



Ascot Resources Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended September 30, 2019

(Expressed in thousands of Canadian dollars, except where indicated)

Report Date November 7, 2019

This Management's Discussion and Analysis ("MD&A") of Ascot Resources Ltd. ("Ascot" or the "Company") is dated November 7, 2019 and provides an analysis of our unaudited financial results for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The following information should be read in conjunction with the Company's audited consolidated financial statements and the related notes thereto for the nine months ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all currency amounts are expressed in thousands of Canadian dollars. Additional information about the Company, including the audited financial statements and the notes thereto, for the nine months ended December 31, 2018, prepared in accordance with IFRS, can be found on SEDAR at www.sedar.com and on the Company's website at www.ascotgold.com.

Ascot is a Canadian-based early-stage development and exploration company publicly traded on the Toronto Stock Exchange (the "TSX") (on the TSX Venture Exchange prior to October 1, 2019) and OTCQX under the symbols AOT and AOTVF respectively, focused on re-starting the historic past producing Premier gold mine, located in British Columbia's Golden Triangle. The Company continues to define high-grade resources for underground mining with the near-term goal of upgrading the underground resources into reserves, while continuing to explore nearby targets on its Premier and Silver Coin properties (collectively referred to as the Premier Gold Project), situated 25 kilometres north of the town of Stewart. On March 28, 2019, the Company completed the acquisition of IDM Mining Ltd. ("IDM"), the owner of the Red Mountain project located 15 kilometres northeast of the town of Stewart. The Company also has two other projects: Swamp Point, an aggregate mine in temporary closure located in British Columbia on the Portland Canal, and Mt. Margaret, a porphyry copper-molybdenum-gold-silver deposit located in Washington State, USA.

Q3 2019 AND RECENT HIGHLIGHTS

- In July and August, 2019, the Company announced four sets of drill results from the Big Missouri Ridge. The highlights of the drilling results included intercepts of 56.80g/t Au over 1.65m in hole P19-1911, 320g/t Au over 1.00m in hole P19-1954 and 48.9g/t Au over 1.00m in hole P19-1949.
- On September 5, 2019, the Company announced excellent drill results from its Silver Coin deposit acquired in 2018. The highlights of this release included 11.44g/t Au over 6.00m in hole P19-2025, 5.58g/t Au over 14.08m in hole P19-2024 and 6.45g/t Au over 4.06m in hole P19-2039.
- On September 10, 2019, the Company announced the initial results from three exploration drill holes targeting geophysical and deep anomalies southeast of the Big Missouri resource area and south of the Silver Coin deposit. The drill holes intercepted sulfide zones with anomalous gold, silver and base metals at the depth indicated by the geophysical data. The highlights of this release included 0.67g/t Au and 20.0 g/t Ag over 2.00m in hole P19-2049 and 0.22g/t Au and 3.1g/t Ag over 10.05m in hole P19-2049.
- On September 19, the Company announced excellent drill results from the past-producing Premier mine. Five holes intersected robust mineralization down-dip from historically mined stopes. The highlights of this release included 24.45 g/t Au over 8.43m in hole P19-2013 including 150 g/t Au over 1.0m and 7.34 g/t Au over 7.01m in hole P19-2009 including 30.4 g/t Au over 1.0m.
- On October 9, 2019, the Company announced the second set of drill results from the Silver Coin deposit. Highlights of this release included 13.14g/t Au over 4.10m in hole P19-2027, 17.35g/t Au over 2.55m in hole P19-2033 and 9.96g/t Au over 4.45m in hole P19-2031.
- On October 31, 2019, the Company announced the results of an updated mineral resource estimate for its Red Mountain project with 782,600 ounces of gold in measured and indicated resource and 69,300 ounces of gold in inferred resource, an increase of 198,000 ounces in comparison to the 2017 feasibility study or 78,000 ounces in comparison to the 2018 resource in measured and indicated categories.
- On September 30, 2019, the Company's common shares have been approved for listing on the TSX and commenced trading on the TSX at the opening of market on October 1, 2019. Concurrent with the TSX listing, the common shares of Ascot were de-listed from the TSX Venture Exchange. Ascot's trading symbol remained "AOT".

- The Company engaged a number of consulting engineering and environmental firms to assist the Company to undertake the feasibility study at Red Mountain and Premier and progressing the Mines Act and Environmental Management Act amendment applications for the Premier site.

