Convertible Debt		18,317		-
Payment of Convertible Debt with proceeds from Convertible Facility		(18,317)		-
	\$	-	\$	-

**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Fair value*

IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7") establishes a fair value hierarchy for financial instruments measured at fair value. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - applies to assets or liabilities for which there are unobservable market data.

The Company's 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 value of the liability component of the Convertible Facility approximates its fair value since only a short period of time has passed between the date of the debt inception (June 27, 2023) and September 30, 2023.

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

As at September 30, 2023	Fair value		
	Level 1	Level 2	Level 3
<b>Financial assets</b>			
Stream buyback option	\$ -	\$ -	\$ 10,910
	\$ -	\$ -	\$ 10,910
<b>Financial liabilities</b>			
Convertible facility - derivative portion	\$ -	\$ -	\$ 5,063
	\$ -	\$ -	\$ 5,063
<b>As at December 31, 2022</b>			
	Level 1	Level 2	Level 3
<b>Financial liabilities</b>			
Convertible debt - derivative portion	\$ -	\$ -	\$ 509
	\$ -	\$ -	\$ 509

### 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 (Note 3) 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. Substantially all of our cash and cash equivalents held with financial institutions exceeds government-insured limits. We seek to minimize our credit risk by entering into transactions with investment grade worthy and reputable financial institutions and by monitoring the credit standing of the financial institutions with whom we transact. We seek to limit the amount of exposure with any one counterparty. The carrying amount of financial assets represents the maximum credit exposure.

### Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company's significant financial instruments denominated in a foreign currency (U.S. dollar) are the Convertible Facility (Note 10) and cash in treasury account (Note 3). A 10% decrease (increase) of the value of the Canadian dollar relative to the U.S. dollar as at September 30, 2023 would result in an additional \$583 foreign exchange loss (gain) reported in the Company's statement of comprehensive loss for the nine months ended September 30, 2023 (nine months ended September 30, 2022: \$4,076).

*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 treasury accounts carried at variable interest rates and GICs carried at fixed interest rates. The Company's significant financial instruments valued using fluctuating risk-free interest rates are the stream buyback option (Note 6) and the derivative component of the Convertible Facility (Note 10). The Company's Convertible Facility and mining equipment lease liability are carried at floating interest rates. The Company has estimated that a one percentage point increase in the interest rate on its Convertible Facility would result in an additional \$47 of interest added to the balance of the Convertible Facility for the nine month ended September 30, 2023. 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 insignificant.

*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.

Contractual undiscounted cash flow requirements for financial liabilities as at September 30, 2023 were as follows:

	Less than 1 year	1-3 years	4-5 years	After 5 years	TOTAL
Trade and other payables	\$ 29,945	\$ -	\$ -	\$ -	\$ 29,945
Lease liabilities	1,547	2,548	1,343	-	5,438
Convertible Facility (Note 10)	-	4,702	22,456	-	27,158
	\$ 31,492	\$ 7,250	\$ 23,799	\$ -	\$ 62,541

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 Convertible Facility (Note 9). Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**19. CAPITAL MANAGEMENT**

The Company monitors its cash and cash equivalents, common shares, stock options and share units, and Convertible Facility 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 Stream agreement (Note 6), the Company is required to maintain a minimum of US\$5 million (or Canadian dollar equivalent) in unrestricted cash and cash equivalents, and positive working capital (working capital is defined as the excess of current assets over current liabilities excluding the current portion of the Credit Facilities and any premium portion of flow through shares). As of September 30, 2023, the Company was in compliance with these requirements.

There has been no significant change to the Company's capital management policies during the nine months ended September 30, 2023.