2019 DRILLING PROGRAM

After the successful completion of the 2018 program at Premier, the Company targeted exploration at a number of new targets that were identified with geophysical induced polarization surveys in late 2018 and in the spring of 2019. The exploration program consists of drill testing exploration targets focusing on: new gold zones in the Unuk formation (deeper or adjacent to) known resources; Epithermal/VMS targets on the Dilworth contact in northeast of Premier property (Silver Hill) and new areas like Lost Valley at Red Mountain.

The Company planned infill and step out drilling from known mineralization and upgrading the classification of resources in priority areas of the property. This plan entailed drilling at Premier's Norther Lights and 602 areas and in the southern portions of the Big Missouri and Silver Coin deposits. This was followed by drilling the Prew zone and part of northern Big Missouri.

In order to successfully execute its exploration plans, on May 2, 2019, the Company undertook a best efforts combination of a brokered and non-brokered private placement offering of units (the "Units") and common shares which qualify as "flow-through shares" (within the meaning of subsection 66(15) of the Income Tax Act (Canada)) (the "Flow-Through Shares" and together with the Units, the "Securities") to investors for aggregate gross proceeds of \$10 million (the "Offering"). Each Unit was offered at a price of \$0.70 and included a common share and a common share purchase warrant at an exercise price of \$0.95 exercisable within one year of the closing date of the Offering. Each Flow-Through Share was offered at a price of \$0.76.

On May 7, 2019 and on May 15, 2019, the Company upsized the Offering to a total of \$15.2 million and \$15.7 million, respectively. On May 22, 2019, the Company closed the Offering, raising \$15.9 million by issuing 8,139,548 flow-through shares and 13,841,035 Units. In connection with the Offering, the Company paid the agents and finders cash fees and other share issuance fees in the amount of \$1,089 and issued 888,332 non-transferable warrants ("Compensation Warrants"). The Compensation Warrants are exercisable at \$0.95 per Compensation Warrant into common shares of the Company for a period of one year from the closing date of the Offering.

The proceeds from the Offering will be used primarily for exploration and resource upgrade drilling, permitting, engineering and economic studies and for general corporate and working capital purposes. Gross proceeds from flow-through shares will be used for the 2019 exploration program at the Premier Gold Project.

Subsequent to the close of the Offering, the Company expanded its 2019 drill program to approximately 52,000 metres comprising of infill drilling in Big Missouri, Silver Coin and Premier, geotechnical drilling at portal locations and exploration drilling on high priority targets including Silver Hill and Indian Ridge. The Company also completed additional ground geophysical survey of 3,000 metres north of Silver Hill. By the end of September, the infill drilling program was completed while exploration drilling continued until mid-October. Remaining assay results will be received and announced in the next few months.

Q3 2019 OPERATING OVERVIEW

Premier Gold Project

The Premier Gold Project includes the previously separated Premier, Dilworth and Silver Coin properties which are now consolidated and host the Premier, Silver coin and Big Missouri deposit. Each deposit is accessible through historic underground infrastructure. Since October 2017, the Company has been focusing on identifying and developing high-grade underground resources, engineering and environmental studies to restart the mill facility. The Company published an updated independent National Instrument 43-101 ("NI 43-101") mineral resource estimate for the Premier Gold Project. The updated NI 43-101 resource estimate for the Premier Gold Project reported 667,000 ounces of gold and 2.34 million

ounces of silver in the Indicated category, and 1.39 million ounces of gold and 4.65 million ounces of silver in the Inferred category. The 2019 drill program focuses on upgrading the inferred resources to the indicated category, to allow for developing a mining plan for a feasibility study in Q1 2020. Several engineering firms have been engaged to complete the feasibility study. Additional engineering and test work are being undertaken to optimize the mine plan and metallurgy as well as a class 3 estimate of the mill refurbishment based on a site inspection. Further work is being completed on a tailings upgrade to best alternative technology, site infrastructure upgrades, water treatment and baseline environmental studies.

On February 15, 2019, both the BC Environmental Assessment Office and the Canadian Environmental Assessment Agency confirmed that the Premier Gold Project is not reviewable under the regulation. The Company is undertaking advanced engineering studies related to the Mines Act Permit Amendment ("MAPA") and Environmental Management Act Amendment ("EMA") for the Premier Gold Project in order to re-activate the Company's mining permit to "Active" status. These activities are comprehensive and significant progress has been made to date on the respective projects. The Company is expected to submit the MAPA application once the engineering studies are completed

Red Mountain Project

On January 7, 2019, the Company entered into a definitive arrangement agreement with IDM pursuant to which Ascot would acquire all of the issued and outstanding common shares of IDM (the "Transaction"). Each IDM shareholder was entitled to receive 0.0675 of a common share of Ascot for each share of IDM held. The Transaction was approved by the securityholders of IDM on March 20, 2019 and closed on March 28, 2019. The Transaction consolidates Ascot's Premier Gold Project and IDM's Red Mountain Project, to create the leading high-grade gold development and exploration company in northwestern British Columbia's Golden Triangle. The combined entity benefits from numerous operational and development synergies.

In connection with the Transaction, a former IDM independent director Ms. Andrée St-Germain was appointed to the Board of Directors of Ascot. Ms. St-Germain is the Chief Financial Officer of Integra Resources Corp. and is an experienced mining finance executive with an extensive background in banking, mining finance and financial management.

The 17,125-hectare Red Mountain Project is located 15 km northeast of the town of Stewart and within Nisga'a Nation traditional territory. A previous Feasibility Study announced by IDM in June 2017 confirmed the positive economics for a near-term, high-grade, bulk mineable underground gold operation at Red Mountain.

On August 28, 2018, the Red Mountain Project was referred by the BC EAO to the Minister of Energy, Mines and Petroleum Resources and the Minister of Environment for consideration and granted an Environmental Assessment Certificate on October 5, 2018.

On April 10, 2019, the Company and Nisga'a Nation entered into a Benefits Agreement (the "Agreement") for the Red Mountain Project. The comprehensive Agreement sets the basis for a long-term success of the project, which will benefit Nisga'a Nation, its citizens, and businesses as well as the shareholders, management and employees of Ascot. The Nisga'a Nation has rights and interests as set out under the Nisga'a Final Agreement with Canada and British Columbia, encompassing the entirety of the Red Mountain Project property.

On October 31, 2019, the Company announced the results of an updated mineral resource estimate on the Red Mountain Project, which incorporated the results of drilling completed during Q4 2018. The updated mineral resource estimate included 782,600 ounces of gold in measured and indicated resource and 69,300 ounces of gold in inferred resource, an increase of 198,000 ounces in comparison to the 2017 feasibility study or 78,000 ounces in comparison to the 2018 resource in measured and indicated categories.

Ascot is currently completing engineering work to produce an updated mine plan and feasibility study that takes into account the recent drilling and updated resources. Major components of the study are being executed by a number of major engineering firms. The studies are progressing well and are expected to be completed in Q1 of 2020.

Mt. Margaret Project

The Mount Margaret porphyry copper-molybdenum-gold-silver deposit is located 22.5 kilometres southwest of Randle Washington in Skamania county in Southwest Washington State.

Ascot obtained property title to the 50% undivided private mineral interests on the lands on a private land package MS-708 and the government of the United States owns the other 50% interest. Ascot has the right to earn a 100% interest the property subject to a 1.5% NSR and a negotiated federal royalty.

On December 6, 2018, the Bureau of Land Management ("BLM") released its Decision Record for Hardrock Prospecting Permit Applications with a Finding of No Significant Impact ("FONSI") related to two prospecting permits that had been submitted by Ascot regarding its Mt. Margaret property. Previously the United States Forest Service ("USFS") released its final decision to consent to the BLM to issue prospecting permit applications on February 8, 2019. The prospecting permits grant Ascot the exclusive right to prospect on and explore for hardrock mineral deposits during the term of the permits. Any future proposal for leasing and site development would be subject to public notification, separate National Environmental Policy Act analysis, and administrative action by the BLM and USFS. Both BLM decision and USFS decisions were subject to appeal period (45-day and 30-day respectively). Subsequently, there have been appeals and lawsuits against BLM and USFS decisions. In June 2019, the Company filed a Motion to Intervene to move under U.S. Federal Rule of Civil Procedure 24(a) and (b) to intervene in this action and the Court entered a minute order granting the Company's motion to intervene.

Swamp Point Project

Ascot acquired the aggregate deposit in 2002 to access potential local markets such as the port expansions in Prince Rupert along with the California markets, which were quickly running out of readily available local supply. Surface transport costs are much higher than seaborne transport making BC source aggregate cost competitive. The property is subject to two royalties; one to the BC Provincial Government and one to a private company owned by the former management of Ascot. The project was put on care and maintenance in 2008 as a result of the economic downturn.

The site has some existing onsite infrastructure and a deep-water port, giving it the advantage of being able to re-start within a short lead time, with some further site preparation required. The Company is seeking to divest Swamp Point, which it considers a non-core asset, and use proceeds from the sale for general working capital purposes and to assist in funding the Company's Premier Gold Project.

The Company considers Swamp Point a non-core asset, which the Company is seeking to divest. The proceeds from any sale or other monetization of the project would be used to advance the Premier Gold Project. Ascot has engaged a financial advisory firm to assist in the sales process. To date, the advisory firm has been assisting the Company in the identification of potential purchasers, facilitating the exchange of information between parties and the analysis of possible transaction terms.

MANAGEMENT'S OUTLOOK FOR 2019

Management is planning a number of activities for the calendar year 2019, which include:

- Exploration drilling to follow up high priority geophysical anomalies in previously unexplored areas.
- Adding high-grade resources to what has been previously announced. This includes infill drilling at Premier, Big Missouri and Silver Coin deposits for the purpose of upgrading a portion of selected inferred resources to the indicated category to allow the conversion of resources to reserves at pre-feasibility or feasibility study level.
- Updating resources and the feasibility study in Q1 of 2020.
- Continuing consultation with local communities and First Nations.
- Continuing ground water, climate and ecological studies related to re-starting the Premier mine.
- Preparing the Mines Act Permit Amendment application for the Premier Gold Project

SUMMARY OF RESULTS

The consolidated financial statements of the Company to which the MD&A relates have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Operations

For the nine months ended September 30, 2019 compared with the nine months ended September 30, 2018:

The Company reported a net loss of \$4,825 for the nine months ended September 30, 2019 compared to a net loss of \$6,442 for the same period of 2018. The loss in the current period was lower mainly due to the absence of deferred income tax expense (period ended September 30, 2018: \$2,448) and an accounting gain of \$1,496 on convertible debt valuation (period ended September 30, 2018: \$Nil). These gains were partially offset by finance expenses of \$1,144 (period ended September 30, 2018: \$Nil), higher general and administrative (G&A) costs of \$5,220 (period ended September 30, 2018: \$4,677), lower gain on flow-through share premium of \$700 (period ended September 30, 2018: \$1,115) and an accounting loss of \$710 on marketable securities (period ended September 30, 2018: \$Nil).

There was no deferred income tax expense in the nine months ended September 30, 2019, as the Company expects to have sufficient deferred tax assets arising from the Canadian tax losses to offset its deferred tax liabilities arising from exploration and evaluation assets. The accounting gain of \$1,496 on convertible debt for the nine months ended September 30, 2019 is related to the convertible note issued by the Company in January 2019, which is segregated into a liability and an embedded derivative component for accounting purposes. The fair value of the embedded derivative is then calculated using the Black-Scholes option pricing model, which uses the Company's stock price and its expected volatility, based on the historical volatility of the Company's stock over a term equal to the remaining term of the convertible note. As the Company's stock price was lower during the period, the fair value of the embedded derivative was lower resulting in an accounting gain.

Finance expenses of \$1,144 for the nine months ended September 30, 2019 consisted of \$703 interest on the convertible debt, \$344 accretion expense on the Company's asset retirement obligations and \$97 reclamation bond fee. The Company did not have any debt during the nine months ended September 30, 2018.

G&A costs for the nine months ended September 30, 2019 increased by \$543 mainly due to higher employee wages and benefits of \$1,378 (period ended September 30, 2018: \$916) as well as higher management fees, depreciation expense, legal and professional fees, office and administration expenses and investor relations and shareholder costs. Employee salaries and benefits were higher in the current period due to additional employees from Boliden and IDM after the acquisitions completed in October 2018 and in March 2019 respectively. Those increases in G&A costs were partially offset by lower share-based compensation expense of \$1,352 (period ended September 30, 2018: \$2,101). Share-based payment, a non-cash cost, reflects the amortization of the estimated fair value of stock options over their vesting period. During the period ended September 30, 2019, the Company granted 3,200,000 stock options (period ended September 30, 2018: 550,000 stock options granted) except those issued under the terms of the IDM acquisition.

Interest income of \$230 for the period ended September 30, 2019 (period ended September 30, 2018: \$172) reflects interest earned on cash held on deposit and invested in short-term market instruments.

Ascot Resources Ltd
MANAGEMENT'S DISCUSSION AND ANALYSIS
Nine months ended September 30, 2019

(Expressed in thousands of Canadian dollars, except where indicated)

Key operating statistics and financial results for the last eight quarters are provided in the table below:

C\$000	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Mineral property cost deferred	8,641	6,676	36,338	18,684	4,449	5,200	654	2,219
G & A expense, excluding share-based payments	1,294	1,395	1,179	1,393	965	809	802	636
Share-based payments	307	870	175	191	535	577	989	4,083
Property maintenance costs	69	157	37	133	137	127	339	121
Net income (loss)	(2,215)	(1,274)	(1,336)	10,103	(1,865)	(1,987)	(2,590)	(5,012)
Income (loss) per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 0.06	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)

Factors that can cause fluctuations in the Company's quarterly results include the nature and extent of exploration activities carried out under specific work program, finance expenses, stock option grant and vesting, and issuance of shares. Over the past eight quarters, the Company has been focused mainly on the exploration and development of its Premier Gold Project near Stewart, BC. The Company carried out an exploration program on the Premier Gold Project in 2018 and has its 2019 exploration program wrapping up in October 2019.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

During the nine months ended September 30, 2019, the Company issued 58,100,859 common shares, 3,200,000 stock options and 14,729,367 stock warrants. Also, 3,077,625 stock options expired and 6,750 stock options were cancelled during this period. The Company also issued 715,500 stock options and 4,309,128 warrants for its acquisition of IDM. The cost of the stock options and warrants issued was recorded as a part of the acquisition price of IDM and did not affect the Company's general and administrative expenses.

The Company considers its capital structure to be primarily through shareholders' equity and convertible debt. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As an exploration stage company, the Company is unable to finance its operations from cash flow and has relied primarily on equity and debt financings.

Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

Liquidity

On January 21, 2019, the Company entered into a subscription and note agreement related to a convertible loan ("the Note") for gross proceeds of US\$10 million. The Note will mature in two years with an interest rate between 8% and 8.5% and subject to certain terms will be convertible into common shares in the capital of the Company at a conversion price of US\$1.13 per share. The proceeds of the Note are being used to fund a convertible loan by the Company to IDM, the development of the Premier Gold Project and for other general corporate purposes of the Company.

On May 22, 2019, the Company raised \$15,874 by issuing 8,139,548 flow-through shares at \$0.76 per share and 13,841,035 units (the "Units") at \$0.70 per Unit, with each Unit comprising of one common share in the capital of the Company and one common share purchase warrant exercisable for one year at an exercise price of \$0.95 per warrant ("the Offering"). In connection with the Offering, the Company paid the agents and finders cash fees and other share issuance fees in the amount of \$1,089 and issued 888,332 non-transferable warrants ("Compensation Warrants"). The Compensation Warrants are exercisable at \$0.95 per Compensation Warrant into common shares of the Company for a period of one year from the closing date of the Offering.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Nine months ended September 30, 2019

(Expressed in thousands of Canadian dollars, except where indicated)

As at September 30, 2019, the Company had working capital of \$8,635 (December 31, 2018: \$5,745). As at September 30, 2019, cash totaled \$10,682, an increase of \$4,152 from December 31, 2018 cash balance. The increase was due to proceeds of \$12,728 from the issuance of the Note, proceeds of \$14,800 (net of issue costs) from the Offering and return of \$1,098 environmental bond. The increase was partially offset by operating activities of \$5,785; deposits of \$1,939 for environmental bonding; expenditures on mineral properties of \$13,343; acquisitions of property, plant and equipment of \$57 and bridge loan of \$3,350 issued to IDM prior to its acquisition. The Company expects to have sufficient funds to meet its obligations in 2019.

SEGMENT INFORMATION

The Company is principally engaged in the acquisition, exploration, evaluation and development of mineral properties. The Company has two geographic centres, Canada and the US. The United States assets relate solely to expenditures on the Mt. Margaret property, which is included in exploration and evaluation assets at September 30, 2019 at \$5,379 (December 31, 2018: \$5,352). All of the Company's material assets are located in Canada.

RELATED PARTY TRANSACTIONS

Included in accounts payable at September 30, 2019 is \$41 (December 31, 2018: \$213) due to key management personnel.

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Salaries and short-term benefits	\$ 100	\$ 90	\$ 309	\$ 215
Management fees	153	113	458	360
Exploration and evaluation costs	25	-	59	86
Share-based payment transactions	241	497	1,040	1,877
	\$ 519	\$ 700	\$ 1,866	\$ 2,538

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements.

Areas of judgment and estimates that have the most significant effect on the amounts recognized in the financial statements are:

Impairment of long-lived assets

Management assesses the possibility of impairment in the carrying value of its long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Significant judgments are made in assessing the possibility of impairment. Management considers several factors in considering if an indicator of impairment has occurred, including but not limited to, indications of value from external sources, significant changes in the legal, business or regulatory environment, and adverse changes in the use or physical condition of the asset. These factors are subjective and require consideration at each period end. If an indicator of impairment is determined to exist, management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually

determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange rates, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset.

Income taxes

Management must make estimates and judgments in determining the provision for income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits including interest and penalties. The Company is subject to income tax law in the United States and Canada. The evaluation of tax liabilities involving uncertainties in the application of complex tax regulation is based on factors such as changes in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues. The evaluation of an uncertain tax position requires significant judgment, and a change in such recognition would result in an additional charge to the income tax expense and liability.

Stock-based compensation

Compensation expense for options granted to employees, directors and certain service providers is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected life, expected forfeiture rate, expected dividend yield and the risk-free interest rate over the expected life of the option. The use of the Black-Scholes option pricing model requires input estimation of the expected life of the option, volatility, and forfeiture rate which can have a significant impact on the valuation model, and resulting expense recorded.

Provision for decommissioning and site restoration

The future obligations for site closure activities are estimated by the Company based on the laws and regulations of the countries in which it operates, with due consideration to the fact that the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resources companies. As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the site closure activities are to be carried out.

NEW ACCOUNTING PRONOUNCEMENTS

Certain recent accounting pronouncements have been included under Note 3 in the Company's December 31, 2018 audited consolidated financial statements.

On January 1, 2019, the Company adopted IFRS 16, Leases, which specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The adoption of this new standard has not had a material impact on the financial position and results of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, interest and other receivables, reclamation bond, trade and other payables, convertible note and other liabilities. The recorded amounts of cash and cash equivalents, interest and other receivables, reclamation deposits, trade and other payables, convertible note and other liabilities approximate their respective fair values due to their short-term nature.

Credit risk

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

Currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company's significant financial instruments denominated in foreign currency (US dollar) as at September 30, 2019 are the convertible note (Note 11), and term deposit (Note 5). A 10% decrease (increase) of the value of the Canadian dollar relative to the US dollar as at September 30, 2019 would result in an additional \$945 foreign exchange loss (\$967 foreign exchange gain) reported in the Company's statement of comprehensive loss for the nine months ended September 30, 2019.

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 at bank and GIC's carried at fixed interest rates. 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 policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company ensures 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. Most of the Company's financial liabilities have contractual maturities of less than 12 months and are subject to normal trade terms.

OUTSTANDING SHARE DATA

As at November 7, 2019, the Company had 232,478,810 common shares outstanding, 15,223,500 stock options outstanding and 19,088,005 share purchase warrants outstanding.

RISKS AND UNCERTAINTIES

The Company's securities should be considered a highly speculative investment and investors are directed to carefully consider all of the information disclosed in the Company's Canadian and U.S. regulatory filings prior to making an investment in the Company, including the risk factors discussed under the heading "Risk Factors" in the Company's most recent Annual Information Form ("AIF") dated March 26, 2019 available on SEDAR at www.sedar.com and www.sec.gov.

Resource exploration is a speculative business and involves a high degree of risk. There is a significant probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis for further development of a property. Capital expenditures to attain commercial production stage are also very substantial. There have been no material changes in the risks and uncertainties affecting the Company that were discussed in the Company's December 31, 2018 MD&A that was filed on SEDAR on March 26, 2019.

Cautionary Note

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled"; "estimates": "forecasts": "intends": "anticipates", or results "may", "could"; "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of minerals; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this document and the Corporation disclaims any obligation to update any forward- looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.